

Focus on MCC's
Principal Business
for a Better Future

2014

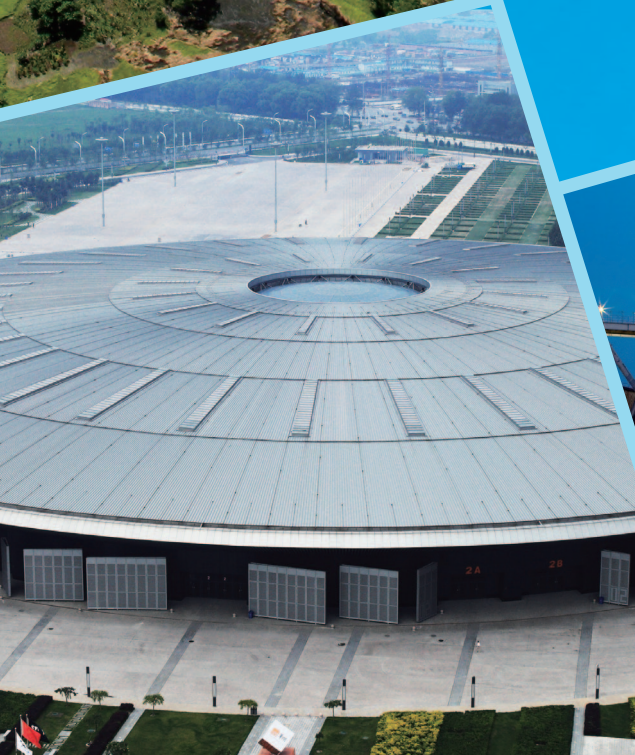


中國冶金科工股份有限公司
METALLURGICAL CORPORATION OF CHINA LTD.*

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

Stock Code: 1618

2014 ANNUAL REPORT



* For identification purpose only

Contents

Chairman's Statement	2
Corporate Information	4
Company Profile	6
Financial Highlights	8
Report of Directors	12
Management Discussion and Analysis	55
Significant Events	71
Changes in Share Capital and Particulars of Shareholders	82
Particulars of Directors, Supervisors, Senior Management and Staff	87
Corporate Governance Report	100



Independent Auditor's Report	114
Consolidated Balance Sheet	116
The Company's Balance Sheet	119
Consolidated Income Statement	121
The Company's Income Statement	123
Consolidated Statement of Changes in Shareholders' Equity	124
The Company's Statement of Changes in Shareholders' Equity	126
Consolidated Statement Cash Flows	128
The Company's Cash Flows Statement	130
Notes to the Consolidated Financial Statements	132
Other Financial Information	357
Definitions and Glossary of Technical Terms	358



CHAIRMAN'S STATEMENT



Guo Wenqing Chairman

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

I am very grateful for your long-term care and support to MCC. I hereby present the 2014 Annual Report to the Shareholders on behalf of the board of directors of the Company.

The year of 2014 was a year when MCC continued to endeavour to advance, stride forward and achieve good results.

Over the past year, confronted with the complex environment at home and abroad and the market environment with narrowing space and intensifying competition, MCC adhered to the development vision of "focusing on the core businesses in building a better MCC" and energetically carried forward the MCC spirit of being down-to-earth and pragmatic focusing on the principle of "without wasting one day, without being lazy for one day" (一天也不耽誤、一天也不懈怠) to strive to lay and strengthen a solid foundation. With reform and innovation as the driving force and the quality and efficiency enhancement as the objective, all of the Company's operating indicators increased in an adverse market condition. During the Reporting Period, the aggregate value of newly signed contracts of the Company amount to RMB329,794 million, representing a year-on-year increase of 29.18%; the operating revenue of the Company amounted to RMB215,786 million, representing a year-on-year increase of 6.46%; whilst its profit amounted to RMB6,705 million, representing a year-on-year increase of 26.60%. The Company recorded net profit attributable to shareholders of the company of RMB3,965 million, representing a year-on-year increase of 33.01%. The MCC Group, with MCC as its core asset, ranked the 354th in Top 500 Global Enterprises (世界企業500強), and the 10th in Top 250 Global Contractors, which were selected by ENR (《工程新聞記錄》) in the United States.

This achievement was not easy! It resulted from efforts of all MCC staff with strict adherence to the guideline of "focusing on the core businesses in building a better MCC" (聚焦中冶主業·建設美好中冶), which is proved to be effective for its sustainable development. It is the achievement resulting from hard work of a strong team of the Company that "can fight for a battle and win a battle" (能打仗·打勝仗). It is also attributable to strong support of our investors and various sectors of the society.

Looking forward in 2015, MCC was confronted with the golden opportunity of market development. On one hand, the iron and steel industry is in the period of large reform, large adjustment and large promotion. Under the heavy pressure of energy conservation and environmental protection, transfer of overcapacity and enterprise relocation, there was an obvious demand of transformation of energy conservation and elimination of overcapacity, with the overall recovery of the metallurgical market. Equipped with the absolute advantage like the "national team" in the iron and metallurgical industry, MCC possessed the incomparable core technique, continuous innovation capacity, irreplaceable integration advantages in the metallurgical chain, which could promote the transformation and upgrade as well as the high-end manufacturing of the iron and steel enterprises. On the other hand, "One Belt and One Road" (一帶一路) and the synergetic development of the Beijing-Tianjin-Hebei Region and Yangtze River Economic Zone provided expansive development space for the Company in various sectors, including the infrastructure, livelihood services, productive services, and strategic emerging industries. Depending on its unique professional technical advantages and the comprehensive integration advantages of project management, MCC has successfully achieved the overall transformation. Therefore, it is absolutely possible for us to take the new express of development.

Dear Valued Shareholders, the historical efforts and the previous satisfactory performance present a bright future for MCC. With new opportunities, MCC will continue to firmly adhere to the development vision of "focusing on the core businesses in building a better MCC" (聚焦中冶主業·建設美好中冶), and pursue the core value of "efficiency creates value; innovation drives development; quality makes eternity" (效率創造價值·創新驅動發展·品質鑄就永恆) to create an updated version of "four beams and eight columns" (四梁八柱) business system, and redevelop a new advantage of the "outstanding MCC", thus striving to become the strongest, the best and the largest "national team" offering metallurgical construction and operational services in the world, with a view to rewarding our Shareholders and society with larger development and better results.

周文清

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)

* For identification purpose only

CORPORATE INFORMATION

H Share registrar and transfer office	Computershare Hong Kong Investor Services Limited
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 (Special General Partnership)
Office address of the auditor	8th Floor, Tower W2, The Towers, Oriental Plaza 1 East Chang An Avenue Beijing, PRC
PRC legal advisor	Beijing Dacheng Law Office
Office address of the PRC legal advisor	7/F, Parkview Green FangCaoDi, No.9, Dongdaqiao Road, Chaoyang District, Beijing, China
Hong Kong legal advisor	Latham & Watkins
Office address of the Hong Kong legal advisor	18th Floor, One Exchange Square, 8 Connaught Place Central, Hong Kong

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 main board of the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited on 21 September 2009 and 24 September 2009 respectively.

Making technological innovation and the commercialization thereof as its core competitiveness, and relying on its strong construction capabilities in metallurgical engineering, the Company is a large conglomerate operating in various specialised fields, across different industries and countries, with engineering and construction contracting, property development, equipment manufacturing and resources development as its principal businesses. 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 have been selected to be a constituent stock of, among others, the SSE 180 Index, Shanghai-Hong Kong Stock Connect 300 Index, CSI 300 Value Index, and CSI 800R Value Index, while the H Shares have been selected to be a constituent stock of, among others, the Hang Seng Composite Index, Hang Seng China AH A+H Index, Bloomberg Industrial Global Index and S&P China BMI Index.

As at 31 December 2014, the Company has 53 principal wholly-owned or controlling 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 Metallurgical Construction Engineering Group Co., Ltd.
Beijing MCC Equipment Research & Design Corporation Ltd.	China MCC 19 Group Co., Ltd.
China ENFI Engineering Co., Ltd.	China MCC 20 Group Co., Ltd.
MCC Capital Engineering & Research Incorporation Limited	China 22 MCC Group Co., Ltd.
CISDI Group Corp. Ltd.	Shanghai Baoye Group Corp., Ltd.
WISDRI Engineering & Research Incorporation Limited	China Huaye Group Co., Ltd.
Huatian Engineering & Technology Corporation, MCC	MCC Baosteel Technology Services Co., Ltd.
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	MCC Hi-Tech Engineering Co., Ltd.
Zhong Ye Chang Tian International Engineering Co., Ltd.	MCC Communication Engineering Technology Co., Ltd.
Beris Group Corporation	MCC Mining (Western Australia) Pty Ltd.
Northern Engineering & Technology Corporation, MCC	MCC Tongsin Resources Ltd.
Shen Kan Engineering & Technology Corporation, MCC	MCC Australia Holding Pty Ltd.

COMPANY PROFILE

Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	MCC-JJJ Mining Development Company Limited
China First Metallurgical Group Co., Ltd.	Ramu NiCo Management (MCC) Limited
China Second Metallurgical Group Corporation Limited	MCC Real Estate Group Co., Ltd.
China MCC 3 Group Co., Ltd.	MCC Finance Corporation Ltd.
China MCC 5 Group Co., Ltd.	MCC Finance Leasing Co., Ltd.
MCC TianGong Group Corporation Limited	MCC International Incorporation Ltd.
China MCC 17 Group Co., Ltd.	MCC Overseas Ltd.
China MCC International Economic and Trade Co., Ltd.	MCC Maanshan I&S Design and Research Institute Co., Ltd.
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	Anshan Engineering & Research Incorporation of Metallurgical Industry
MCC Holding (Hong Kong) Corporation Limited	Anshan Coking and Refractory Engineering Consulting Corporation
MCC-SFRE Heavy Industry Equipment Co., Ltd.	Changsha Metallurgical Design & Research Institute Co., Ltd.
Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd.	Shenyang Institute of Geotechnical Investigation Corporation, MCC
Wuhan Iron and Steel Design & Research Incorporation Limited	China 13th Metallurgical Construction Corporation
MCC Northeast Construction Development Co., Ltd.	Qianhai MCC (Shenzhen) International Trading Co., Ltd.
MCC International Investment Development Co., Ltd.	

FINANCIAL HIGHLIGHTS

1. OVERVIEW

The Company's financial position as at 31 December 2014 and the operating results for 2014 are highlighted as follows:

- Operating revenue amounted to RMB215,786 million, representing a year-on-year increase of RMB13,096 million or 6.46% from RMB202,690 million in 2013.
- Operating profit amounted to RMB5,290 million, representing a year-on-year increase of RMB869 million or 19.66% from RMB4,421 million in 2013.
- Net profit amounted to RMB4,341 million, representing a year-on-year increase of RMB1,263 million or 41.03% from RMB3,078 million in 2013.
- Net profit attributable to shareholders of the listed company amounted to RMB3,965 million, representing a year-on-year increase of RMB984 million or 33.01% from RMB2,981 million in 2013.
- Basic earnings per share amounted to RMB0.21, and the basic earnings per share of 2013 amounted to RMB0.16.
- As at 31 December 2014, total assets amounted to RMB325,978 million, representing an increase of RMB3,094 million or 0.96% from RMB322,884 million as at 31 December 2013.
- As at 31 December 2014, total equity amounted to RMB58,025 million, representing an increase of RMB2,960 million or 5.38% from RMB55,065 million as at 31 December 2013.
- Value of newly-signed contracts amounted to RMB329,794 million, representing a year-on-year increase of RMB74,505 million or 29.18% from RMB255,289 million in 2013.

FINANCIAL HIGHLIGHTS

2. REVENUE FROM PRINCIPAL BUSINESS SEGMENTS

During the Reporting Period, revenue of the principal business segments are as follows:

- Engineering and construction business

Segment revenue amounted to RMB178,416 million, representing an increase of RMB13,234 million or 8.01% from RMB165,182million in 2013.
- Property development business

Segment revenue amounted to RMB22,853 million, representing a decrease of RMB3,525 million or 13.36% from RMB26,378 million in 2013.
- Equipment manufacturing business

Segment revenue amounted to RMB10,235 million, representing a decrease of RMB696 million or 7.29% from RMB9,539 million in 2013.
- Resources development business

Segment revenue amounted to RMB4,264 million, representing an increase of RMB928 million or 27.84% from RMB3,336 million in 2013.
- Other businesses

Segment revenue amounted to RMB3,099 million, representing an increase of RMB426 million or 15.94% from RMB2,673 million in 2013.

Note: The segment revenue above is the revenue before inter-segment elimination.

FINANCIAL HIGHLIGHTS

3. SUMMARY OF FINANCIAL STATEMENTS

Summary of financial statements prepared in accordance with CAS

*Consolidated Income Statement
January to December 2014*

Unit: RMB '000

Item	Note	Amount for the year	Amount for last year
I. Total revenue		215,785,772	202,690,241
Including: revenue	VII 51	215,785,772	202,690,241
II. Total operating cost		211,526,719	198,650,963
Including: Operating cost	VII 51	187,884,556	175,112,261
Operating taxes and surcharges	VII 52	5,712,644	5,723,373
Selling and distribution expenses	VII 53	1,500,231	1,617,470
General and administrative expenses	VII 54	9,108,267	9,449,306
Financial expenses	VII 55	4,022,637	4,459,771
Asset impairment losses	VII 56	3,298,384	2,288,782
Add: Gains (losses) on changes in fair value	VII 57	(22,473)	39,355
Investment income (losses)	VII 58	1,053,667	342,812
Including: Share of profit of associates and joint ventures		(96,238)	(126,532)
III. Operating profit		5,290,247	4,421,445
Add: Non-operating income	VII 59	1,699,134	1,046,500
Including: Gains on disposal of non-current assets		123,154	288,747
Less: Non-operating expenses	VII 60	284,076	171,432
Including: Losses on disposal of non-current assets		36,318	48,108
IV. Total profit		6,705,305	5,296,513
Less: Income tax expenses	VII 61	2,363,950	2,218,717
V. Net profit		4,341,355	3,077,796
Attributable to equity holders of the Company		3,964,938	2,980,864
Minority interest		376,417	96,932

FINANCIAL HIGHLIGHTS

*Consolidated Income Statement
January to December 2014*

Unit: RMB '000

Item	Note	Amount for the year	Amount for last year
VI. Other comprehensive income net of tax	VII 62	108,064	305,226
(I) Other comprehensive income that can not be reclassified to profit and loss in subsequent periods		(140,781)	308,466
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans		(140,781)	308,466
(II) Other comprehensive income that will be subsequently reclassified to profit and loss		248,845	(3,240)
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method		—	99
2. Gains and losses from changes in fair value of available-for-sale financial assets		130,276	(40,968)
3. Exchange differences from retranslation of financial statements		118,569	37,629
Net other comprehensive income after tax attributable to shareholders of the Company		117,624	400,464
Net other comprehensive income after tax attributable to minority interests		(9,560)	(95,238)
VII. Total comprehensive income		4,449,419	3,383,022
Total comprehensive income attributable to shareholders of the parent company		4,082,562	3,381,328
Total comprehensive income attributable to minority interests		366,857	1,694
VIII. Earnings per share:	XV 3		
(I) Basic earnings per share (RMB/Share)		0.21	0.16
(II) Diluted earnings per share (RMB/Share)			

Summary of Consolidated Total Assets and Total Liabilities

Unit: RMB '000

	As at 31 December 2014	2013
Total assets	325,978,479	322,884,439
Total liabilities	267,953,971	267,819,220
Total equity	58,024,508	55,065,219

REPORT OF DIRECTORS

I. BUSINESS OVERVIEW

(I) Business Segments of the Company

1. Engineering and Construction Business

(1) Industry Overview

In 2014, the Chinese economy maintained a good operation as a whole, with a GDP of RMB63.6 trillion, representing a growth of 7.4% from 2013 in terms of comparable prices. The nationwide investment maintained a relatively rapid growth with improved investment structure. In 2014, the total fixed-assets investment amounted to RMB51,276.1 billion, representing an increase of 15.3% from 2013 or a real increase of 14.7% after deducting price factor.

In 2014, the total output of the construction industry of China maintained a relatively rapid growth and recorded an amount of RMB17,671.3 billion, representing a year-on-year growth of 10.2%. Affected by various factors such as the domestic and overseas economic situations, the growth of the iron and steel market demand decelerated. Due to the overcapacity and limitation of the expansion of production scale of iron and steel companies, part of the production capacity was transferred abroad.

Viewing from the market of metallurgical engineering which is more relevant to the engineering and construction business of the Company, in 2014, under the background that the increase in additional production capacity of the iron and steel industry was restricted by the national macro-control policy, iron and steel companies took positive measures to step up adjustments to industrial structure, actively phase out outdated capacity and intensify their work on energy conservation and emission reduction. The fixed-asset investment of ferrous metal metallurgy and rolling processing industry throughout the country in 2014 amounted to RMB478.9 billion, representing a year-on-year decrease of 5.9%, suggesting an end to the large-scale and high-intensity construction period of the domestic iron and steel industry. As for the non-ferrous metallurgy in 2014, the nationwide fixed-asset investment of the non-ferrous metal mining and processing industry was RMB763.6 billion, representing a year-on-year growth of 2.9% while the fixed-asset investment of the smelting and rolling processing industry for nonferrous metals was RMB577.0 billion, representing a year-on-year growth of 4.1%. Generally speaking, the focus of metallurgical engineering has shifted from additions of new projects to technology upgrading and transformation of the existing projects and production lines, energy saving, environmental protection and structural adjustment.

REPORT OF DIRECTORS

Viewing from the market of other engineering and construction activities, the house construction and infrastructures construction markets were developing rapidly as urbanisation process was sped up. During the year of 2014, the investment of property development in China amounted to RMB9,503.6 billion, representing a year-on-year growth of 10.5%. Gross floor area under construction by real estate developers was 7,264.82 million square meters ("sq.m."), representing a year-on-year growth of 9.2%; gross floor area of new homes construction was 1,795.92 million sq.m., representing a year-on-year decrease of 10.7%. In 2014, investment in construction of infrastructure (excluding electric power construction) in China amounted to RMB8,666.9 billion, representing a year-on-year growth of 21.5%.

(2) *The Operating Results of the Segments*

In 2014, under the severe market situation of overcapacity of iron and steel, the prolonged downturn of the metallurgical engineering and construction market, and the overall slowdown of domestic economic growth, etc, the Company adjusted its management model and operating strategies in a timely manner, expanded operating methods, continuously strengthened the adjustment to its industrial structure, and intensified the market development of the Company. While maintaining the leading position in domestic traditional metallurgical market, the Company actively developed the non-metallurgical engineering and construction projects such as civil construction, public transportation and municipal facilities, stadium, clean energy and featured cultural industry, and had made progress in such respect. As a result, the Company's ability to resist market risks was further reinforced. During the Reporting Period, the new construction contracts entered into by the Company amounted to RMB295.038 billion, among which, the new contracts of metallurgical engineering amounted to RMB54.983 billion while that of non-metallurgical engineering amounted to RMB240.055 billion. Meanwhile, the Company is also committed to carrying out the EPC contract model and improving the ability of management and risk control through intensifying projects management practices to increase the profitability of projects.

The overall operating results of the engineering and construction segment in 2014

Unit: RMB'000

	2014	% of the total	2013	Year-on-year growth
Segment revenue	178,416,066	81.52%	165,181,857	8.01%
Segment gross profit	21,706,441	78.34%	20,844,583	4.13%

Note: The segment revenue and segment gross profit above is before inter-segment eliminations.

REPORT OF DIRECTORS

Metallurgical Engineering and Construction Market

In 2014, under the unfavorable situation of a prolonged sluggish metallurgical industry, the Company intensified market exploration and closely tracked project information through innovative marketing model. The Company's subsidiaries newly entered into major contracts in the traditional metallurgical engineering and construction industry, e.g. the DCPL 3 million t/a coking project for India JSW Steel (印度JSW鋼鐵公司DCPL300萬t/a焦化項目), the 4200mm thick plate EPC contract for Baosteel Guangdong Zhanjiang Iron and Steel Base (寶鋼廣東湛江鋼鐵基地項目4200mm厚板工程), 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), the construction and installation project for Angang Iron and Steel's 1550 cold rolling project of Zones 4 and 5 (安鋼冷軋1550冷軋工程4區和5區建安工程), the EPC contract for the 360m² sintering machine project of the iron mill of Bengang Steel Plates Co., Ltd. (本鋼板材股份有限公司煉鐵廠360m²燒結機工程總承包合同), Section I of the EPC for the new product phase I project of Rizhao Steel Holding Group Co., Ltd. (日照鋼鐵控股集團有限公司新產品項目一期EPC總承包工程標段), civil work, furnace construction, machinery and equipment, electric, instrument, fabrication and installation, and procurement of self-preparation materials for the coking furnace area of Ha Tinh Steel Corp. of Vietnam (越南河靜鋼鐵焦爐區土建、築爐、機械設備、電氣、儀錶、製作安裝及自備材料採購等工程), the phase II 300t converter project for Rizhao Steel Holding Group Co., Ltd. (日照鋼鐵控股集團有限公司300t轉爐二期工程), and the Endless Strip Production 3#ESP production line of Rizhao Steel Holding Group Co., Ltd. (日照鋼鐵控股集團有限公司3#ESP無頭帶鋼生產線).

Non-metallurgical Engineering and Construction Market

In 2014, the Company continuously accelerated product transformation, and strived to develop the non-metallurgical engineering and construction market. It actively developed and made progress in the areas of civil construction, public transportation, municipal administration, urban complex construction, featured theme projects, etc. It also newly entered into many contracts of significant engineering and construction projects with an amount exceeding RMB1 billion (please see the section of "Other material contracts" on page 74 of this report for details). The implementation of these projects played an active role in improving the brand influence of the Company in the non-metallurgical market and promoting the transformation and upgrade of engineering and construction sector.

Overseas Engineering and Construction Market Expansion

As at the end of the Reporting Period, the Company had 95 overseas offices or branches in charge of engineering and construction business across 38 countries and regions, and a total of 157 projects under construction. During the Reporting Period, the value of newly signed overseas contracts of the Company was RMB17.053 billion, representing 5.17% of the total value of newly signed contracts of the Company.

REPORT OF DIRECTORS

Awards Received

During the Reporting Period, the Company won a number of awards for the projects that it undertook or participated in, including three National Construction Project Luban Awards (中國建設工程魯班獎), one of which was for overseas project; 13 National Quality Construction Project Awards (including projects we participated in construction), among which, one was Gold Prize Construction Project and one was for overseas project; 38 Quality Construction Projects in the metallurgical industry; 90 Outstanding Construction Project Design Awards in the metallurgical industry; 34 Outstanding Engineering Survey Prizes in the metallurgical industry; 26 Prominent Software Projects; and two Classic Project Awards and two Excellent Project Awards in the selection of the 100 Classic and Excellent Projects Over the 35 Years History of Reform and Opening Initiative sponsored by the China Construction Industry Association.

2. Property Development Business

(1) Industry Overview

In 2014, as the real estate market cooled down, the passion for investment diminished across the industry. However, with an inertia effect of investments over the past years, the inventory continued to grow and the completed areas of commodity houses across the country kept on increasing, which intensified the competition in the property market. On the other hand, the favorable industrial policies were implemented one after another: firstly, the removal of restrictions on house purchase; secondly, the reduction of interest rates for mortgage loans and down payment rates to support the purchases by people with rigid demand or in pursuit of a better house; and thirdly, the lowering of the threshold for purchase made with the help of the housing accumulation fund and the statement made by the State to stabilize house consumption. Therefore, the control policies introduced since the year of 2014 were not repeats of the “market rescue” measures in the past, but an end to the regulated era of the industry and a move towards marketization. Under this background, the real estate market is highly expected to recover. However, it will become a new normal that the real estate market operates in a low-speed manner.

In 2014, the real estate development and investment in the PRC amounted to RMB9,503.6 billion, representing a nominal increase of 10.5% over last year (a real increase of 9.9% after excluding the price factor), 9.3 percentage points lower in terms of growth rate as compared with 2013. In particular, residential property investment amounted to RMB6,435.2 billion, representing a year-on-year growth of 9.2% and 67.7% in proportion to the property development and investment. The gross floor area (“GFA”) under construction by property development and enterprises was 7,264.82 million sq.m., representing a year-on-year growth of 9.2%. In particular, the area under construction for residential purposes was 5,150.96 million sq.m., representing a year-on-year growth of 5.9%. The newly-commenced GFA was 1,795.92 million sq.m., representing a year-on-year decrease of 10.7%, with a 1.7-percentage-point decrease in the decreasing amplitude, among which the newly commenced GFA for residential purposes was 1,248.77 million sq.m., representing a year-on-year decrease of 14.4%. The completed GFA amounted to 1,074.59 million sq.m., representing a year-on-year growth of 5.9%, with a 2.2-percentage-point decrease in the growth rate, among which the completed GFA for residential purposes was 808.68 million sq.m., representing a year-on-year increase of 2.7%.

REPORT OF DIRECTORS

In 2014, the sales area of commodity properties amounted to 1,206.49 million sq.m., representing a year-on-year decrease of 7.6%. In particular, the sales area of residential properties decreased by 9.1%, that of office buildings decreased by 13.4%, and that of commercial properties increased by 7.2%. The sales of commodity properties amounted to RMB7,629.2 billion, representing a year-on-year decrease of 6.3%, among which the sales of residential properties decreased by 7.8%, that of office buildings decreased by 21.4% and that of commercial properties increased by 7.6%.

(2) *The Operating Results of the Segment*

In 2014, under the background of continuous regulation and control in the industry, the Company enhanced the regulation and control on its property business. By enhancing the supervision and regulation on the process of major projects and the integration of segment resources, it streamlined various business types and sustained stable and sound development of its property business.

The overall operating results of the property development segment in 2014

Unit: RMB'000

	2014	% of the total	2013	Year-on-year growth
Segment revenue	22,852,664	10.44%	26,377,758	-13.36%
Segment gross profit	4,090,896	14.77%	5,116,875	-20.05%

Note: The segment revenue and segment gross profit above is before inter-segment eliminations.

In 2014, the revenue from property development segment of the Company was RMB11.51 billion, representing a year-on-year decrease of 7.4%; gross profit margin was 17.9%; the sales amount and areas of commodity property amounted to RMB6.49 billion and 766,000 sq.m, respectively; and the revenue from social welfare housing development was RMB9.68 billion, representing a year-on-year decrease of 12.6%; gross profit margin was 13.3%. In 2014, the area under construction within the property segment of the Company was 13.849 million sq.m. In particular, the newly-commenced GFA was 1.279 million sq.m., the newly acquired land area was 221,000 sq.m., and the plot ratio-based GFA of the land bank at the end of the year was 6.373 million sq.m. (GFA attributable to the Company based on contribution ratio).

REPORT OF DIRECTORS

3. *Equipment Manufacturing Business*

(1) *Industrial Overview*

In 2014, the steel and iron market continued its weak trend and steel price continued to be low, which was mainly due to: (1) serious over-capacity in the PRC iron and steel industry and the conflict between supply and demand was growing, and (2) an unsatisfactory performance of downstream industries such as real estate sector. The metallurgical (iron and steel) industry is currently a major downstream industry source of demand for domestically-made equipment and has been a major driving force for the growth of the equipment manufacturing sector over the past years. As affected by the economic environment at home and abroad, the traditional metallurgical equipment manufacturing sector experienced a slow growth.

As the state continues to strengthen economic transformation and industrial adjustment of the state, it has become the industrial policy for the whole metallurgical industry to phase out backward capacity and to upgrade product structure. To guide the development of the metallurgical equipment manufacturing sector, the State encourages the independent innovation of key and core technologies which could be reflected by R&D innovation, improvement of the localization rate, energy conservation and emission reduction and the phasing-out of backward process and technology. One after another, the state rolled out documents such as the Adjustment and Revitalization Plan for Equipment Manufacturing Industry (《裝備製造業調整和振興規劃》), the Guidance Catalogue for Innovation of Intelligent Equipment Manufacturing (《智能製造裝備創新指導目錄》) and the 12th Five-Year Plan for High-end Equipment Manufacturing Industry (《高端裝備製造業「十二五」規劃》) with an aim to encourage enterprises to develop equipment involving independent intellectual property rights and high-end core technology, which also require the metallurgical equipment manufacturing sector to focus on the sustainable development and independent innovation of the industrial chain, to adjust the industrial structure to speed up the development of high-efficiency and low-pollution products which conform to the energy saving and emission reduction requirements of the iron and steel industry and to expedite the elimination of obsolete products with high-consumption and high-pollution. In order to cater for the needs of the iron and steel industry in China for greater and more continuous production and the upgrading of equipment, the Company developed high-end product and continuously improved the localization rate of equipment.

REPORT OF DIRECTORS

(2) *The Operating Results of the Segment*

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

The overall operating results of the equipment manufacturing segment in 2014

Unit: RMB'000

	2014	% of the total	2013	Year-on-year growth
Segment revenue	10,234,645	4.68%	9,539,339	7.29%
Segment gross profit	1,248,782	4.51%	1,094,937	14.05%

Note: The segment revenue and segment gross profit above is before inter-segment eliminations.

For the equipment manufacturing segment, the Company will gradually retreat from low-efficiency businesses with unfavorable market prospect, low technology content and weak profitability, gear up the adjustment to the existing equipment manufacturing capacity which could be transformed to underpin the core technology of relevant business and have a promising market prospect, give priority to the development of corollary environmental-protection equipment for metallurgical activities, increase the strength and quality of high-end manufacturing enterprises such as MCC-SFRE Heavy Industry Equipment Co., Ltd, MCC-Xi'an Electric Furnace Institute Co., Ltd, Tianjin SERI Machinery Equipment Corporation Ltd, Tianjin Zhongji Equipment Manufacture Co., Ltd and MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd, and fully exert the strength of combination of process design, equipment design and automated control design for iron and steel production to realize the close combination of engineering technology and product technology and convert the core technology into intelligent equipment products. On the other hand, the Company will increase the strength of industrial steel structure business through focusing on areas such as the municipal projects including bridges and viaducts as well as super-high-rise buildings, developing civil buildings and infrastructure steel structure and pursuing the way of industrialization of steel structure residential buildings and system modularization. With strengthened operation management to improve cost-efficiency for an increasing profitability, the Company aspires to develop MCC steel structure into a flagship brand in urban green development areas.

REPORT OF DIRECTORS

4. Resources Development Business

(1) Industry Overview

Resources development business mainly refers to exploration, mining, processing, smelting and advanced processing of metal and non-metal mineral resources.

According to the statistics published by the Ministry of Commerce of China since 2004, mining has been one of the top four overseas investment sectors of China, and one of the most important overseas investment sectors of China in terms of foreign direct investment flow or accumulative stock of foreign direct investment. According to the forecast made by the Ministry of Land and Resources of the PRC, China will see a short supply of 25 types of mineral products by 2020, 11 of which are essential to the development of its national economy, which also implies a quicker exploration and development of mineral resources in China as well as a further increase of the investment by Chinese enterprises in mineral resources import and overseas mining projects.

In 2014, despite the recovery of the U.S. economy, China and Japan has begun to slow down and the Europe registered nearly zero growth, making the overall recovery worldwide impossible. Due to factors such as the nationalism in resources, two-way RMB fluctuation, over-supply and weak demand growth, it has been generally difficult for metal prices to get out of the weakness in 2014 with iron ore prices slumping, iron ore inventory at ports exceeding 100 million tonnes for several consecutive months and copper prices swinging lower. However, certain metals such as nickel and zinc saw improvement in fundamentals and recovery in prices due to factors such as mechanism innovation and production cut.

As Chinese economy enters the “new normal era”, the iron and steel industry which is highly correlated with the macro economy also enters the “new normal era” which could be reflected by excessive production capacity, growing output, decreasing demand, lower prices and meager profit and export-driven growth. Notwithstanding the above, international giant players still maintain a high-output strategy in an attempt to further monopolize the mainstream iron ore market through increasing output and lowering price. According to statistics, the iron ore output of Rio Tinto and Vale reached 60.45 million tonnes and 85.73 million tonnes respectively in the third quarter, both hitting a record high, and the outputs of such magnates will continue to increase in the following years. In addition, according to the statistics of China Iron and Steel Association, as at the end of the Reporting Period, the average CIF price of iron ore import fell to around US\$70 with no signs of bottoming. The low prices of iron ore on the international market exerted great pressure on the domestic iron ore enterprises which have a relatively higher production cost, making certain mining enterprises to post losses or even go bankrupt.

REPORT OF DIRECTORS

With respect to non-ferrous metals, increase in production capacity and output exceeded that of demand, resulting in an overall over-supply. The rise in costs of electricity, environmental protection and labor exerted notable pressure on the operation of non-ferrous metal enterprises. In the first 11 months, the output of ten non-ferrous metals in China reached 39.94 million tonnes, representing a year-on-year increase of 6.2%, among which, copper output increased by 11.5%, lead output decreased by 5.9%, and zinc output increased by 4.4%. The year 2014 witnessed globally a continued over-supply of copper and lead and continued large size of copper mine projects being put into operation, and domestically a continued peak of copper smelting capacity being put into production, a low-speed growth on lead market and a fall in the prices of both copper and lead. However, with the forthcoming shut-down of several international large zinc mines in succession, zinc supply will become tight and zinc price will pick up in the future. As such, zinc is expected to be one of the best performers in the future. As Indonesia imposed restrictions on export of its crude ore, nickel price rose all the way in the first half of 2014 with LME nickel price hitting the highest point of US\$21,625 per tonne, but fell back in the second half of 2014. As the time required for construction of infrastructure such as transportation and power supply will impact, to a large degree, the smelters construction and the utilization of production capacity in Indonesia, it is generally estimated that it will take certain time for smelters in Indonesia to commence mass production, which means that nickel price will remain strong in the following three to five years.

Starting from 2014, the polysilicon industry of China demonstrated a general recovery and steadfast growth trend. With the introduction of a number of favorable industrial policies and the continuing recovery of demand on the photovoltaic market, as well as the interest cut by the central bank, the photovoltaic industry will see a continued recovery trend. In the first half year, the polysilicon spot price in China took on a trend of rapid-rise but slow-fall, which rose rapidly from RMB137,000 per tonne at the beginning of January to RMB167,000 per tonne. However, what is worrying is that the photovoltaic market again received overwhelming attention, giving rise to certain "overheating" signals again, which, coupled with the increased import of polysilicon, will contribute to the market surplus in China. As at the end of the Reporting Period, the polysilicon price in China stood at RMB156,800 per tonne, representing a rise of 16.17% from the corresponding period last year.

REPORT OF DIRECTORS

(2) *The Operating Results of the Segment*

The Company's resources development business mainly focuses on mineral products such as nickel, copper, iron, lead and zinc and smelting and processing sectors as well as the production of polysilicon.

In 2014, the Company, based on the principles of "positioning accurately and exerting advantages in a realistic manner" and "distinguished arrangement and categorised implementation for key promoting projects, postponed projects and assets disposal projects", continued to give classification and guidance to the existing overseas resources projects. With respect to key promoting projects, the Company concentrated various resources to urge for early fulfillment of the production target and make profits. With respect to postponed projects or projects currently in the stage of preliminary work, the Company made adjustments on development ideas and strategy, and searched for opportunities to develop. With respect to assets disposal projects, the Company began to conduct research on withdrawal solutions to minimise loss of assets.

The operating results of the resources development segment in 2014

Unit: RMB'000

	2014	% of the total	2013	Year-on-year growth
Segment revenue	4,264,231	1.95%	3,335,707	27.84%
Segment gross profit	365,373	1.32%	460,339	-20.63%

Note: The segment revenue and segment gross profit above is before inter-segment eliminations.

In 2014, the operating conditions of certain resources projects of the Company which were undergoing production are as follows:

Ramu Nico Laterite Mine, Papua New Guinea: The production and operation of this mine gradually got on the right track. In 2014, the mine produced 57,360 tonnes of Ni-Co hydroxide, containing 20,988 tonnes of nickel and 2,134 tonnes of cobalt. The ratio of actual production capacity to designed capacity was 64.3% for Nickel, representing a year-on-year increase of 88%. Sales of nickel reached 21,150 tonnes, representing a year-on-year increase of 45%. Sales of cobalt reached 2,174 tonnes, representing a year-on-year increase of 70%. Operating income amounted to RMB1,850 million, representing a year-on-year increase of 63%. The mine recorded a loss of RMB570 million, representing a year-on-year decrease of loss of 57%.

Saindak Copper-Gold Mine, Pakistan: In 2014, despite various problems such as the reduction of minable ore and increased hardness of ore, the mine yielded production of 13,122 tonnes of crude copper, representing 108% of the annual plan, and sales of crude copper were 13,284 tonnes, representing 101% of the annual budget. Operating income and total annual profit were RMB780 million and RMB60 million, respectively.

REPORT OF DIRECTORS

Sierra Grande Iron Ore, Argentina: Due to short supply of water following the breakage of water supply pipes by floods, the production of iron concentrate powder decreased to 328,000 tonnes in 2014, accomplishing 73% of the annual plan. Sales of iron concentrate powder reached 442,000 tonnes, accomplishing 80% of the annual plan. Operating income reached RMB240 million with a loss of RMB160 million.

Luoyang China Silicon Hi-tech Corporation: In 2014, it produced an aggregate of 9,344 tonnes of polysilicon while sales of polysilicon amounted to 8,370 tonnes; the production of silicon chips was 12.44 million pieces with 7.23 million silicon chips sold; operating income amounted to RMB1,140 million with a loss of RMB100 million, representing a year-on-year reduction of loss of 76%.

In 2014, the progress of the construction projects in the resources segment of the Company was as follows:

Aynak Copper Mine Project, Afghanistan: The Afghanistan government did not implement phosphate and coal mining resources in accordance with the contract requirements. It still had not completed the excavation of relics, land requisition, village relocation and mine clearance, which seriously affected normal development of the project. However, it is expressly stated in the joint statement made by the heads of China and Afghanistan in October 2014 that "both parties wish to see substantial progress of this project on the basis of friendly negotiation". Given such consensus, the Company submitted the draft feasibility study report to the government of Afghanistan at the beginning of 2014 so that both parties could jointly discuss the economical issues associated with this project. The Company will, after having made sufficient preparations, engage in active consultation with the parties from Afghanistan to start the negotiation work to revise the mining contract as and when appropriate in accordance with the requirement of the mining contract and in consideration of the actual needs for promoting this project.

Duddar Lead-Zinc Mine Project, Pakistan: In the international bidding in respect of the assets disposal of Duddar, China Huaye Group Co., Ltd, a subsidiary of the Company, won the bid and officially took over the project sites since 1 July 2014. Then, it arranged nearly 100 Chinese personnel including management staff, technical staff and operators to work at the site of the project, and the total staff from both China and Pakistan reached 347 at present, making the management team and organizational structure basically ready. On-site equipment repair and maintenance has been rolled out and it also fully commenced the restoration and transformation for commingled well, hoist inclined shaft, filling system construction and beneficiation flow-sheet test, striving to put the above ground system into operation as soon as practicable.

Cape Lambert Project, Australia: As at the end of the Reporting Period, the Company endeavoured to seek appropriate strategic investors and conducted daily maintenance for the mining rights. In July 2014, the Company and CFE reached a settlement of the dispute over the final tranche payment, pursuant to which, the AUD\$30 million out of the final tranche of AUD\$80 million deposited in the joint account of both parties has been returned to the Company, and the balance, after deducting relevant charges, was transferred to the bank account designated by CFE.

REPORT OF DIRECTORS

(II) Investment in Technological Research and Technological Achievements

In 2014, closely embracing the target to “lead and underpin MCC to a higher development level through technological innovation”, the Company made great efforts in implementing the innovation-driven development strategy to provide stronger technological support to build the updated version of “four beams and eight columns” business system, recreate the new advantages of “a better MCC”, and strive to become the strongest, the best and the largest “national team” of metallurgical construction and operational services in the world. In 2014, the technological research investment of the Company amounted to RMB4,786 million, accounting for 2.22% of the operating revenue of 2014 of which, operating revenue from research and development amounted to RMB3,706 million, representing 1.72% of the operating revenue of 2014. While ensuring consistent and stable investment in technological research, the Company also proactively obtained considerable amount of technological fund from the government, which notably enhanced the independent innovation ability of the Company and delivered fruitful achievements.

1. *Technological Research Platform*

In 2014, the technological centers of ACRE Coking & Refractory Engineering Consulting Corporation, MCC and China Jingye Engineering Corporation Limited were accredited as national enterprise technological centers. The “National Engineering and Technological Research Center for Sintered Pelletizing Equipment System” developed by Zhong Ye Chang Tian International Engineering Co., Ltd. successfully passed the inspection and acceptance process organized by the Ministry of Science and Technology of China. As at the end of 2014, the Company has established 11 national technological platforms as approved by the Ministry of Science and Technology of China and the NDRC, holding a leading position among the central-owned enterprises, 51 MCC engineering and technological centers, 52 provincial technological platforms, and 50 technological platforms at subsidiary level. Thus, the three-hierarchy technological research platform system of the Company (i.e. national, Group and provincial, subsidiary) further improved, which further concreted the innovation foundation of the Company.

2. *Technological Projects*

In 2014, the Company made successful applications to undertake a total of 17 national technological research projects and 6 technological research projects of Beijing, and was granted considerable technological fund support from the government, which further made the technological research of the Company a part of the technological innovation system of the State.

3. *Intellectual Property*

In 2014, the Company made new applications for 3,571 patents, including 1,553 invention patents (including 8 PCT patents), and was granted 2,649 new patents, including 564 invention patents (including 4 foreign patents). As at 31 December 2014, the Company had a total of 13,846 valid patents, including 2,725 invention patents (including 21 foreign patents), and a total of 344 software copyrights. According to the patent ranking in 2013 issued in July 2014 by the SASAC, MCC Group (with MCC being its core asset) ranked 4th among the central-owned enterprises and 1st among the central-owned enterprises operating in metallurgical and construction industry, both in terms of the total number of valid patents, and 10th in terms of total number of valid invention patents. In addition, the Company received two China Patent Excellent Awards this year.

REPORT OF DIRECTORS

4. Technological Awards

In 2014, the Company won a total of 4 national science and technology awards, including 1 Second-class Award for National Technological Invention Award and 3 Second-class Awards for National Science and Technology Advancement Award, making a record in terms of both the number and quantity of awards received and ranking 1st among the central-owned enterprises which operate in construction sector. This is also the first time over nearly 10 years that the Company won the National Technological Invention Award. In addition, the Company also received 10 prizes for the 2014 Metallurgical Technology Award, including 1 Top-class Prize, 1 First-class Prize, 3 Second-class Prizes and 5 Third-class Prizes; 6 prizes for the 2014 China Nonferrous Metals Industry Science and Technology Award, including 3 First-class Prizes, 2 Second-class Prizes and 1 Third-class Prize; 6 prizes for the 2014 First session China Construction Project Construction Technology Innovation Award, including 3 Second-class Prizes and 3 Third-class Prizes; 5 prizes in the 2014 China Construction Industry Building Information Modeling (BIM) Invitational tournament, including 1 Second-class Prize for "Excellent BIM Project Award", 2 First-class Prizes for the "BIM Expanded Application (Individual) Award" and 2 Third-class Prizes for the "BIM Expanded Application (Individual) Award"; and 8 prizes in the Second-session China Engineering Construction BIM Application Contest, including 1 First-class Prize, 3 Second-class Prizes and 4 Third-class Prizes.

5. Technology Standards and Construction Method

In 2014, the Company led the compilation and issue of 1 international standard, and compiled and issued 26 national technology standards. In addition, the Company was granted 21 national construction methods, including 5 first-class construction methods and 16 second-class construction methods.

6. Demonstration Projects

In 2014, the Company approved 23 new demonstration projects for new technology application to be undertaken by Central Research Institute of Building and Construction Co., Ltd., MCC Group, and organized inspection and acceptance work in respect of 9 demonstration projects for new technology application of this company.

7. Accreditation of Technological Achievements

In 2014, 95 technological achievements of the Company received accreditation, 4 of which attained international leading level, and 33 of which attained international advanced level. The promotion and application of such achievements have brought notable economic and social benefits to the Company, and greatly enhanced its technological strength and market competitiveness.

REPORT OF DIRECTORS

(III) Analysis on Core Competitiveness

1. *A Leader in the Metallurgical Engineering and Construction Industry in China*

MCC is the metallurgical engineering and construction contractor with the longest history in specialized operation and the strongest capabilities in professional design in China. As a leader in the metallurgical construction industry in China, MCC has established its core strength on technologies related to all aspects of metallurgical engineering and its design and construction capabilities. With the definite competitiveness and leading position in the area of metallurgical engineering, MCC is also the largest contractor for metallurgical projects and the largest service provider for metallurgical enterprises in the world, and is in a good position to become the strongest, the best and the largest “national team” of metallurgical construction and operational services in the world. As always standing at the international high-level and setting its eyes on the growth of metallurgical industry as a whole, MCC strives to achieve international excellence while ensuring its top ranking in China, so as to shoulder its responsibilities to lead the Chinese metallurgical industry to a higher level.

2. *Strength of a Complete Industrial Chain*

The Company has a complete industrial chain for project construction covering technological research and development, consulting and planning, surveying and mapping, project design, project supervision, civil construction, installation and adjustment, equipment manufacturing and integration, technological service and import and export trade. Thus, the Company has developed core technological strength and unique whole-industrial-chain system integration advantages over general engineering design enterprises, project construction enterprises or equipment manufacturing enterprises, and is able to provide more comprehensive or integrated services to customers.

3. *Strength of Specialized Technology*

The Company has long been committed to the metallurgical engineering and construction business for iron and steel industry and have developed various domestic and international leading metallurgical processes and core technologies in sintering, pelletizing, coking, iron making, and steel making and continuous casting, among other areas. In recent years, the Company has been actively building its patent technology network with core competitiveness to establish the intellectual property system which could provide support to the growth of its principal businesses. The Company currently has more than 10,000 valid patents and won the “Technology Innovation Enterprise Award” (科技創新企業獎) from the SASAC in 2013, which indicates that the Company has stepped into the “first phalanx” for technological innovation among central enterprises. At present, the Company has established 11 national technological innovation platforms, including the “National System Integration Engineering Technology Research Center for Iron and Steel Smelting Equipment” (國家鋼鐵冶煉裝備系統集成工程技術研究中心) and the “National Steel Structure Engineering Technology Research Center” (國家鋼結構工程技術研究中心), which cover fields such as iron and steel metallurgy, project construction and real estate, equipment manufacturing, environmental protection and emerging industries, representing a leading position among the central enterprises which operate in the construction industry.

REPORT OF DIRECTORS

4. *Strength of Integration and Innovation of Specialized Technology and Project Management*

The Company has undertaken the planning, survey, design and construction for substantially all of the medium- and large-scale iron and steel enterprises in China, including Baosteel, Ansteel, Wusteel and Panzhihua Steel, from which the Company accumulated rich experience, grasped and possessed a set of core technologies including system integration and equipment integration. With respect to management, the Company has the capability to integrate various factors including human resources, finance, materials and information. Leveraging on the extensive experience and technological strength accumulated in the metallurgical engineering and construction field, the Company proactively develops business in other non-metallurgical engineering and construction fields. While providing EPC services to project owners, the Company combines its unique specialized technology with its project management capability and established several interrelated and complementary business segments with significant operational synergies, thus laying a solid foundation for expansion into non-steel field.

During the Reporting Period, there were no significant changes in the core competitiveness of the Company.

(IV) Board's Discussion and Analysis on the Future Development of the Company

1. *Industry Competition Landscape and Development Trend*

For the competition landscape and development trend of the industry in which the Company operates its businesses, please refer to "Business Overview" in "Report of Directors" of this report.

2. *Development Strategy of the Company*

Persisting in the core value of "efficiency creates value, innovation drives development, quality makes eternity" and adhering to the general development approach of "focus on building the strength and scale of principal businesses, whilst diversify the operation moderately to achieve a sound development", the Company aims to build an updated version of "four beams and eight columns" business system and recreate the new advantages of "a better MCC" and strives to become the strongest, the best and the largest "national team" of metallurgical construction and operational services in the world and make the good wishes of "focusing on the core businesses in building a better MCC" come true.

Major measures to be taken include the following:

(1) *Nail down the positioning for corporate development*

Enterprises engaged in technological research and design shall always set their eyes on global-leading and domestic first-class, always put their focus on leading by technology, upgrading by innovation and provision of high-end services, and concentrate advantageous resources and distinguish its respective brand feature to develop the comprehensive technological service capability of the Company for whole industrial chain of iron and steel companies.

REPORT OF DIRECTORS

Enterprises engaged in construction operations shall continue to expand business scale on the conditions that the risks are controllable, production factors and resources are sufficient, and benefit and efficiency are well matched. Focuses shall be put on the innovation of business modes, increase of added-value of products, improvement of management standard and cultivation of corporate brand.

(2) *Nail down business positioning*

To facilitate the accomplishment of objectives to be “the strongest, the best and the largest” amid the “new normal era”, the Company reclassified the existing four business segments to form the updated version of “four beams and eight columns” business system of MCC. The introduction of “four beams and eight columns” not only follows the historic evolution of the Company, but also represents the future development trend of the Company, which laid down a solid foundation for the sustained healthy development of the Company.

(3) *Endeavor to develop market*

Under the “new normal era”, market still represents the key issue in the sustainable development of the Company. With the Company making the general plan and coordination, the subsidiaries shall undertake their respective responsibilities for market development. Regional members shall, taking into account the interests of the whole, make their best efforts to assist the market development, so as to form the strong “three forces in one” composite force for market development.

(4) *Activate the endogenous impetus of the Company through reform and innovation*

First, the Company will clean up retained assets comprehensively, revitalize and dispose the toxic assets, and restructure and consolidate internal resources to improve the utilization efficiency of existing resources. Second, the Company will streamline various types of subsidiaries at each hierarchy in an all-around way with an aim to basically eliminate loss-making enterprises and to ensure there will be no additional loss-making enterprises. Third, the Company will improve an assessment of comprehensive performance through fully exerting the orientation and motivation role of assessment. Fourth, reform of human resource allocation will be deepened to cultivate, identify and recruit a host of high-end and excellent talents with a focus on innovation-driven mode, so as to cater for the development of enterprises. Fifth, business operation mode will be innovated to strengthen the combination of industry and financing.

(5) *Aggressively develop overseas market*

From the three perspectives of improving the three-dimensional marketing of internationalized operations, optimizing market distribution and actively promoting localized management, we will make great efforts in the development of overseas market, so as to achieve great breakthroughs and leap-forward development in overseas market by taking good advantage of opportunities from overseas development, significantly increase the proportion of overseas businesses and make them as the new advantage, new support and new highlight of the Company.

REPORT OF DIRECTORS

(6) *Enhance corporate management to concrete the foundation for corporate development*

First, budget management system will be improved to steer resources toward the business areas with higher efficiency, stronger ability to create benefits and higher return. Second, the Company will make proper efforts in cost reduction and expenditure saving, further enhance capital management to reduce finance cost and optimize capital structure, and strive to improve the combined cost-profit ratio. Third, the Company will implement a standardized project management system to facilitate the establishment of management standards for contraction projects in a comprehensive manner. Fourth, the management of technological innovation will be enhanced so that the technological research could be closely combined with market demand, business development positioning, improvement of productivity and value creation. Fifth, the Company will strengthen the management of mineral resources through adhering to the principle of “positioning accurately and exerting advantages in a realistic manner” and aiming at “perfecting management, reducing cost, controlling risk and having return”, and give an effective play of the intensive management the mining group.

3. Operation Plan

The Company expects to record revenue of RMB228 billion in 2015.

4. Capital Requirement for the Company to Maintain the Current Business Operations and Complete Investment Projects under Construction

In order to ensure the continuous, healthy and stable development of the Company's business and investment projects, the Company will adopt multiple ways for fund raising: firstly, the Company will strengthen the combination of industry and financing, comprehensively boost industry funds and increase buyer's credit financing to promote the development of principal businesses; secondly, the Company will proactively explore domestic and overseas financing channels and raise funds through direct or indirect means including borrowings from financial institutions, issuance of domestic or overseas bonds, etc. Currently, the Company has sufficient credit facilities from financial institutions and there is still greater room for the issuance of various types of low-cost debentures in a relatively large amount, including short-term financing bills, private bonds, corporate bonds, overseas bonds and perpetual bonds.

5. Possible Risks

(1) *Market Risk*

Metallurgical Market

With the slowdown of economic growth in 2015, the demand growth of the iron and steel market will continue to slow down for quite a long time in the future, low-speed growth may become a normal and there may even be negative growth. The overall situation is not optimistic. Subsequent market development will be subject to greater pressure. Successive promulgation of new environmental protection policies, changing the mode of growth, containment of serious excess capacity and other relevant policies will further intensify market competition.

REPORT OF DIRECTORS

Non-steel Engineering Market

In recent years, the competition in non-metallurgical engineering area such as domestic high-end property construction and municipal transportation infrastructure has always been fierce. Central enterprises capture a considerable market share by virtue of their strong qualifications, funds, project planning, cost control and other advantages. Various local urban construction companies have a profound cooperative relationship with local governments and enterprises and possess a relatively large market share in local engineering markets. In addition, some domestic private enterprises with better development occupy part of the market share due to their flexible system, strong cost control capacity and low cost strategy. Against the backdrop of a “new normal era” of domestic economic development, the non-metallurgical engineering area such as national high-end property construction and municipal transportation infrastructure will be confronted with an environment of fiercer competition.

Property Development

Viewing from the macro economy, China’s economy is expected to remain progress stably amid reforms in 2015. However, under the influence of internal and external factors, economic growth will further slow down. In respect of currency and credit, the central government will continue to implement proactive fiscal policy and prudent monetary policy to cope with the increasing economic downturn and deflationary pressure. In respect of supply, the uncertain sales outlook and the decrease in land transaction volume will result in a continuous year-on-year decrease in newly-commenced GFA, while the decrease will narrow and the growth of development investment will slow down. In respect of price, the market will still be dominated by de-stocking in 2015. The price throughout the year is expected to remain stable or show a slight fall, while the price performance in different cities may be different and there will be upward pressure in first-tier cities and a small number of hotspot second-tier cities.

Equipment Manufacturing

From the perspective of domestic environment, the equipment manufacturing industry is confronted with many difficulties such as low domestic demand and sluggish export growth, and the various problems and contradictions covered up by the high-speed growth have been exposed successively. The upgraded demand and fierce market competition impose newer, higher and more urgent requirements on structural adjustment and transformation and upgrading of the entire industry.

Resources Development

The Company currently possesses three overseas resource projects in production, i.e. Ramu Nico Project, Papua New Guinea, Saindak Copper-Gold Mine Project, Pakistan, and Sierra Grande Iron Ore Project, Argentina, which produce nickel and cobalt hydroxide, crude copper and refined iron ore, respectively. In 2014, apart from the price rise of nickel, the prices of both copper and refined iron ore saw a decline of different extent. The major factors influencing product price include, among others, supply-demand relationship, macro-economic situation and exchange rate. As the transactions of metal products are generally denominated in USD, the exchange rate fluctuation in USD, currency of the place where the project is located and RMB aggravates the fluctuation of product price.

REPORT OF DIRECTORS

(2) *Financial risk*

As the financing of local government is strictly regulated, the recovery of funds from the projects in certain cities with poor financial strength will be more difficult. Price fluctuation in bank credit and funds in the wealth management pool bring pressure on the financing cost of the Company from time to time. The world economy is still in the period of deep adjustment and the overall weak recovery is unlikely to see obvious improvement. The two-way fluctuation in the exchange rate of RMB against USD increases exchange rate risk.

(3) *Tax risk*

The Company operates in many countries and regions overseas and is subject to various taxes. Due to the facts that the tax environment varies in different regions and that the regulations are complex concerning various tax items including corporate income tax, foreign contractor tax, individual income tax, etc., the Company may be under the risks incurred by the overseas tax policies and changes.

(4) *Risks arising from overseas market*

The spillover effects of the exit of quantitative easing monetary policy by the U.S. will be the major risk factor affecting the financial stability of emerging markets. In addition, geopolitical conflicts will subject the Asian emerging markets to increasing dependence on the oil from the Middle East to supply shock. Once the aforementioned risks materialize, a great impact will be brought about on the recovery of world economy. Furthermore, the occurrence of wars, civil strife and continuous turbulence in certain countries and regions, such as Afghanistan, expose certain projects of the Company there to high political risks. The instability factors including disputes and conflicts due to unacquaintance of the society, culture, environmental protection policy and other policies of the places where the projects are located will have certain adverse effects on the execution of projects.

II. RESULTS

The annual results of the Company for the year ended 31 December 2014 are set out in the consolidated income statement on pages 121 to 122. The financial highlights of the Company for the last five financial years on pages 357 are extracted from the financial statements for the year of the Company.

REPORT OF DIRECTORS

III. DIVIDEND

I Formulation, Implementation or Adjustment of Cash Dividend Policy

1. Formulation, Implementation or Adjustment of Cash Dividend Policy

In accordance with the Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies (Zheng Jian Fa [2012] No.37) (《關於進一步落實上市公司現金分紅有關事項的通知》(證監發[2012]37號)) issued by CSRC and the Notice Regarding Further Improvement of Cash Dividends Distribution of Listed Companies (Jing Zheng Gong Si Fa [2012] No. 101) (《關於進一步完善上市公司現金分紅有關事項的通知》(京證公司發[2012]101號)) issued by Beijing Securities Regulatory Bureau, the Company confirmed the profit distribution policy in the Articles of Association (《公司章程》) and upon examined and approved by the Shareholders' Meeting, the relevant details are as follows:

(1) Basic Principles for the Company's Profit Distribution Policy

① The Company has given sufficient consideration to the returns to investors and no less than 30% of the parent company's profit available to be distributed for the current year will be distributed to shareholders per annum; ② the Company's profit distribution policy shall maintain consistency and stability and shall also take into the account of the Company's long-term interests, the interests of all shareholders as a whole and the sustainable development of the Company; ③ the Company shall give priority to distribute profit in the form of cash dividends.

(2) Specific Policy Regarding the Company's Profit Distribution

① Forms of profit to be distributed: The Company may distribute dividends in the form of cash, shares or a combination of cash and shares. Under conditional circumstances, the Company may distribute interim dividends. ② The specific conditions and ratios for the Company's cash dividend: Except for the special occasions, if the Company makes a profit for a year and the accumulated undistributed profit is positive, the Company may distribute the dividend in the form of cash, and the profits distributed in cash every year shall not be less than 10% of the parent company's profit available to be distributed for the current year. Special occasions shall refer one of the following: the parent company's profits available to be distributed is negative; such other occasion occur when upon approval by the Shareholders' Meeting, less than 10% of the parent company's profit available to be distributed for the current year is to be distributed in the form of cash dividend, including but not limited to no distribution of cash dividend due to major investment needs of the Company. The criteria of such major investment are the Company's expected total investment for the next year exceeds 15% of the net assets in the Company's consolidated statement for the current year. ③ Specific conditions for the Company's distribution of share dividends: the Company's operation is good and the Board believes that the Company's share price does not match the Company's equity scale and that the distribution of share dividends can benefit all shareholders of the Company for the interests as a whole. Subject to satisfying the foregoing conditions for cash dividends, the proposal for share dividend distribution will be put forward.

REPORT OF DIRECTORS

(3) *Procedures for Considering the Distribution Policy*

The profit distribution policy of the Company shall be proposed by the Company's President Office and then submitted to the Company's Board of Directors and Supervisory Committee for consideration. The Board will fully discuss the reasonableness of such profit distribution proposal. The special resolution is passed thereby and then submitted to the Shareholders' Meeting for consideration. When the Board resolves that the profit which is less than 10% of the parent company's profit available to be distributed for the current year will be distributed in the form of cash and the profit distribution proposal so formed will be submitted to the Shareholders' Meeting for consideration, the Company shall make internet voting accessible to shareholders subject to the applicable laws and regulations. Should the Company fail to distribute cash dividend due to the special occasions mentioned above, the Board will provide specific explanation for the specific reasons for not distributing cash dividends, the exact use of the Company's retained earnings and the expected investment earnings. After the Independent non-executive Directors have expressed their opinions, such explanation will be submitted to the Shareholders' Meeting for consideration and will be disclosed at the media designated by the Company.

(4) *Changes in the Profit Distribution Policy*

The Company may adjust its profit distribution policy in case of war, natural disasters and other force majeure, or changes in the Company's external operational environment resulting in significant impact on its production and operation, or relatively significant changes in the Company's operational position. The Board shall conduct specific discussion over adjustment to the Company's profit distribution policy, demonstrate in detail the reasons for such adjustment and form a written demonstration report. Upon examination and review by the Independent non-executive Directors, such written demonstration report shall be then submitted to the general meeting for approval by way of special resolution. In considering amendments to the profit distribution policy, the Company shall make internet voting accessible to shareholders subject to the applicable laws and regulations.

2. 2014 Profit Distribution Proposal

In early 2014, the parent company of MCC has undistributed profit amounted to RMB1,181,626,000 and profit distributed for this year is RMB1,165,710,000. The net profits realized this year is RMB1,088,903,000. Upon allocating 10%, that is, RMB108,890,000 as the statutory surplus reserve, MCC's profit to be distributed to shareholders at the end of 2014 is RMB995,929,000. The Company proposed to all shareholders that a cash dividend of RMB0.50 (tax inclusive) will be distributed for every 10 shares and the total cash dividend is RMB955,500,000, accounting for 24.10% with respect to the net profit attributable to the shareholders of the company in the consolidated statement. The remaining undistributed dividend of RMB40,429,000 will be rolled over to the coming year for distribution. The foregoing profit dividend proposal shall be subject to examination and approval by the Shareholders' Meeting before it is implemented.

REPORT OF DIRECTORS

3. **Explanation on 2014 Profit Distribution Proposal and Opinions of Independent Non-executive Directors**

- (1) *The reason why the total cash dividend proposed to be distributed accounts for a ratio lower than 30%, with respect to the net profit attributable to the shareholders of the listed company in the consolidated statement*

MCC is in the critical stage when it is under transformation and is being upgraded, and continues its development. Owing to the characteristics of the construction industry in which MCC is engaged, sufficient fund reserves need to be used to support business development. Meanwhile, such profit distribution has satisfied the requirements of the Articles of Association, and the retained earnings can be used to optimize the debt structure, reduce financial cost and enhance the level of the Company's profitability.

As a result, the Company's profit distribution proposal has taken into consideration the Company's need in its sustainable development and can meet the fundamental interests of shareholders under the circumstances that reasonable returns to shareholders have been fully considered.

- (2) *Exact Use of Undistributed Profits Retained and Expected Earnings*

Pursuant to the business characteristics, a large quantity of working capital is required during the course of daily management of MCC. As a result, the retained earnings will be used to satisfy the needs of daily operating funds and to support the turnover for daily operation of business. The Company will continue to enhance the efficiency of fund operation so as to raise the level of overall profits of the Company and to have returns rewarded to shareholders in better manner.

- (3) *Opinions of Independent Non-executive Directors*

Upon audited by Deloitte Touche Tohmatsu CPA LLP (Special General Partnership) (德勤華永會計師事務所(特殊普通合夥)), the parent company of MCC's profit available to be distributed to shareholders at the end of 2014 is RMB995,929,300. The Company proposes to use the total share capital of 19.11 billion shares at the end of 2014 as the base on which, a cash dividend of RMB0.50 (tax inclusive) will be distributed for every 10 shares and the total cash dividend is RMB955,500,000. The remaining undistributed profits of RMB40,429,300 will be rolled over to the coming year to be distributed. The total cash dividend proposed by such proposal accounts for 24.10% with respect to the net profit attributable to the shareholders of the listed company in the 2014 consolidated statement of MCC.

Pursuant to the provisions of Articles 221 and 222 of the Articles of Association, no less than 30% of the parent company's profit available to be distributed for the current year will be distributed to shareholders per annum. Except for some special occasions, if the Company makes a profit for a year and the accumulated undistributed profit is positive, the Company may distribute the dividend in the form of cash, and the distributed profits in cash every year shall not be less than 10% of the parent company's profit available to be distributed for the current year.

REPORT OF DIRECTORS

As the Company's Independent non-executive Directors, we believe that the Company's 2014 profit distribution proposal is in compliance with the provisions of the relevant laws, regulations and the Articles of Association and also takes into the account of reasonable returns to investors and the sustainable development of the Company, fulfilling the long-term interests of investors and the needs of the Company's development. No interests of small or medium shareholders are impaired. We give our consent to the Resolution Regarding MCC's 2014 Profit Distribution (《關於中國中冶2014年度利潤分配的議案》) and agree to submit such to 2014 annual general meeting for consideration and approval.

II The Company's profit distribution plan or proposal and its plan or proposal for converting capital reserve to bonus shares for the latest three years (the Reporting Period inclusive)

Unit: RMB'000

Dividend Year	Number of dividend shares to be distributed for every 10 shares (in share)	Amount of dividend to be distributed for every 10 shares (RMB) (tax inclusive)	Number of shares to be transferred/ added for every 10 shares (in share)	Amount of cash dividend (tax inclusive)	Net profit attributable to the shareholders of the listed company in the consolidated statement for the bonus year	Ratio accounted for by net profit attributable to the shareholders of the listed company in the consolidated statement (%)
2014	0	0.50	0	955,500	3,964,938	24.10
2013	0	0.61	0	1,165,710	2,980,864	39.10
2012	0	0	0	0	-6,943,355	—

REPORT OF DIRECTORS

IV. INVESTMENT ANALYSIS

(I) Overall Analysis of External Equity Investments

1 Securities investment

No.	Stock variety	Stock code	Stock abbreviation	Initial investment amount RMB	Number of shares held (share)	Carrying amount at the end of the period RMB	Percentage in securities investment held at the end of the period (%)	Gain or loss incurred in the Reporting Period RMB
1	Shares	600787	CMST Development Corp (中儲股份)	498,768	57,528	554,570	100	-36,818
Investment gain or loss incurred from securities sold during the Reporting Period				/	/	/	/	—
Total				498,768	/	554,570	100	-36,818

2 Equity interests in other listed companies held by the Company

Unit: RMB'000

Stock code	Stock abbreviation	Initial investment cost	Percentage of shareholding to the company (%)	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	0.05	296,322	0	125,082	Available-for-sale financial assets	Partly are initial shares and partly are purchased from the secondary market
000939	Kaidi Electric Power	2,562	1.10	117,067	925	53,027	Available-for-sale financial assets	Initial shares
600643	AI Corporation	2,166	0.01	4,198	13,452	-1,921	Available-for-sale financial assets	Initial shares
600729	Chongqing Department Store	450	0.11	11,555	0	1,484	Available-for-sale financial assets	Initial shares
000709	Hebei Steel	10,337	0.79	10,898	0	5,207	Available-for-sale financial assets	Initial shares
600117	Xining Special Steel	1,400	0.20	7,603	0	2,151	Available-for-sale financial assets	Initial shares
000005	Fountain	420	0.04	1,530	0	597	Available-for-sale financial assets	Initial shares
600665	Tande	1,122	0.02	936	0	423	Available-for-sale financial assets	Initial shares
Total		/	/	450,109	14,377	186,050	/	/

REPORT OF DIRECTORS

3 Equity interests in unlisted financial companies held by the Company

Name of investee	Initial investment cost (RMB)	Number of Shares held (share)	Percentage of shareholding to the company (%)	Carrying value at the end of the period (RMB)	Gain or loss incurred in the Reporting Period (RMB)	Changes in owner's equity during the Reporting Period (RMB)	Account category	Source of shares
Changcheng Life Insurance Co., Ltd. (長城人壽保險股份有限公司)	30,000,000	—	1.52	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	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	10,497,680	1,443,200	—	Available-for-sale financial assets	By acquisition
Wusteel Group Financial Company (武鋼集團財務公司)	2,000,000	—	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	2,000,000	161,943	—	Available-for-sale financial assets	By acquisition
Nanjing Bank of Communications (南京交通銀行)	563,096	—	0.01	1,389,756	0	826,660	Available-for-sale financial assets	By acquisition
Total	72,756,776	—	/	73,583,436	1,696,500	826,660	/	/

(4) Transactions of shares of other listed companies

Stock Name	Initial share amount (share)	Shares purchased in the Reporting Period (share)	Amount of money used (RMB)	Shares sold in the Reporting Period (share)	Share amount at the end of the period (share)	Investment income (RMB)
Nanjing Iron & Steel Corp.	1,120,000.00	0	0	1,120,000.00	0	1,220,329.00
AJ Corporation	1,648,674.00	0	0	1,342,710.00	305,964.00	13,452,200.00
Tianjin Reality Development	1,000,000.00	0	0	1,000,000.00	0	1,834,900.00
Kaidi Electric Power	10,486,822.00	0	0	80,898.00	10,405,924.00	925,400.00

REPORT OF DIRECTORS

(II) Entrusted Asset Management and Derivative Investment of Non-financial Companies

1. Entrusted Asset Management

During the Reporting Period, the Company had no entrusted asset management.

2. Entrusted Loans

Unit: RMB'0,000

No.	Name of the lender	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 borrowing	Pledged asset or pledger	Is it overdue	Whether it is a transaction extended	Whether the payment is involved in proceeds raised	Is it financed by the	Expected revenue	Investment gain/loss	Remarks
1	MCC Capital Engineering & Research Incorporation Limited	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Joint venture	8,287.5	2012/6/28 to 2014/6/28	6.00	Manufacturing segment	None	No	No	No	No	994.5	261.1	
2	MCC Capital Engineering & Research Incorporation Limited	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Joint venture	9,500.0	2013/5/29 to 2014/5/29	5.60	Manufacturing segment	None	No	No	No	No	532.0	235.0	
3	Shanghai Baoye Group Corp., Ltd.	Shaoxing Zhongye Xinyu Real Estate Company Limited (紹興中冶新成置業有限公司)	Subsidiary	25,000.0	2012/9/26 to 2014/9/17	6.60	Real estate segment	None	No	No	No	No	3,295.4	1,182.5	
4	Shanghai Baoye Group Corp., Ltd.	Shaoxing Zhongye Xinyu Real Estate Company Limited (紹興中冶新成置業有限公司)	Subsidiary	40,000.0	2014/9/12 to 2016/9/12	6.60	Real estate segment	None	No	No	No	No	3,337.0	829.6	
5	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	100,000.0	2013/7/5 to 2015/7/5	7.00	Real estate segment	None	No	No	No	No	13,700.0	6,850.0	
6	MCC Real Estate Group Co., Ltd.	Tianjin Zhongye Mingtai Real Estate Co., Ltd. (天津中冶名泰置業有限公司)	Subsidiary	100,000.0	2014/7/22 to 2019/7/21	10.00	Real estate segment	None	No	No	No	No	41,700.0	4,467.8	
7	MCC Real Estate Group Co., Ltd.	Tianjin Zhongye Mingtai Real Estate Co., Ltd. (天津中冶名泰置業有限公司)	Subsidiary	90,000.0	2014/7/23 to 2019/7/22	10.00	Real estate segment	None	No	No	No	No	37,530.0	3,996.0	
8	MCC Real Estate Group Co., Ltd.	Tianjin Zhongye Mingtai Real Estate Co., Ltd. (天津中冶名泰置業有限公司)	Subsidiary	60,000.0	2014/7/24 to 2019/7/23	10.00	Real estate segment	None	No	No	No	No	25,020.0	2,647.3	
9	China Enfi Engineering Corporation (中環恩菲工程技術有限公司)	Wuxi Xidong Green Energy Company Ltd. (無錫錫東環保能源有限公司)	Subsidiary	11,222.0	2013/6/14 to 2016/6/13	4.31	Waste incineration power generation	None	No	No	No	No	1,449.3	483.1	
10	China Enfi Engineering Corporation (中環恩菲工程技術有限公司)	Luoyang Silicon High Technology Company Limited (洛陽中矽高科技有限公司)	Subsidiary	4,800.0	2013/6/21 to 2014/6/20	4.20	Resources segment	None	No	No	No	No	201.6	101.9	
11	China Enfi Engineering Corporation (中環恩菲工程技術有限公司)	Luoyang Silicon High Technology Company Limited (洛陽中矽高科技有限公司)	Subsidiary	4,800.0	2014/6/25 to 2016/6/24	4.31	Resources segment	None	No	No	No	No	413.3	101.0	

REPORT OF DIRECTORS

Unit: RMB'0,000

No.	Name of the lender	Name of the borrower	Relationship of the borrower with the listed company	Amount of entrusted loan		Annual interest rate of loan	Use of borrowing	Pledged asset or pledger	Is it overdue	Whether the transaction is a payment extended litigation			Whether it is financed by the proceeds Expected revenue		Investment gain/loss	Remarks
				loan	Term of loan					Is it connected	is	involved	raised			
12	Huatian Engineering & Technology Corporation, MCC	Ma'anshan MCC Water Service Company Limited (马鞍山中冶水务有限公司)	Subsidiary	1,750.0	2012/8/31 to 2015/8/30	6.15	Environmental works	None	No	No	No	No	No	322.9	102.2	Received RMB3.5 million with an outstanding amount of RMB14 million at the end of the period
13	Huatian Engineering & Technology Corporation, MCC	Lu'an MCC Water Service Company Limited (六安中冶水务有限公司)	Subsidiary	2,000.0	2012/8/31 to 2015/8/30	6.15	Environmental works	None	No	No	No	No	No	369.0	116.9	Received RMB4 million with an outstanding amount of RMB16 million at the end of the period
14	Huatian Engineering & Technology Corporation, MCC	Lai'an MCC Huatian Water Service Company Limited (莱安中冶华天水务有限公司)	Subsidiary	3,000.0	2013/8/14 to 2016/8/13	6.15	Environmental works	None	No	No	No	No	No	461.3	176.8	Received RMB5 million with an outstanding amount of RMB25 million at the end of the period
15	Huatian Engineering & Technology Corporation, MCC	Tiangchang MCC Huatian Water Service Company Limited (天长市中冶华天水务有限公司)	Subsidiary	2,200.0	2013/8/14 to 2016/8/13	6.15	Environmental works	None	No	No	No	No	No	338.3	129.7	Received RMB3.667 million with an outstanding amount of RMB18.333 million at the end of the period
16	Huatian Engineering & Technology Corporation, MCC	Xuancheng MCC Huatian Water Service Company Limited (宣城中冶华天水务有限公司)	Subsidiary	2,300.0	2013/8/14 to 2016/8/13	6.15	Environmental works	None	No	No	No	No	No	353.6	135.6	Received RMB3.833 million with an outstanding amount of RMB19.167 million at the end of the period
17	Huatian Engineering & Technology Corporation, MCC	Shouguang MCC Water Service Company Limited (寿光市中冶水务有限公司)	Subsidiary	1,500.0	2013/8/14 to 2016/8/13	6.15	Environmental works	None	No	No	No	No	No	230.6	88.4	Received RMB2.5 million with an outstanding amount of RMB12.5 million at the end of the period
18	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	1,000.0	2013/8/14 to 2016/8/13	6.15	Environmental works	None	No	No	No	No	No	153.8	58.9	Received RMB1.667 million with an outstanding amount of RMB8.333 million at the end of the period
19	Huatian Engineering & Technology Corporation, MCC	Shouguang MCC Water Service Company Limited (寿光市中冶水务有限公司)	Subsidiary	2,800.0	2014/9/25 to 2017/9/22	6.15	Environmental works	None	No	No	No	No	No	516.6	43.1	
20	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	2,300.0	2014/9/25 to 2017/9/22	6.15	Environmental works	None	No	No	No	No	No	424.4	35.4	

REPORT OF DIRECTORS

Unit: RMB'0,000

No.	Name of the lender	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 borrowing	Pledged asset or pledger	Is it overdue	Whether it is a payment transaction extended	Whether the payment is involved in litigation	Is it financed by the proceeds raised	Expected revenue	Investment gain/loss	Remarks
21	Huatian Engineering & Technology Corporation, MCC	Huangshi MCC Huatian Water Service Company Limited (黄石市中冶华天水务有限公司)	Subsidiary	4,700.0	2014/9/25 to 2017/9/22	6.15	Environmental works	None	No	No	No	No	867.2	72.3	
22	Huatian Engineering & Technology Corporation, MCC	Lu'an MCC Water Service Company Limited (六安市中冶水务有限公司)	Subsidiary	2,500.0	2014/9/25 to 2017/9/22	6.15	Environmental works	None	No	No	No	No	461.3	38.4	
23	Huatian Engineering & Technology Corporation, MCC	Ma'anshan MCC Water Service Company Limited (马鞍山中冶水务有限公司)	Subsidiary	1,600.0	2014/9/25 to 2017/9/22	6.15	Environmental works	None	No	No	No	No	295.2	24.6	
24	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	4,700.0	2014/9/25 to 2017/9/22	6.15	Environmental works	None	No	No	No	No	867.2	72.3	
25	Huatian Engineering & Technology Corporation, MCCs	Xuancheng MCC Huatian Water Service Company Limited (宣城市中冶華天水務有限公司)	Subsidiary	400.0	2014/9/25 to 2017/9/22	6.15	Environmental works	None	No	No	No	No	73.8	6.2	
26	China MCC 5 Group Co., Ltd.	Sichuan Hange Industrial Co., Ltd. (四川航冶實業有限公司)	Joint venture	10,005.0	2014/12/4 to 2015/12/3	15.00	Engineering segment	None	No	No	No	No	1,500.8	112.6	
27	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (濰坊中冶基礎設施投資建設有限公司)	Subsidiary	1,500.0	2011/1/15 to 2014/1/31	6.40	Engineering segment	None	No	No	No	No	283.0	8.1	
28	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (濰坊中冶基礎設施投資建設有限公司)	Subsidiary	1,500.0	2011/5/10 to 2014/1/31	6.40	Engineering segment	None	No	No	No	No	273.3	8.1	
29	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (濰坊中冶基礎設施投資建設有限公司)	Subsidiary	1,200.0	2011/6/15 to 2015/1/31	6.00	Engineering segment	None	No	No	Yes	No	249.2	72.0	See note 2
30	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (濰坊中冶基礎設施投資建設有限公司)	Subsidiary	1,500.0	2011/8/16 to 2015/1/31	6.00	Engineering segment	None	No	No	Yes	No	318.8	90.0	See note 2

REPORT OF DIRECTORS

Unit: RMB'O,000

No.	Name of the lender	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 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	Remarks
31	MCC Baosteel Technology Services Co., Ltd.	Wefang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	800.0	2011/10/24 to 2015/1/31	6.00	Engineering segment	None	No	No	Yes	No	No	172.6	48.0	See note 2
32	MCC Baosteel Technology Services Co., Ltd.	Wefang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	1,000.0	2011/10/25 to 2015/1/31	6.00	Engineering segment	None	No	No	Yes	No	No	222.3	60.0	See note 2
33	MCC Baosteel Technology Services Co., Ltd.	Wefang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	800.0	2011/11/3 to 2015/1/31	6.00	Engineering segment	None	No	No	Yes	No	No	164.3	48.0	See note 2
34	MCC Baosteel Technology Services Co., Ltd.	Wefang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	200.0	2011/11/21 to 2015/1/31	6.00	Engineering segment	None	No	No	Yes	No	No	45.6	12.0	See note 2
35	MCC Baosteel Technology Services Co., Ltd.	Wefang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	550.0	2011/12/26 to 2015/1/31	6.00	Engineering segment	None	No	No	Yes	No	No	108.3	33.0	See note 2
36	MCC Baosteel Technology Services Co., Ltd.	Wefang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	470.0	2012/1/16 to 2015/1/31	6.00	Engineering segment	None	No	No	Yes	No	No	93.8	28.2	See note 2
37	MCC Baosteel Technology Services Co., Ltd.	Wefang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	280.0	2012/3/19 to 2015/1/31	6.00	Engineering segment	None	No	No	Yes	No	No	52.8	16.8	See note 2
38	MCC Baosteel Technology Services Co., Ltd.	Wefang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	400.0	2012/5/24 to 2015/1/31	6.00	Engineering segment	None	No	No	Yes	No	No	70.9	24.0	See note 2
39	MCC Baosteel Technology Services Co., Ltd.	Wefang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	1,000.0	2012/6/19 to 2015/1/31	6.00	Engineering segment	None	No	No	Yes	No	No	130.5	60.0	See note 2
40	MCC Baosteel Technology Services Co., Ltd.	Wefang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	320.0	2012/11/20 to 2015/1/31	6.00	Engineering segment	None	No	No	Yes	No	No	44.4	19.2	See note 2
41	MCC Baosteel Technology Services Co., Ltd.	Wefang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	700.0	2012/12/20 to 2015/1/31	6.00	Engineering segment	None	No	No	Yes	No	No	97.1	42.0	See note 2
42	MCC Baosteel Technology Services Co., Ltd.	Wefang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	1,000.0	2013/12/3 to 2015/1/31	6.00	Engineering segment	None	No	No	Yes	No	No	68.4	60.0	See note 2

REPORT OF DIRECTORS

Unit: RMB'0,000

No.	Name of the lender	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 borrowing	Pledged asset or pledger	Is it overdue	Whether it is a conected transaction	Whether the payment is extended	Is it involved in litigation	Whether it is financed by the proceeds raised	Expected revenue	Investment gain/loss	Remarks
43	Shanghai Baorong International Container Co., Ltd. (上海寶樂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	500.0	2013/6/14 to 2015/6/23	6.15	Engineering segment	None	No	No	No	No	No	30.8	15.4	
44	Shanghai Baorong International Container Co., Ltd. (上海寶樂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	2,000.0	2013/9/26 to 2014/9/25	5.53	Engineering segment	None	No	No	No	No	No	110.6	83.0	
45	Shanghai Baorong International Container Co., Ltd. (上海寶樂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	1,500.0	2014/10/29 to 2015/10/27	5.40	Engineering segment	None	No	No	No	No	No	81.0	13.5	
46	Shanghai Baorong International Container Co., Ltd. (上海寶樂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	500.0	2014/11/26 to 2015/11/25	5.04	Engineering segment	None	No	No	No	No	No	25.2	2.1	
47	Metallurgical Corporation of China Ltd.	Xiangyang Erli Green Energy Company Ltd. (襄陽恩菲環保能源有限公司)	Subsidiary	2,581.0	2013/3/28 to 2016/3/27	4.305	Waste incineration power generation	None	No	No	No	No	No	338.0	85.8	
48	Metallurgical Corporation of China Ltd.	Wuxi Xidong Green Energy Company Ltd. (無錫錫東環保能源有限公司)	Subsidiary	2,092.0	2013/3/28 to 2016/3/27	4.305	Waste incineration power generation	None	No	No	No	No	No	273.9	69.6	
49	Metallurgical Corporation of China Ltd.	Beijing MCC Equipment Research & Design Corporation Ltd.	Subsidiary	1,167.0	2013/3/28 to 2016/3/27	4.305	Engineering segment	None	No	No	No	No	No	152.8	38.8	
50	Metallurgical Corporation of China Ltd.	MCC-SFRE Heavy Industry Equipment Co., Ltd.	Subsidiary	547.0	2013/3/28 to 2016/3/27	4.305	Manufacturing segment	None	No	No	No	No	No	71.6	18.2	
51	Metallurgical Corporation of China Ltd.	Central Research Institute of Building and Construction Co., Ltd., MCC Group	Subsidiary	1,511.0	2013/3/28 to 2016/3/27	4.305	Engineering segment	None	No	No	No	No	No	197.9	50.2	
52	Metallurgical Corporation of China Ltd.	MCC-III Mining Development Company Limited	Subsidiary	162,500.0	2009/11/18 to 2017/11/17	5.94	Mineral exploration	None	No	No	No	No	Yes	78,319.3	9,786.5	See note 1
53	Metallurgical Corporation of China Ltd.	Central Research Institute of Building and Construction Co., Ltd., MCC Group	Subsidiary	30,000.0	2014/10/21 to 2017/10/20	6.00	Engineering segment	None	No	No	No	No	Yes	5,400.0	305.0	

Note 1: 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.

REPORT OF DIRECTORS

(III) Use of Proceeds and Particulars of 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 the proceeds of HK\$120 million raised through the H Share offering. As at the end of the Reporting Period, the used H Share proceeds amounted to HK\$12,902 million in aggregate, while the balance of the unused H Share proceeds amounted to HK\$2,752 million (including deposit interests, etc). The use of H Share proceeds is consistent with the purpose as disclosed in the H share prospectus. The H Share proceeds which remain temporarily unused have been deposited in the account designated for raised proceeds.

The Company raised total net proceeds of RMB18,359 million through the A Share offering in September 2009. During the Reporting Period, the Company has used the proceeds of RMB15 million raised through the A Share offering. As at the end of the Reporting Period, the used A Share proceeds amounted to RMB17,423 million in aggregate, while the unused portion amounted to RMB1,191 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 appropriated for 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, a certain part of the unused A Share proceeds was approved to replenish the working capital temporarily, with a total amount of no more than RMB1,161.9 million and a term of no more than one year (for details, please see the overseas regulatory announcement disclosed by the Company on 28 March 2014). Pursuant to the aforementioned resolution, as at the end of the Reporting Period, the Company had used the unused A Share proceeds of RMB1,161 million to replenish its working capital temporarily. As at 20 March 2015, the Company had returned to the A share fund raising account the above proceeds used to temporarily replenish its working capital in full totalling RMB1,161 million.

REPORT OF DIRECTORS

2. Proceeds for projects undertaken

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

Unit: HK\$ 0'000

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	231,813.39	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	In progress	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	—	—	1,290,206.40	—	—	—

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.

REPORT OF DIRECTORS

(2) Use of proceeds in projects undertaken to be financed by A Share proceeds

Unit: RMB'0,000

Name of the project undertaken	Any changes to the project	Amount of proceeds to be invested	Commutative		Actual amount of proceeds invested	Is it up to schedule	Project progress ^{Note 1}	Percentage of projects in line with schedule ^{Note 2}	Estimated revenue	Revenue generated	Is it in line with estimated returns	Explanation of projects falling behind schedule or failing to achieve revenue as expected	Explanation of reasons of the changes and changing procedures of proceeds
			Amount of proceeds to be invested as at the end of the period	Amount of proceeds invested in the current year									
Afghanistan Aynak copper mine project	No	85,000.00	85,000.00	0.00	0.00	No	0.00%	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 Afghanistan government was still conducting excavation of relics, expropriation of land, relocation of villages and mine clearance and removal of mines and so forth that affected the commencement of the project. Pursuant to the relevant provisions under the contract, the Company and Afghanistan government are expected to carry out negotiation in relation to the amendments to the contract in 2015.	—
Ramu nickel laterite mine project	No	250,000.00	250,000.00	0.00	250,000.04 ^{Note 2}	Yes	100.00%	100%	Internal rate of return of 12.67%	Total loss accumulated to RMB -2,045,916.500	No	The project is in the preliminary stage of production. Certain technologies and infrastructures still need further improvement. The losses for 2014 were controlled in the expected range.	—
The innovation base project of the National Steel Structures Engineering Technology Research Center	Yes	55,453.95	55,453.95	244.8	42,813.68	No	77.21%	77.21%	N/A	N/A	N/A	The project is under progress and part of the proceeds has not been put in place.	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 to replenishment of working capital.
Equipment purchase for engineering, contracting and research and development	Yes	187,036.12	187,036.12	0.00	199,304.73 ^{Note 2}	No	100%	100%	Internal rate of return of 15.99%	N/A	N/A	—	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 to replenishment of working capital of each relevant subsidiary.

REPORT OF DIRECTORS

Unit: RMB'0,000

Name of the project undertaken	Any changes to the project	Amount of proceeds to be invested	Commutative amount to be invested as at the end of the period	Actual amount of proceeds invested	Is it up to schedule	Project progress ^{Note 1}	Percentage of projects in line with schedule ^{Note 3}	Estimated revenue	Revenue generated	Is it in line with estimated returns	Explanation of projects falling behind schedule or failing to achieve revenue as expected	Explanation of reasons of the changes and changing procedures of proceeds	
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	64,300.00	0.00	64,308.53 ^{Note2}	Yes	100%	100%	Internal rate of return of 10.65%	Cannot be confirmed until completion of the project	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	44,000.00	0.00	44,044.10 ^{Note2}	Yes	100%	100%	Internal rate of return of 17.60%	Profit accumulated to RMB 21,295,500	No	Affected by the market environment, the price of products is low, while the cost is high. At present, the revenue generated from the project has not met the expectation.	—
The project in relation to an annual production of 400,000 tons of ERW welded pipes by MCC Liaoning Dragon Pipe Industries Co., Ltd (中冶辽宁龙腾钢管有限公司)	Yes	20,436.04	20,436.04	0.00	20,667.54 ^{Note2}	Yes	100%	100%	Internal rate of return of 20.90%	Loss accumulated to RMB-12,279,100	No	Due to the bad market environment, the production and operation situation and each operational indicator of the project have not met the expectation.	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 to working capital.
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	0.00	0.00	0.00	—	—	—	—	—	—	As approved at the 2010 annual general meeting, this project had been entirely changed to "large multi-ram die forgings and heavy equipment automation industrial base construction project".	
The land development project in Gaochang Town, Pudong	No	58,800.00	58,800.00	0.00	58,800.00	Yes	100%	100%	Internal rate of return of 16.35%	Profit accumulated to RMB 642,116,000	Yes	—	—

REPORT OF DIRECTORS

Unit: RMB 0,000

Name of the project undertaken	Any changes to the project	Amount of proceeds to be invested	Commutative amount of proceeds		Actual amount of proceeds invested	Is it up to schedule	Project progress ^{Note 1}	Percentage of projects in line with schedule ^{Note 2}	Estimated revenue	Revenue generated	Is it in line with estimated returns	Explanation of projects falling behind schedule or failing to achieve revenue as expected	Explanation of reasons of the changes and changing procedures of proceeds
			Amount to be invested as at the end of the period	Amount of proceeds invested in the current year									
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	50,000.00	0.00	50,693.73 ^{Note 2}	Yes	100%	100%	Internal rate of return of 29.07%	Profit accumulated to RMB 525,926,800	Yes	—	—
Large multi-ram die forgings and heavy equipment automation industrial base construction project	No	48,200.00	48,200.00	1,231.54	39,001.18	No	80.92%	80.92%	Internal rate of return of 17.10%	Profit accumulated to RMB3,656,600	No	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 improvement of forging technology.	—
Replenishment of working capital and repayment of bank loans	No	821,573.89	821,573.89	0.00	821,573.89	N/A	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	151,097.24	0.00	151,097.24	N/A	N/A	N/A	N/A	N/A	N/A	—	—
Sub-total	—	1,835,897.24	1,835,897.24	1,476.34	1,742,304.66	—	—	—	—	—	—	—	—

Note 1: Project progress = Actual amount of proceeds invested/Amount of proceeds to be invested.

Note 2: 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 3: Percentage of projects in line with schedule = Actual amount of proceeds invested/ Amount to the invested as at the end of the period.

REPORT OF DIRECTORS

(IV) MAJOR PROJECTS NOT INVESTED BY PROCEEDS

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

V. CONNECTED TRANSACTIONS

Transactions between the Company and its connected persons (as defined in the Hong Kong Listing Rules) constitute connected transactions and continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. These transactions have been monitored and managed by the Company in accordance with the Hong Kong Listing Rules.

- Set out below are the annual caps of continuing connected transactions of the Company in the year and the actual amount of continuing connected transactions of the Company in 2014.

Unit: RMB0'000

Item	Type of transaction	Annual cap for 2014	As at 31 December 2014
With MCC Group			
1.	Lease of properties by MCC Group and its subsidiaries to the Company and its subsidiaries	9,000	5,185
2.	Provision of raw materials, products and services by MCC Group and its subsidiaries to the Company and its subsidiaries	42,000	1,539
3.	Provision of raw materials, products and services by the Company and its subsidiaries to MCC Group and its subsidiaries	110,000	421

The Resolution for Matters in Relation to the Renewal of Connected Transaction Agreements (《關於關聯／連交易協定續簽等相關事宜的議案》) was considered and approved in the thirty-third meeting of the Board of the first session from 27 to 29 March 2012. In accordance to the results from the assessment of rental rates, the Board re-considered the Lease Agreement (《房屋租賃協議》) into which the Company and MCC Group had entered on 5 December 2008 with a term of ten years, and the Board resolved that the Company shall continue to perform its obligations under the Lease Agreement. For details, please refer to the announcement headed Renewal and Assessment of Continuing Connected Transaction Agreements (《有關持續關連交易協定的續簽及評估》) published by the Company on 29 March 2012.

The Company and MCC Group entered into the Mutual Supply of Comprehensive Raw Materials, Products and Services Agreement on 5 December 2008 with an effective period of 3 years tracing back to 1 December 2008. Pursuant to the agreement, the Company and MCC Group shall supply raw materials and services to each other and renew the agreement every 3 years. As the agreement expired on 30 November 2014, as considered and approved at the seventieth meeting of the first session of the Board of the Company, it was agreed to amend relevant contents in the Mutual Supply of Comprehensive Raw Materials, Products and Services Agreement and to renew the agreement with MCC Group with an effective period from 1 December 2014 to 30 November 2017.

REPORT OF DIRECTORS

As considered and approved at the seventieth meeting of the first session of the Board of the Company, the cap for the routine connected transactions/continuing connected transactions between MCC and its subsidiaries and MCC Group for 2015-2017 was agreed, of which the cap for property lease from MCC Group for 2015-2017 amounted to RMB76 million, RMB78 million and RMB78 million, respectively; and the cap for purchase of raw materials, products and services from MCC Group for 2015-2017 amounted to RMB17 million, RMB18 million and RMB13 million, respectively.

The Company's Independent non-executive Directors have reviewed the aforementioned connected transactions and confirmed that these transactions have been entered into:

- (1) in the ordinary course of business of the Company;
- (2) either on normal commercial terms or on terms no less favourable to the Company than those available to or provided from (as appropriate) independent third parties as the Company is concerned; and
- (3) in accordance with the terms of the agreements governing them that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's auditors were engaged to report on the Company's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their conclusions in respect of the continuing connected transactions disclosed by the Company on pages 47 of the Annual Report in accordance with Rule 14A.56 of the Hong Kong Listing Rules. A copy of such letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

2. MCC Real Estate Wuhan Co., Ltd. (中冶置業武漢有限公司) (hereafter referred to as "Wuhan Real Estate"), a subsidiary of the Company entered into an asset transfer agreement with Beijing Dongxing Metallurgical New-Tech & Development Corp. (北京東星冶金新技術開發公司) (hereafter referred to as "Dongxing Company"), a subsidiary of MCC Group on 27 June 2014 for repurchase the parcel of land located at the Nanku, No. 39 Street, Badajia, Qingshan District, Wuhan with an area of 59,041.82 square meters held by Dongxing Company. The consideration of the transaction was determined on the basis of the appraised value of the parcel land, being RMB40,168,400.

MCC Group is the controlling shareholder of the Company, while Dongxing Company is a wholly-owned subsidiary of MCC Group. Therefore, Dongxing Company is a connected person of the Company. The connected transaction under the Asset Transfer Agreement is subject to the reporting and announcement requirements, but is exempt from the requirement of approval by independent shareholders under the Listing Rules.

The Company has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules in respect of the above connected transactions.

REPORT OF DIRECTORS

VI. DONATIONS

During the Reporting Period, the Company had no charity or other donations.

VII. PROPERTY, PLANT AND EQUIPMENT

Details of changes in property, plant and equipment of the Company are set out in Note VII. 19 of the consolidated financial statements.

VIII. SUBSIDIARIES AND ASSOCIATES

Details of the interests in our major subsidiaries and the interests in our major associates shared between the Company and our major subsidiaries on 31 December 2014 are set out in Note IX of the consolidated financial statements.

IX. DIRECTORS AND SUPERVISORS

For information of the current Directors and Supervisors, please see "PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF" on pages 87 of this annual report.

REPORT OF DIRECTORS

X. DISCLOSURE OF INTEREST

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 31 December 2014, as far as the Company is aware, details of the 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 Securities and Futures Ordinance) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance, 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 Hong Kong 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 shares in issue
Directors							
Guo Wengqing	Chairman and executive Director	A shares	Long position	Beneficial owner	130,000	0%	0%
Zhang Zhaoxiang	President and Executive Director	A shares	Long position	Beneficial owner	80,000	0%	0%
Jing Tianliang	Non-executive Director	A shares	Long position	Beneficial owner	150,000	0%	0%
Lin Jinzhen	Employee Representative Director (Non-executive Director)	A shares	Long position	Beneficial owner	60,000	0%	0%
Shen Heting	Executive Director (Retired)	A shares	Long position	Beneficial owner	150,000 ^{Note 1}	0%	0%
Chen Yongkuan	Independent non-executive Director (Retired)	A shares	Long position	Beneficial owner	30,000 ^{Note 2}	0%	0%
		H shares	Long position	Beneficial owner	100,000 ^{Note 2}	0%	0%
Supervisors							
Peng Haiqing	Supervisor	A shares	Long position	Beneficial owner	55,000	0%	0%
Shao Bo	Employee Representative Supervisor	A shares	Long position	Beneficial owner	45,000	0%	0%
Shan Zhongli	Chairman of Supervisory Committee (Retired)	A shares	Long position	Interests of spouse	1,000	0%	0%
		A shares	Long position	Beneficial owner	50,000	0%	0%

Note 1: On 1 April 2014, Mr. Shen Heting resigned as the executive Director of the Company as he has reached the age of statutory retirement. Such information is the number of shares he held at the time of resignation.

Note 2: On 11 November 2014, Mr. Chen Yongkuan was no longer the independent non-executive Director of the Company as his term of office expired. Such information is the number of shares he held at the time of resignation.

Save as disclosed above and as at 31 December 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 Securities and Futures Ordinance) which are recorded in the register of the Company required to be kept pursuant to Section 352 of the Securities and Futures Ordinance, or otherwise required to be notified to the Company and the Hong Kong Stock Exchange by 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.

REPORT OF DIRECTORS

OTHER SENIOR MANAGEMENT'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 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	Percentage
						of the relevant class of shares in issue	of the total 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, Chief 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%

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 31 December 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 Securities and Futures Ordinance:

Holders of A Shares

Unit: Share

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

Save as disclosed above, to the best knowledge of the Directors, Supervisors and chief executive of the Company, as at 31 December 2014, no other person or corporation was recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance 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 Securities and Futures Ordinance.

REPORT OF DIRECTORS

XI. MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the amount of purchase from top five suppliers of the Company accounted for not more than 10% of the purchase amount of the Company, while aggregate revenue from the top five customers of the Company accounted for not more than 10% of the total revenue of the Company.

XII. 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.

XIII. MINIMUM PUBLIC FLOAT

During the Reporting Period, the Company has maintained sufficient public float, based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company.

XIV. RESERVES AND DISTRIBUTABLE RESERVES

Movements in the reserves of the Company during the Reporting Period are set out in the consolidated statement of changes in equity from page 124 to 125 of the report and Note 50 to the consolidated financial statements.

Pursuant to the Company Law of the PRC, undistributed profit could be distributed as dividend upon transfer to statutory surplus reserve. As at 31 December 2014, the undistributed profit amounted to approximately RMB996 million.

XV. PRE-EMPTIVE RIGHTS AND SHARE OPTION ARRANGEMENTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders. Subject to the Hong Kong Listing Rules, pursuant to the Articles of Association, the Company may increase its registered capital by issuing shares through public or non-public offering, issuing bonus shares to the existing Shareholders, converting capital reserve to share capital or using other methods as allowed by applicable laws and administrative regulations or approved by relevant authorities.

Currently, the Company does not have any share option arrangements.

XVI. BANK AND OTHER LOANS

Details of the bank loans and other borrowings of the Company are set out in Note 27, 38 of the consolidated financial statements.

XVII. MANAGEMENT CONTRACT

Apart from the service contracts of management personnel of the Company, the Company has not entered into any contract with any individual, company or body corporate to manage or handle the whole department or any material part of the Company's business.

REPORT OF DIRECTORS

XVIII. COMPETITION

The Parent confirmed that during the Reporting Period, it did not breach any undertakings under the Non-competition Undertaking Letter signed on 5 December 2008 and the Non-competition Agreement signed with the Company on 31 August 2009.

XIX. PROPERTIES HELD FOR FURTHER DEVELOPMENT OR SALE

Location	Current use of land	Occupied area s.q.m.	Floor area s.q.m.	Status of project	Progress towards completion	Estimated completion date	Percentage of the interest attributable to the Company in the development projects
Land lot in Binjiang, Nanjing City, Jiangsu Province (江蘇省南京市濱江地塊)	Complex	522,427.16	3,000,000.00	Under construction	—	2017	98.52%
Jiugong Town of Daxing District, East to Road 3 of Jiugong Area, West to Puhuangyu Road, South to Road 15 of Jiugong Area and North to Plot 1 and Plot A2 (大興區舊宮鎮·東至舊宮地區三號路、西至蒲黃榆路、南至舊宮地區十五號路、北至1號地A2地塊)	Residential and commercial	96,274.00	190,045.05	Under construction	33%	2016	100%
Singapore	Residential	16,149.70	56,523.00	Not put into construction	Obtained the working permit, not put into construction	2018	51%
Jiangbei District, Chongqing City	Residential and commercial	678,259.00	218,634.00	Under construction	Obtained the Land Planning Permit, not put into construction	2020	100%
Singapore	Residential	27,153.50	72,796.19	Under construction	80%	2015	100%
Singapore	Residential	17,102.90	47,889.00	Under construction	20%	2017	100%

REPORT OF DIRECTORS

XX. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE HONG KONG LISTING RULES

During the Reporting Period, the Company had complied with the code provisions of the Corporate Governance Code contained in Appendix 14 of the Hong Kong Listing Rules, except as otherwise explained in the Corporate Governance Report of this annual report, which sets out the details of the Company's corporate governance practices.

XXI. AUDITORS

Given that PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) (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 the relevant rotation requirements by the Ministry of Finance of the PRC and SASAC under the State Council. Upon approval at the 2013 AGM of the Company, the Company appointed Deloitte Touche Tohmatsu CPA LLP (Special General Partnership) (the "Deloitte Touche Tohmatsu") as its international and domestic auditors for the year ended 31 December 2014, and appointed Deloitte Touche Tohmatsu as internal control auditor of the Company for the year 2014. The financial statements prepared in accordance with China Accounting Standards for Business Enterprises have been audited by Deloitte Touche Tohmatsu. A resolution for the appointment of the auditor and internal control auditor of the Company respectively for the year ending 31 December 2015 will be submitted to the 2014 AGM of the Company for consideration and approval after separate review.

XXII. FULFILMENT OF SOCIAL RESPONSIBILITIES

During the Reporting Period, the Company was not involved in any situation of industries of heavy pollution as stipulated by the national departments of environmental protection. The Company has prepared and disclosed the 2014 Social Responsibility Report of Metallurgical Corporation of China Ltd. pursuant to relevant requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

I. ANALYSIS ON MAJOR OPERATING BUSINESS

1. Analysis on the changes in the relevant items in income statement and statement of cash flows

Unit: RMB'000

Items	Current period amount	Amount over same period in the previous year	Change in proportion (%)
Operating revenue	215,785,772	202,690,241	6.46
Operating costs	187,884,556	175,112,261	7.29
Sales expenses	1,500,231	1,617,470	-7.25
Administrative expenses	9,108,267	9,449,306	-3.61
Financial expenses	4,022,637	4,459,771	-9.80
Net cash flows generated from operating activities	14,969,027	20,022,146	-25.24
Net cash flows generated from investment activities	-3,204,972	405,092	Not applicable
Net cash flows generated from financing activities	-14,431,574	-21,153,008	Not applicable
R&D expenses	4,786,187	4,693,796	1.97

In 2014, construction and engineering businesses were mainly undertaken by the Company, and in particular, mostly designing, research and development, and construction enterprises. The Company actively coped with the complicated economic situation. Under the circumstances where the production capacity of the steel and iron industry was in surplus and the metallurgy construction business was shrinking, the Company actively explored and developed the markets of property construction, and construction and engineering of public works, resulting in the steady development of the Company and improved business performance. The Company's total operating revenue for 2014 was RMB215,785,772,000, with a year-on-year increase of 6.46%. Its total profits realized was RMB6,705,305,000, with a year-on-year growth of 26.60%. The net profits attributable to the parent company was RMB3,964,938,000, with a year-on-year growth of 33.01%.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Revenue

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

The Company's financial position and business performance was subject to the combined impact of multiple factors, including the international and domestic macroeconomy, the development and adjustment and control measures of the industry in which the Company was involved and the implementation of the financial and currency policies of the PRC:

1) *Trend of macroscopic economy, both internationally and domestically*

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

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

The Company's engineering and construction, property development, equipment manufacturing and resource development businesses were all influenced by the policies of the industry in which the Company was involved. In recent years, the key focus and strategies of the Company's future business have been guided, to a certain extent, by the PRC's industrial regulation of the steel and iron industry, the PRC's plan on adjusting and revitalising the iron and steel and equipment manufacturing industries, the PRC's industry policies regarding resource development and the property market, periodic fluctuations of the industries and changes in the operating situation of upstream and downstream enterprises of the industries, and thereby influencing the Company's financial position and business performance. The overall demand for the engineering and contracting services provided by the Company were affected by changes in the industrial policies. The metallurgical equipment, resource development products, and ordinary residences were also influenced, to a certain extent, by changes in demand in the relevant markets and consequently, affected the financial position of the Company.

Both Items 1) and 2) above were the major risk factors that impacted the Company's performance for 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

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

① Impact from changes in the tax revenue policy

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

The preferential tax policy of China's Western Development Program being currently enjoyed by some of the Company's subsidiaries, the preferential tax policies for hi-tech enterprises, resources tax, property development tax, and the "to replace the business tax with a value-added tax" for the construction industry may undergo some changes following the changes made in the PRC's tax policies. Changes in the relevant preferential tax policies would affect the Company's financial performance.

② Impact of the currency policy

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

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

4) *Overseas tax revenue policies and their changes*

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

5) *Change in major raw materials prices*

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

MANAGEMENT DISCUSSION AND ANALYSIS

6) *Construction Subcontracting Expenses*

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

7) *State of Operation of Subsidiaries and Key Projects*

Since the Company's Ramu Nico Laterite Mine Project in Papua New Guinea has been at the commissioning stage, its actual output was below designed capacity. Although the actual output decreased substantially during the Reporting Period, loss was still made. The polysilicon business of the Company continued to generate loss despite the slight increase in the price of polysilicon during the Reporting Period. The aforementioned issues posed a greater impact on the operating performance of the Company in 2014. The final result of the third party's auditing of the Western Australia SINO Iron Ore EPC General Contract Project, the progress of the Project of MCC Real Estate in Xiaguan District of Nanjing, the recovery of payment for contract work from the government and the recovery of payment from projects of some civilian-run steel and iron enterprises will significantly affect the future financial performance of the Company.

8) *Enhancement in the Quality of Operational Management*

The quality of operational management will significantly affect the results of the Company. The Company will continue to "Focus On Major Businesses of MCC" ("聚焦中冶主業"), strive to further improve the corporate governance, strengthen the implementation of operational management and internal control, raise management quality and effectiveness, and perfect the assessment and incentive systems of the Company. Through the operation of "Big Environment, Big Platform, Big Market, Big Projects and Big Customers" ("大環境、大平台、大市場、大項目、大客戶"). The Company's energy and creativity will be stimulated through reform and innovation, as well as scientific decision-making. Whether these management goals can be effectively implemented will also influence, to quite large extent, the improvement in the operating results of the Company.

9) *Uneven Distribution of Revenue*

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

MANAGEMENT DISCUSSION AND ANALYSIS

(2) State of Major Customers

During the Reporting Period, the operating revenue obtained from the top five major customers of the Company accounted for not more than 10% of the total operating revenue of the Company. (For details, please refer to Note VII 51)

3. Costs

(1) Analysis on Costs

Unit: RMB'000

Segment	Amount in the Current Period	Proportion of the amount in the current period with respect to the total costs (%)	Segmental Information		Percentage change in the amount in the current period as compared to that in the same period in the previous year (%)	Remarks
			Amount in the same period in the previous year	Proportion of the amount in the same period in the previous year with respect to the total costs (%)		
Engineering and Contracting	156,709,625	81.98	144,337,274	80.47	8.57	—
Property development	18,761,768	9.81	21,260,883	11.85	-11.75	—
Equipment manufacturing	8,985,863	4.70	8,444,402	4.71	6.41	—
Resource development	3,898,858	2.04	2,875,368	1.60	35.60	—

(2) State of Major Suppliers

During the Reporting Period, the purchase amount from the top five suppliers of the Company accounted for not more than 10% of the total operating costs of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

4. Expenses

Marketing and sales expenses

The Company's marketing and sales expenses mainly include staff remuneration, transportation costs and advertising expenses. The Company's marketing and sales expenses for the years 2014 and 2013 were RMB1,500,231,000 and RMB 1,617,470,000 respectively, with a year-on-year decrease of 7.25%. The proportion of marketing and sales expenses to operating revenue in the same period for 2014 and 2013 were 0.70% and 0.80% respectively, with a 0.10 percentage-point decrease.

Management expenses

The Company's management expenses mainly include staff remuneration, research and development costs, and office expenses. The Company's management expenses for the years 2014 and 2013 were RMB9,108,267,000 and RMB9,449,306,000 respectively, with a year-on-year decrease of 3.61%. The proportion of management expenses to operating revenue in the same period for 2014 and 2013 were 4.22% and 4.66% respectively, with a 0.44 percentage-point decrease.

Financial expenses

The Company's financial expenses include costs of borrowing, exchange rate gains or losses, banks' handling fees, etc. incurred in operating business. The Company's financial expenses for the years 2014 and 2013 were RMB4,022,637,000 and RMB4,459,771,000 respectively, with a year-on-year decrease of 9.80%. The proportion of financial expenses to operating revenue in the same period for 2014 and 2013 with respect to year-on-year operating revenue were 1.86% and 2.20% respectively, with a 0.34 percentage-point decrease.

5. Cash Flows

The cash flows of the Company are as follows:

Unit: RMB'000

Items	For the year 2014	For the year 2013
Net cash flows generated from operating activities	14,969,027	20,022,146
Net cash flows generated from investment activities	-3,204,972	405,092
Net cash flows generated from financing activities	-14,431,574	-21,153,008

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Operating activities

The Company's net cash flows generated from operating activities for the years 2014 and 2013 amounted to RMB14,969,027,000 and RMB20,022,146,000 respectively. For the years 2014 and 2013, the cash inflow generated from operating activities mainly came from the cash received from sales of products and provision of services, accounting for 97.63% and 95.68% respectively with respect to the cash inflow generated from operating activities.

The Company's cash outflow generated from operating activities mainly consisted of cash paid out for commodities purchased and the labour services received, cash paid to and for staff and payment for various taxes, etc.. For the years 2014 and 2013, the respective proportions of such cash outflow with respect to the cash outflow generated from operating activities accounted for 80.32%, 8.17%, 5.32%, and 81.03%, 8.41%, 5.70% respectively.

(2) Investment activities

The Company's cash inflow generated from investment activities mainly consisted of cash received from recovered investments, investment profits obtained and disposal of assets. For the years 2014 and 2013, the respective proportions of such cash inflow with respect to the cash inflow generated from operating activities accounted for 7.05%, 10.19%, 41.27% and 38.67%, 6.18%, 15.15% respectively. Cash flow-out mainly included cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets. For the years 2014 and 2013, such cash inflow accounted for 68.02% and 82.45% respectively with respect to the cash inflow generated from investment activities.

For the years 2014 and 2013, the Company's net cash flows generated from investment activities amounted to RMB-3,204,972,000 and RMB405,092,000 respectively. The Company's investment activities mainly involved the engineering and contracting, and property development business.

(3) Financing activities

The Company's cash inflow generated from financing activities mainly consisted of cash received from obtaining loans and accounted for 99.86% and 98.78% respectively with respect to the cash inflow generated from financing activities for the years 2014 and 2013. The Company's cash outflow generated from financing activities mainly consisted of cash paid for debt repayment and cash paid for the distribution of dividend, profits or interest repayments, accounting for 91.85% and 7.55%, and 92.29% and 7.58% respectively of the cash outflow generated from financing activities for the years 2014 and 2013.

For the years 2014 and 2013, the Company's net cash flows generated from financing activities were RMB-14,431,574,000 and RMB-21,153,008,000 respectively. Large outflow from financing activities was mainly due to the fact that the cash paid for repaying the current debt was greater than the cash obtained from borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) ANALYSIS ON OPERATIONS IN TERMS OF BUSINESS, PRODUCTS OR REGIONS

1. Situation of Major Business by segment and by product

Currency: RMB'000

Segment	Operating revenue	Operating costs	Segmental Information of Major Business			
			Gross margin (%)	Increase or decrease in the operating revenue as compared to that of last year (%)	Increase or decrease in the operating costs as compared to that of last year (%)	Increase or decrease in the gross margin as compared to that of last year (%)
Engineering and contracting	178,416,066	156,709,625	12.17	8.01	8.57	Decreased by 0.45 percentage point
Property development	22,852,664	18,761,768	17.90	-13.36	-11.75	Decreased by 1.50% percentage point
Equipment manufacturing	10,234,645	8,985,863	12.20	7.29	6.41	Increased by 0.72% percentage point
Resource development	4,264,231	3,898,858	8.57	27.84	35.60	Decreased by 5.23% percentage point

(1) Engineering and contracting business

Engineering and contracting business is the traditional core business of the Company and is the major source of income and profits of the Company at present. Engineering and contracting business realized gross profit of RMB21,706,441,000, with a year-on-year increase of 4.13%. The gross margins of the Company's engineering and contracting business for the years 2014 and 2013 were 12.17% and 12.62% respectively, with a year-on-year decrease of 0.45 percentage point.

From the perspective of operating structure, the ratio accounted for by the Company's metallurgical engineering and contracting business in the engineering segment has decreased due to the influence of the adjustment made in the domestic steel and iron industry.

(2) Property development business

For the year 2014, the Company's property development business realized gross profit of RMB 4,090,896,000, with a year-on-year decrease of 20.05%. For the years 2014 and 2013, the total gross margins of the Company's property development business were 17.9% and 19.40% respectively with a year-on-year decrease of 1.5 percentage points. The decrease in the gross margin was due to the impact of the macroeconomic environment and the difference in the cycles of project development.

MANAGEMENT DISCUSSION AND ANALYSIS

(3) *Equipment manufacturing business*

The Company's equipment manufacturing business mainly included metallurgical equipment, steel structures and other metal products. For the year 2014, the Company's equipment manufacturing business realized gross profits of RMB1,248,782,000, with a year-on-year increase of 14.05%. For the years 2014 and 2013, the gross margins of the Company's equipment manufacturing business were 12.2% and 11.48% respectively, with a year-on-year increase of 0.72 percent.

(4) *Resource development business*

The Company's resource development business included mining and processing. MCC Tongsin Resources Limited (MCCT) (中冶銅鋅有限公司) and MCC-JJJ Mining Development Company Limited (中冶金吉礦業開發有限公司) were mainly engaged in the mining business while Luoyang China Silicon Hi-tech Corporation (洛陽中硅高科技有限公司), the polysilicon manufacturing enterprise, was mainly engaged in the processing business. During the Reporting Period, the income of the mining business mainly came from the Saindak Copper-Gold Mine in Pakistan, the Ramu Nico Laterite Mine Project, iron ore in Argentina and the Chaoyang Jinchang resource development projects. The Company's resource development business realized gross profits of RMB365,373,000, with a year-on-year decrease of 20.63%. In the years 2014 and 2013, the gross profit margins of resource development business of the Company was 8.57% and 13.80% respectively, representing a year-on-year decrease of 5.23 percentage points.

2. Situation of Major Business by Region

Unit: RMB'000

Region	Operating Revenue	Increase or decrease in operating revenue as compared to that of the previous year (%)
China	203,594,019	6.72
Other countries (region)	12,191,753	2.34
Total	215,785,772	6.46

Explanation on the situation of major business by region

For the years 2014 and 2013, the Company realised overseas operating revenue of RMB12,191,753,000 and RMB11,913,541,000 respectively. The revenue mainly came from the engineering and contracting business including the Kuwait University Town project, the Singapore property development business, the Ramu Nico Laterite Mine Project in Papua New Guinea, and the resource development business in Saindak Copper-Gold Mine in Pakistan.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) ANALYSIS ON ASSETS AND LIABILITIES

1. Table of Analysis on Assets and Liabilities

Unit: RMB'000

Item name	Amount at the end of the current period	Proportion of the amount at the end of the current period with respect to the total assets/ total liabilities (%)	Amount at the end of the previous period	Proportion of the amount at the end of the previous period with respect to the total assets/ total liabilities (%)	Percentage change in the amount at the end of the current period as compared to that at the end of the previous period (%)	Remarks
Current assets:	247,086,564	75.80	239,954,194	74.32	2.97	
Currency funds	33,409,480	10.25	33,585,579	10.40	-0.52	
Accounts receivable	55,799,282	17.12	52,597,630	16.29	6.09	
Prepayment	16,510,723	5.06	15,037,010	4.66	9.80	
Other receivables	19,768,319	6.06	13,844,812	4.29	42.79	
Inventory	106,415,992	32.65	107,930,551	33.43	-1.40	
Non-current assets:	78,891,915	24.20	82,930,245	25.68	-4.87	
Long-term receivables	17,383,285	5.33	20,342,364	6.30	-14.55	
Fixed assets	32,874,747	10.08	33,382,887	10.34	-1.52	
Intangible assets	14,967,560	4.59	15,278,732	4.73	-2.04	
Total assets	325,978,479	100.00	322,884,439	100.00	0.96	
Current liabilities:	217,564,185	81.19	219,044,859	81.79	-0.68	
Short-term borrowings	36,461,263	13.61	45,080,598	16.83	-19.12	
Accounts payable	77,722,163	29.01	70,186,463	26.21	10.74	
Advance receipts	33,978,850	12.68	35,311,169	13.18	-3.77	
Other payables	15,888,498	5.93	19,793,109	7.39	-19.73	
Non-current liabilities:	50,389,786	18.81	48,774,361	18.21	3.31	
Long-term borrowings	21,329,884	7.96	21,618,045	8.07	-1.33	
Bonds payable	21,945,923	8.19	20,606,063	7.69	6.50	
Total liabilities	267,953,971	100.00	267,819,220	100.00	0.05	

MANAGEMENT DISCUSSION AND ANALYSIS

(1) *Analysis on the structure of assets and liabilities*

1) *Analysis on the asset structure*

As at 31 December 2014 and 31 December 2013, the total assets of the Company were RMB325,978,479,000 and RMB322,884,439,000 respectively.

As a consolidated group which owns engineering and contracting and property development as its main business, current assets are the main constituent of the Company's assets. As at 31 December 2014 and 31 December 2013, the proportions of the Company's current assets with respect to the total assets were 75.80% and 74.32% respectively. Current assets mainly included currency funds, notes receivables, accounts receivables, prepayments, other receivables, inventory, etc. Non-current assets mainly included long-term receivables, fixed assets, projects under construction and intangible assets, etc.

Currency funds

The Company's currency funds consisted of cash on hand, bank deposits and other currency funds. Based on the characteristics of the business in which the Company was involved, the Company usually maintained appropriate quantities of currency funds so as to maintain the needs for production and operation.

As at 31 December 2014 and 31 December 2013, the balance of the Company's currency funds were RMB33,409,480,000 and RMB33,585,579,000 respectively, accounting for 13.52% and 14.00% respectively with respect to with use restrictions current assets.

As at 31 December 2014 and 31 December 2013, the Company's currency funds with use restrictions were RMB4,838,303,000 and RMB2,343,025,000 respectively, accounting for 14.48% and 6.98% respectively with respect to the currency funds. The currency funds with use restrictions mainly included guarantee deposits for bills of acceptance, deposits for letters of guarantee and blocked deposits, with an increase of 106.50% compared to that of the previous year. This was mainly due to the increase in the guarantee deposits for bills of acceptance.

Accounts receivable

The Company's accounts receivable mainly included construction costs, products sales proceeds, costs of design consulting and technical services, etc..

As at 31 December 2014 and 31 December 2013, the Company's accounts receivable were RMB55,799,282,000 and RMB52,597,630,000 respectively, accounting for 22.58% and 21.92% respectively with respect to current assets. Net accounts receivable increased by 6.09%. The main cause for the increase in the accounts receivable was the growth of the operating scale. The Company will continue to gradually reduce the proportion of accounts receivable by selecting quality customers, adjusting the commercial scale and further strengthening the implementation of recovering accounts receivable.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2014, and based on original book values, the age for 82.39% of the Company's accounts receivable was within 2 years (2 years inclusive) and the age for 61.37% of the Company's accounts receivable was within 1 year (1 year inclusive). The age of accounts receivable is related to the characteristics of the Company's business, operating scale and settlement cycle, etc.

The Company dealt with the potential risk of bad debt through the life-cycle management of accounts receivable, giving full consideration as to the nature and recoverability of the accounts receivable and making provision for bad debts, cautiously reflecting the quality of the Company's assets. As at 31 December 2014 and 31 December 2013, the balance of the Company's provisions for bad debts of accounts receivable were RMB7,669,247,000 and RMB6,101,857,000 respectively, accounting for 12.08% and 10.40% respectively with respect to the original face value of the accounts receivable.

Prepayments

The Company's prepayments mainly included advance payments of the cost of raw materials to suppliers of raw materials, prepayments to subcontractors for engineering costs and equipment expenses, and prepayment of land transfer prices and costs of construction works for property development business.

As at 31 December 2014 and 31 December 2013, the balance of the Company's prepayments were RMB16,510,723,000 and RMB15,037,010,000 respectively, accounting for 6.68% and 6.27% respectively with respect to the current assets. The balance of the prepayments increased by approximately 9.80%, mainly due to the increases in the land transfer prices for property development prepaid by the Company.

As at 31 December 2014, and based on the original book values, the age for 85.75% of the Company's prepayments was within 2 years (2 years inclusive) and the age for 74.80% of the Company's prepayments was within 1 year (1 year inclusive).

Other receivables

The Company's other receivables mainly included performance guarantees, bid guarantees, guarantee deposits for project cooperation and reservation fund, etc.

As at 31 December 2014 and 31 December 2013, the Company's net amount of other receivables were RMB19,768,319,000 and RMB13,844,812,000 respectively, accounting for 8.00% and 5.77% respectively with respect to current assets. Net amount of other receivables increased by 42.79%, mainly due to the increase in the equity transfer fees and guarantee deposits, etc. pending to be recovered.

As at 31 December 2014, and based on original book values, the age for 79.90% of the Company's other receivables was within 2 years (2 years inclusive) and the age for 62.70% of the Company's other receivables was within 1 year (1 year inclusive). The Company made corresponding provisions for bad debts for other receivables with risk of bad debts. As at 31 December 2014 and 31 December 2013, the balance of the provisions for bad debts of other receivables were RMB1,922,327,000 and RMB1,551,724,000 respectively, accounting for 8.86% and 10.08% respectively with respect to the original face values of other receivables.

MANAGEMENT DISCUSSION AND ANALYSIS

Inventory

The Company's inventory mainly consisted of incomplete and unsettled engineering and construction works, costs of property development, property development products, raw materials, articles under production and commodities in inventory, etc.. The Company's inventory structure reflected the characteristics of the engineering and contracting, property development, equipment manufacturing and resource development businesses in which the Company was engaged.

As at 31 December 2014 and 31 December 2013, the Company's net inventory were RMB106,415,992,000 and RMB107,930,551,000 respectively, accounting for 43.07% and 44.98% respectively with respect to the current assets. The net inventory decreased by 1.40%, mainly due to the reduction in the costs of property development.

As at 31 December 2014, the Company's incomplete and unsettled engineering and construction works accounted for 39.08% of the total original face value of inventory; and the costs of property development and property development products accounted for 53.74% of the total original face value of inventory. The Company made corresponding provisions for a decrease in price of inventory. As at 31 December 2014 and 31 December 2013, the Company's provisions for a decrease in price inventory were RMB1,387,315,000 and RMB822,863,000 respectively, accounting for 1.29% and 0.76% respectively with respect to the original face values of inventory at the end of the respective periods.

Long-term receivables

The Company's long-term receivables mainly included such receivables with an agreed term of more than one year pursuant to the contracts.

As at 31 December 2014 and 31 December 2013, the Company's net long-term receivables were RMB17,383,285,000 and RMB20,342,364,000 respectively, accounting for 22.03% and 24.53% respectively with respect to non-current assets. The net long-term receivables decreased by 14.55% mainly due to the decrease in the receivables with a collection period more than one year by contract from BT business including indemnificatory housing and construction of urban infrastructure and other BT business.

Fixed assets

As at 31 December 2014 and 31 December 2013, the Company's net fixed assets were RMB32,874,747,000 and RMB33,382,887,000 respectively, accounting for 41.67% and 40.25% respectively with respect to the non-current assets. The Company's fixed assets mainly included buildings, machinery equipment and transportation equipment, etc.

Intangible assets

As at 31 December 2014 and 31 December 2013, the total face values of the Company's intangible assets were RMB14,967,560,000 and RMB15,278,732,000 respectively, accounting for 18.97% and 18.42% respectively with respect to non-current assets. The Company's intangible assets mainly included land use rights, rights of franchise and rights to use, patents, proprietary technology and mining right, etc..

MANAGEMENT DISCUSSION AND ANALYSIS

2) *Analysis on the structure of liabilities*

As at 31 December 2014 and 31 December 2013, the current liabilities accounted for 81.19% and 81.79% respectively with respect to total liabilities and the non-current liabilities accounted for 18.81% and 18.21% respectively with respect to the total liabilities.

Short-term borrowings

The Company's short-term borrowings mainly consisted of borrowings on credit and guaranteed borrowings from commercial banks and other financial organizations. As at 31 December 2014 and 31 December 2013, the balance of the Company's short-term borrowings were RMB36,461,263,000 and RMB45,080,598,000 respectively, with a year-on-year decrease of 19.12%. The decrease in the short-term borrowings was due to the adjustment to the borrowing structure in an appropriate manner in accordance with the needs of business development.

Accounts payable and other payables

Accounts payable mainly included such material costs payable to suppliers and engineering costs payable to subcontractors. Other payables mainly included guarantee deposits, down payments and leasing fee, etc.

As at 31 December 2014 and 31 December 2013, the Company's accounts payable and other payables were RMB77,722,163,000 and RMB15,888,498,000, RMB70,186,463,000 and RMB19,793,109,000 respectively, accounting for 29.01%, 5.93% and 26.21% and 7.39% respectively with respect to total liabilities.

The increase in the accounts payable was mainly due to the increase in the subcontracting and engineering costs payable. The decrease in other payables was mainly due to the decrease in the guarantee deposits of the subsidiary property company.

Prepayments

Prepayments mainly included prepayments received under construction contracts, reserves for material costs, cost for settled but incomplete works and payments for pre-sale of apartments.

As at 31 December 2014 and 31 December 2013, the balance of the Company's prepayment were RMB33,978,850,000 and RMB35,311,169,000 respectively, accounting for 12.68% and 13.18% respectively with respect to the total liabilities. As at 31 December 2014, the amount prepayment reduced by 3.77% as compared to that as at 31 December 2013, mainly because of the decrease in the amount of prepayment of for Company's property projects.

Long-term borrowings and bonds payable

The Company's long-term borrowings mainly consisted of borrowings on credit, borrowings on mortgage, pledged borrowings and guaranteed borrowings. As at 31 December 2014 and 31 December 2013, the balance of the Company's long-term borrowings were RMB21,329,884,000 and RMB21,618,045,000 respectively, accounting for 7.96% and 8.07% respectively with respect to total liabilities.

As at 31 December 2014 and 31 December 2013, the balance of the Company's bond payable were RMB21,945,923,000 and RMB20,606,063,000 respectively, accounting for 8.19% and 7.69% respectively with respect to total liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) Analysis on solvency

The indicators of major short-term solvency calculated based on the Company's audited financial statements were as follows:

Unit: RMB'000

Items	31 December 2014	31 December 2013
Current Ratio (x)	1.14	1.10
Quick Ratio (x)	0.65	0.60
Asset-liability Ratio (consolidated)	82.20%	82.95%

Items	For the year 2014	For the year 2013
Profit Before Tax	11,405,586	10,306,602
Interest Protection Multiples	2.43	2.06

Items	31 December 2014	31 December 2013
Total Asset	267,953,971	267,819,220
Total Liability	325,978,479	322,884,439
Asset-liability Ratio (consolidated)	82.20%	82.95%

1) The year-on-year rise in the indicators for the flow of assets

As at 31 December 2014 and 31 December 2013, the current ratios of the Company were 1.14 and 1.10 respectively and the quick ratios were 0.65 and 0.60 respectively, with a slight rise in asset liquidity.

2) Year-on-year consolidated asset liability ratio decreased

As at 31 December 2014 and 31 December 2013, the Company's consolidated asset liability ratios were 82.20% and 82.95% respectively, with a year-on-year decrease of 0.75 percent and a rise in the overall solvency.

3) Year-on-year rise in interest protection multiple

For 2014 and 2013, the Company's interest protection multiples were 2.43 and 2.06 respectively, with a year-on-year rise of 0.37 times. The Company's solvency for interest-bearing debts was strengthened to an extent.

MANAGEMENT DISCUSSION AND ANALYSIS

4) *Smooth financing channels*

The Company has been maintaining long-term business relationships with several overseas and domestic major commercial and strategic banks and other financial institutions. It has been also maintaining smooth financing channels with good credit record and ratings by banks. Meanwhile, the Company is of good standing and has issued multiple short-term financing coupons and mid-term notes. It has strong financing capability.

The Company will also adopt the following measures to continue to enhance its short-term solvency and the security of its financial structure: enhance the level of fund operation and management and operating efficiency, accelerate the recovery of funds, improve the cash flows of operating activities continually, reasonably allocate asset structure; enhance the level of operating and management continually, facilitate, in depth, the measures of reducing cost increasing efficiency, increase the operating balance, tamp financial strength and safeguard solvency.

(3) ***Analysis on capability of asset turnover***

During the Reporting Period, the indicators for the Company's capability of asset turnover were as follows:

Unit: times/year

Items	For the year 2014	For the year 2013
Total Assets Turnover Ratio	0.67	0.62
Receivables Turnover Ratio	3.53	3.64
Inventory Turnover Ratio	1.74	1.58

1) *Total Assets Turnover Ratio*

For 2014 and 2013, the Company's total assets turnover ratios were 0.67 times and 0.62 times respectively, with a slight rise during the Reporting Period. This was mainly due to the increment in the Company's operating revenue during the Reporting Period was higher than that of total assets.

2) *Receivables Turnover Ratio*

For 2014 and 2013, the Company's receivables turnover ratios were 3.53 times and 3.64 times respectively, with a slight decrease during the Reporting Period. This was mainly due to the increase in the scale of the Company's accounts receivable under the influence of the changes in the settlement cycle and business mode of the engineering and contracting business.

3) *Inventory Turnover Ratio*

For 2014 and 2013, the Company's inventory turnover ratios were 1.74 times and 1.58 times respectively, with a slight increase of 0.16 times during the Reporting Period. This was mainly due to the acceleration of inventory turnover and disposal of inventory.

SIGNIFICANT EVENTS

I. MATERIAL LITIGATION AND ARBITRATION

The announcements of "Explanation on the Dispute in Respect of the Cape Lambert Iron Ore Project in Western Australia" dated on 10 September 2010 and "Update on the Disputes over Cape Lambert Iron Ore Project in Western Australia" dated 12 August 2013, published that there were disputes between the Company and its subsidiaries MCC Mining (Western Australia) Pty Ltd. and MCC Australia Sanjin Mining Pty Ltd. (as one party), and Cape Lambert Resources Limited and Mt Anketell Pty Ltd. (collectively, "CFE") as the other party 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 Company will recognise the returned AUD 30 million as non-operating income in its account. Please refer to the announcement published by the Company on 14 July 2014 for details.

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

II. THE STATUS OF CAPITAL USED AND REPAID AS AT THE END OF THE REPORTING PERIOD

The Company has no occupation of non-operating fund by controlling shareholders and other related parties during the Reporting Period.

III. EVENTS IN RELATION TO BANKRUPTCY AND REORGANISATION

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

IV. TRANSACTION OF ASSETS AND AMALGAMATION

During the Reporting Period, the Company had no material asset acquisition, disposal of assets or merger of enterprises.

SIGNIFICANT EVENTS

V. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

(I) Trusteeship, contracting and leasing

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

(II) Guarantees

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

Unit: RMB'000

Guarantor	Relationship between guarantor and the listed company	Guaranteed party	Guaranteed amount	Date of guarantee			Type of guarantee	Whether fully fulfilled	Whether overdue	Amounts overdue	Whether any counter guarantee was available			Whether for a related party
				agreement execution date	Commencement date of guarantee	Expiry date of guarantee					guarantee	for a party	Related party relationship	
MCC Capital Engineering & Research Incorporation Limited	controlling subsidiary	CERI Yingkou Equipment Technology Co., Ltd.	110,990 ^{Note 1}	2009/1/14	2009/1/14	2015/7/14	Under joint liabilities	No	No	0	No	No	No	—
MCC Capital Engineering & Research Incorporation Limited	controlling subsidiary	CERI Yingkou Equipment Technology Co., Ltd.	266,000 ^{Note 2}	2009/6/18	2009/6/18	2017/12/2	Under joint liabilities	No	No	0	No	No	No	—
MCC Capital Engineering & Research Incorporation Limited	controlling subsidiary	CERI Yingkou Equipment Technology Co., Ltd.	186,200 ^{Note 3}	2010/2/2	2010/2/2	2017/12/2	Under joint liabilities	No	No	0	No	No	No	—
China 22 MCC Group Co., Ltd.	Wholly-owned subsidiary	Hebei Steel Luan County Sijiyang Iron Ore Co., Ltd.	20,580	2007/9/7	2007/9/7	2015/9/6	Under joint liabilities	No	No	0	No	No	No	—
China Huaye Group Co., Ltd.	Wholly-owned subsidiary	Handan Iron & Steel Co., Ltd. (邯鄲鋼鐵集團有限責任公司)	28,761	2003/12/19	2003/12/19	2015/12/19	Under joint liabilities	No	No	0	No	No	No	—

Total amount of guarantees incurred during the Reporting Period
(excluding guarantees to subsidiaries)

-356,000^{Note 4}

Total balance of guarantees as at the end of the Reporting Period (A)
(excluding guarantees to subsidiaries)

612,531

SIGNIFICANT EVENTS

Guarantees provided by the Company to its subsidiaries

Total amount of guarantees incurred by the Company to its subsidiaries during the Reporting Period	-626,243
Total amount of guarantees incurred by the Company to its subsidiaries as at the end of the Reporting Period (B)	10,504,785

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

Total amount of guarantees (A+B)	11,117,316
Total amount of guarantees as a percentage of the Company's net assets (%)	19.16%
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)	9,520,201
The excess of total amount of guarantees over 50% of the net assets (E)	0
Total amount of above 3 guarantees (C+D+E)	9,520,201

Note 1: The amount of previous guarantees was RMB166.69 million. According to the loan and guarantee agreement, the loan of RMB55.7 million to CERI Yingkou Equipment Technology Co., Ltd. became due on 31 December 2014, and the guarantee amount at the end of the period was RMB110.99 million.

Note 2: The amount of previous guarantees was RMB354 million. According to the loan and guarantee agreement, the loan of RMB88 million to CERI Yingkou Equipment Technology Co., Ltd. became due on 10 October 2014, and the guarantee amount at the end of the period was RMB266 million.

Note 3: The amount of previous guarantees was RMB247.8 million. According to the loan and guarantee agreement, the loan of RMB61.60 million to CERI Yingkou Equipment Technology Co., Ltd. became due on 10 October 2014, and the guarantee amount at the end of the period was RMB186.2 million.

Note 4: During the Reporting Period, most guarantees incurred were negative, mainly because the guarantees expired were more than the amount of new guarantees.

SIGNIFICANT EVENTS

(III) Other material contracts

1. Material contracts in the PRC

No.	Name of project	Contractual amounts (RMB100 million)	Signing Party/ Parties	Term (months)
1	Riches Outlets City Plaza Project (天澤奧特萊斯城市廣場項目)	112.0	China MCC 20 Group Co., Ltd.	Depends on progress
2	Comprehensive Construction Project of Land G15 in Ganzhou City (贛州市G15地塊綜合體建設項目)	45.0	MCC TianGong Group Corporation Limited	Depends on progress
3	The Project of Chaoyang International Trading City in Yi County in Hebei (河北易縣朝陽國際商貿城工程)	42.0	China MCC 17 Group Co., Ltd.	38 months
4	Earthwork Stripping of Baijiazhuang Town, Wutai County (五台縣白家莊鎮土石方剝離工程)	40.0	China MCC 20 Group Co., Ltd.	Depends on progress
5	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)	35.0	China MCC 20 Group Co., Ltd.	Depends on progress
6	Project of Science and Technology Park for Automobiles from Taiwan (Zaoyang) in Hubei Qing Ding Energy Saving, Power and Technology Co., Ltd. (湖北鼎節能動力科技有限公司台灣(棗陽)汽車科技園項目)	30.0	China First Metallurgical Group Co., Ltd.	60 months
7	Infrastructure of the Production Line with Annual Paper Production of Two Million Tonnes 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)	30.0	China 22 MCC Group Co., Ltd.	Depends on progress
8	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)	26.0	China MCC 17 Group Co., Ltd.	16 months
9	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)	22.0	MCC TianGong Group Corporation Limited	31 months
10	Jinli • The Bund Project, Neijiang, Sichuan (四川內江勁力•外灘項目)	20.0	China MCC 5 Group Co., Ltd.	Depends on progress
11	Construction of the Complex Project of Lichuangcheng in Shenyang (瀋陽立創城綜合體項目施工)	20.0	China MCC 19 Group Co., Ltd.	30 months
12	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)	18.2	China MCC 20 Group Co., Ltd.	32 months
13	Yue Bay Platinum Five Star Hotel Project, Ningxia (寧夏悅海灣鉑金五星級酒店工程)	18.0	China MCC 17 Group Co., Ltd.	32 months

SIGNIFICANT EVENTS

No.	Name of project	Contractual amounts (RMB100 million)	Signing Party/ Parties	Term (months)
14	The Project in C Zone of New Chaoyang Plaza Phase Two in Langfang (廊坊新朝陽廣場二期C區工程)	15.7	China 22 MCC Group Co., Ltd.	22 months
15	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)	15.2	China MCC 20 Group Co., Ltd.	40 months
16	Relocation of Normal College in Baotou, Inner Mongolia (內蒙古包頭師範學院搬遷)	15.0	China First Metallurgical Group Co., Ltd.	31 months
17	White Oil Project with Annual Output of 700,000 tonnes of Xinjiang Shengxing United Chemical Corporation Limited (新疆勝星聯合化工有限公司年產70萬噸白油項目)	15.0	China 22 MCC Group Co., Ltd.	20 months
18	Project of Modern International New City in Hangzhou (杭州現代國際新城項目)	15.0	China MCC 3 Group Co., Ltd.	25 months
19	The Culture Park Project of "Journey to the West" in Huaian (淮安西遊記文化體驗園項目)	14.5	Central Research Institute of Building and Construction Co., Ltd., MCC Group	24 months
20	Construction and Installation Project of "Xinjinyuan" Project (「新晉院」項目建築安裝工程)	14.0	MCC TianGong Group Corporation Limited	36 months
21	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)	14.0	MCC TianGong Group Corporation Limited	20 months
22	Transformation Project of the Shanty Town in Qixing Mountain Sub-district, Chenggong District, Kunming (昆明呈貢區七星山片區棚戶區改造項目)	13.5	MCC Baosteel Technology Services Co., Ltd.	24 months
23	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)	13.5	China MCC 5 Group Co., Ltd.	24 months
24	EPC of the Connecting Line from Yanchang Bao to Shichuan of the Eastern Beiraocheng Highway in Lanzhou (蘭州北繞城東段高速公路鹽場堡至什川連接線施工總承包)	13.2	China MCC 17 Group Co., Ltd.	31 months
25	The Project of "Zhi Jin Yin Xiang" of Dong Fang Zhi Hua in Guizhou (貴州東方之花「織金印象」項目)	12.6	China Metallurgical Construction Engineering Group Co., Ltd.	49 months

SIGNIFICANT EVENTS

No.	Name of project	Contractual amounts (RMB100 million)	Signing Party/ Parties	Term (months)
26	Project of Village Transformation in Yangjiazhuang, Pingdu City (平度市楊家莊舊村改造項目)	12.0	China Metallurgical Construction Engineering Group Co., Ltd.	36 months
27	The Project of Relocation Housing, Social Security Housing and Residential and Commercial Housing of Langyuan (郎元遷遷房、保障房及商住房項目)	12.0	MCC TianGong Group Corporation Limited	15 months
28	4200mm Thick Plate Project of Baosteel Guangdong Zhanjiang Steel Base (寶鋼廣東湛江鋼鐵基地項目4200mm厚板工程)	11.9	China MCC 20 Group Co., Ltd.	28 months
29	Comprehensive Beach-Improvement Project (Qingshan Section) of Wuqing Dyke (Tiejia 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))	11.9	China First Metallurgical Group Co., Ltd.	36 months
30	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)	11.2	China MCC 17 Group Co., Ltd.	24 months
31	Gaoyang Hanyuan International Commodities Trading Centre (高揚漢源國際商品交易中心)	11.2	China MCC 20 Group Co., Ltd.	33 months
32	E-Commerce Industrial Park Project in Zhuzhou (株州電商產業園工程)	11.0	China First Metallurgical Group Co., Ltd.	Depends on progress
33	Yima Guangcai Grand Market Project of Jingmen Dongmeng Investment Co., Ltd. (荊門東盟投資有限公司—馬光彩大市場工程)	11.0	China First Metallurgical Group Co., Ltd.	Depends on progress
34	General Contracting (EPC) of Steel-making 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)	11.0	Shanghai Baoye Group Corp., Ltd.	11 months
35	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)	10.9	MCC TianGong Group Corporation Limited	23 months
36	Turnkey General Construction Contracting of Quanzhou Maocheng 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)	10.2	China MCC 20 Group Co., Ltd.	Depends on progress
37	The Construction Project of Social Security Housing in the Economic and Technological Development Zone of Lishui District, Nanjing (南京溧水經濟技術開發區保障房建設工程)	10.0	China MCC 3 Group Co., Ltd.	19 months

SIGNIFICANT EVENTS

No.	Name of project	Contractual amounts (RMB100 million)	Signing Party/ Parties	Term (months)
38	The Construction Project for Production of Bamboo and Wood Composite Container Floor in Yingjiang County, Dehong Prefecture, Yunnan (雲南德宏州盈江縣竹木複合集裝箱地板生產建設項目)	10.0	China MCC 3 Group Co., Ltd.	12 months
39	The Project of Financial Commercial Center in Hoxtolgay, Hoboksar Mongol Autonomous County, Xinjiang (新疆和布克賽爾蒙古自治縣和什托洛蓋鎮金融商務中心項目)	10.0	China MCC 3 Group Co., Ltd.	28 months
40	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)	10.0	MCC TianGong Group Corporation Limited	30 months
41	Project of Land Plot DE03-I-5 of Lingang Nicheng Community (臨港泥城社區DE03-I-5地塊項目)	10.0	China MCC 20 Group Co., Ltd.	22 months
42	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)	10.0	MCC TianGong Group Corporation Limited	36 months
43	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)	10.0	China MCC 19 Group Co., Ltd.	27 months
44	Gangda International Project in Xuanhua (宣化港達國際項目)	10.0	China 22 MCC Group Co., Ltd.	24 months

2. Material contracts of international projects

No.	Name of project	Contractual amounts (RMB100 million)	Signing Party/ Parties	Term (months)
1	Comprehensive Industrial Development Project of Polymetallic Ore in Uganda (烏幹達多金屬礦綜合產業開發項目)	16.7	China 22 MCC Group Co., Ltd.	36 months
2	The Project of DCPL 3 million t/a coking of JSW Iron and Steel Company in India (印度JSW鋼鐵公司DCPL300萬t/a焦化項目)	14.9	ACRE Coking & Refractory Engineering Consulting Corporation, MCC	24 months
3	Construction Project of TROPICANA W hotel, Kuala Lumpur (吉隆坡TROPICANA W hotel酒店建設項目)	10.3	MCC Overseas Ltd.	35 months

SIGNIFICANT EVENTS

VI. PERFORMANCE STATUS OF THE UNDERTAKINGS

Undertakings by the listed company, shareholders with more than 5% of shareholding in the Company, controlling shareholder and ultimate controller during or up to the Reporting Period

Undertaking background	Type of undertaking	Undertaking party	Details of the undertaking	Date and duration of undertaking	Whether have performed in a timely manner	Whether strictly performed in a timely manner	If not performed timely, describe the specific reasons	If not performed timely, describe plans for next steps
Undertaking in relation to the initial public issuance	Solution of defects in property rights of lands, etc.	China Metallurgical Group Corporation of China Ltd.	MCC's undertakings regarding application for certificates of buildings and lands are as follows: 1. the period of application for certificates in respect to a building with gross floor area of 156,01 m ² that is expected to complete relevant application in the foreseeable future and two land parcels with site area of 15,959.20 m ² in total is extended to within 36 months upon the approval at the general meeting of the Company. 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.	27 June 2014 to 26 June 2017	Yes	Yes	—	—
Undertaking in relation to the initial public issuance	Solution of horizontal competition	China Metallurgical Group Corporation	MCC Group, the Controlling Shareholder of MCC, has undertaken to avoid being engaged in or taking part in the business which may compete with the principal business of MCC.	5 December 2008	Yes	Yes	—	—
Other undertaking	Sales restriction	China Metallurgical Group Corporation	MCC Group has undertaken to lock up its 12,265,108,500 shares in the Company, representing 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.	21 September 2012 for a term of three years	Yes	Yes	—	—

VII. THE PENALTIES AND RECTIFICATION OF THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS HOLDING MORE THAN 5% OF SHARES, ULTIMATE CONTROLLING PERSON AND ACQUIRER 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.

VIII. PRESENCE OF SUSPENSION OR TERMINATION OF LISTING

During the Reporting Period, the Company did not have any risk of suspension or termination of listing.

SIGNIFICANT EVENTS

IX. EFFECT OF EXECUTION OF NEW ACCOUNTING POLICIES ON CONSOLIDATED FINANCIAL STATEMENTS

Effects of changes in long-term equity investment on consolidated financial statements

Unit: RMB '000

Investee	Basic information of transactions	Equity interest attributable to shareholders of the Company as at 1 January 2013 (+/-)	31 December 2013		Equity interest attributable to shareholder of the Company (+/-)
			Long-term equity investment (+/-)	Available- for-sale financial assets (+/-)	
Re-classification of long-term equity investment and available- for-sale financial assets	—	—	-1,089,427	1,089,427	—
Total	/	—	-1,089,427	1,089,427	—

X. EXPLANATION ON OTHER SIGNIFICANT EVENTS

- As published in the overseas regulatory announcement of the Company dated 28 October 2009 regarding the newly signed material project agreement, the Company had entered into the Master Agreement of Specific Investment and Construction of Municipal Infrastructure (BT) Project in Hengqin District, Zhuhai city (《珠海市橫琴區市政基礎設施(BT)項目投資建設總體協議》) with Zhuhai Dahengqin Investment Co., Ltd. (珠海大橫琴投資有限公司) ("Zhuhai Dahengqin"). The project was implemented by Zhuhai MCC Infrastructure Construction and Investment Co., Ltd. (珠海中冶基礎設施建設投資有限公司) ("Zhuhai MCC"), a wholly-owned subsidiary of China MCC 20 Group Co., Ltd., a controlling subsidiary of the Company. The project officially started on 28 March 2010 and had its municipal project plan (市政專項規劃) approved in March 2011 with a total construction period of 3 years. As of the end of 2014, approximately RMB16,000 million had been invested in the project, the construction of several roads and bunds had been completed and passed verification and the remaining works proceeded in an orderly manner according to the plan adjustment requirements.

On 23 December 2013, Zhuhai MCC entered into the Asset Income Rights Transfer Contract with Zhuhai Branch of CCB and Zhuhai Dahengqin, pursuant to which Zhuhai MCC transferred its asset income rights of RMB5,000 million of Zhuhai Dahengqin to Zhuhai Branch of CCB (please refer to the announcement of the Company published on 23 December 2013 for details). As at 31 December 2014, a repurchase consideration of the project construction amounting to RMB2,560 million had been paid for the project.

SIGNIFICANT EVENTS

2. 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 at a public auction on 19 September 2010. The consideration of the land transfers were RMB12,141 million and RMB7,893 million, respectively, with the total amount of RMB20,034 million (please refer to the announcement of the Company published on 20 September 2010 for details).

Given the quantity of works required by the overall development of Lands No.1 and No.3 as well as the long development cycle of the project, the development of Land No.3 will be prioritised while other parties will be invited to participate in the development of Land No. 1 in accordance with the business nature specified in project plan or such part of project will be disposed through listing procedures at different stages in order to guarantee the return on investment of the project. On 10 March 2014, 30 May 2014, 4 August 2014, 27 November 2014 and 4 December 2014, relevant equity interests and creditor's rights in six companies were transferred through the Shanghai United Assets and Equity Exchange by the Project Company, respectively, at a total consideration of approximately RMB8,500 million (please refer to the announcements published by the Company on 10 March 2014, 30 May 2014, 4 August 2014, 27 November 2014 and 4 December 2014 for details).

3. On 17 July 2012, the consortium jointly established by agreement by MCC Real Estate Group Co., Ltd., a wholly-owned subsidiary of the Company, and Beijing No.5 Construction Co., Ltd. (北京第五建築工程有限公司) won the bid for the land use right of plot A1 under Phase II of the Green Belt Construction and Old Village Reconstruction Project at Jiugong Town, Daxing District, Beijing city (北京市大興區舊宮鎮綠隔地區建設舊村改造二期A1地塊) at a public auction for a consideration of RMB2,200 million in cash, together with an obligation to construct public rental housing of 4,700 sq.m. (please refer to the announcement of the Company published on 18 July 2012 for details). On 11 March 2014, the A1 Project at Jiugong, Daxing was granted the Construction Work Commencement Permit. Currently, the structure has been roofed and is under exterior decoration and secondary structure construction. On 11 October 2014, Buildings 1#, 2# and 3# were granted the Commodity Property Pre-sale Permit. The project is now in the period of continuous sales.
4. On 28 May 2014, MCC Real Estate Group Co., Ltd. ("MCC Real Estate"), a wholly-owned subsidiary of the Company, acquired the Land Use Right of a land plot located in Qili of Badali, Heiniucheng Road, Tianjin through a public auction at a consideration of RMB4,949 million as land for urban residential, Land for Commerce and Services, and Land for Science and Education purposes. The land plot is located at the north of Hei Niu Cheng Road, Hexi District, Tianjin, spanning 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. MCC Real Estate had received the Confirmation Letter on 28 May 2014 (please refer to the announcement of the Company published on 28 May 2014 for details). During the Reporting Period, preliminary works of the project such as orientation planning, planning and design have been carried out, and marketing and investment attraction have also been launched. Construction of the project has commenced before 31 August 2014 according to the timing requirements of government.

SIGNIFICANT EVENTS

5. On 25 November 2014, Zhuhai MCC Real Estate Co., Ltd. (珠海中冶置業有限公司) (“Zhuhai MCC Real Estate”), a subsidiary of the Company, entered into the Asset Income Rights Transfer Contract with Zhuhai Branch of CCB and Zhuhai Shizimen Central Business District Development Holdings Co., Ltd. (珠海十字門中央商務區建設控股有限公司) (“Zhuhai Shizimen”), pursuant to which the asset income rights of RMB4,000 million of Zhuhai Shizimen under BT Contract held by Zhuhai MCC Real Estate was transferred to Zhuhai Branch of CCB. Zhuhai Branch of CCB will launch an “Asset Income Rights Investment Management Plan” (資產收益權投資理財計劃). Acting as a trustee of the management plan, it will raise wealth management proceeds and will be invested into the repurchase of consideration receivable of the BT project construction under the Asset Income Rights Transfer Contract (please refer to the announcement of the Company published on 25 November 2014 for details).
6. In order to reduce the financing cost and finance costs of the Company, as considered and approved at the general meeting of the Company, and registered with the National Association of Financial Market Institutional Investors, the Company issued 8 tranches of short-term and ultra-short-term financing bills during the Reporting Period, details of which are as follows:

Number	Issue Date	Name	Amount	Interest Rate	Term	Date of Announcement on the Result of Issue
1	11 February 2014	The First Tranche of Ultra-Short-Term Financing Bills 2014	RMB3,500 million	6.0%	180 days	15 February 2014
2	13 March 2014	The Second Tranche of Ultra-Short-Term Financing Bills 2014	RMB3,500 million	5.6%	180 days	18 March 2014
3	14 July 2014	The Third Tranche of Ultra-Short-Term Financing Bills 2014	RMB3,000 million	5.0%	270 days	17 July 2014
4	17 July 2014	The First Tranche of Short-Term Financing Bills 2014	RMB4,000 million	5.4%	365 days	22 July 2014
5	13 August 2014	The Second Tranche of Short-Term Financing Bills 2014	RMB3,900 million	5.1%	365 days	16 August 2014
6	17 September 2014	The Fourth Tranche of Ultra-Short-Term Financing Bills 2014	RMB3,000 million	5.0%	270 days	20 September 2014
7	27 October 2014	The Fifth Tranche of Ultra-Short-Term Financing Bills 2014	RMB3,000 million	4.44%	180 days	30 October 2014
8	19 November 2014	The Sixth Tranche of Ultra-Short-Term Financing Bills 2014	RMB3,000 million	4.35%	180 days	22 November 2014

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(I) Table of changes in shares

Unit: Share

	Before Change		Increase/decrease (+, -)					After Change	
	Number	Percentage (%)	Issue of new shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number	Percentage (%)
I. Shares subject to selling restrictions									
1. State-owned shares	—	—	—	—	—	—	—	—	—
2. Shares held by state-owned legal person	—	—	—	—	—	—	—	—	—
3. Other domestic shareholding	—	—	—	—	—	—	—	—	—
Including: Shares held by domestic non-state-owned legal person	—	—	—	—	—	—	—	—	—
Shares held by domestic individuals	—	—	—	—	—	—	—	—	—
4. Foreign shareholding	—	—	—	—	—	—	—	—	—
Including: Shares held by overseas legal person	—	—	—	—	—	—	—	—	—
Shares held by overseas individuals	—	—	—	—	—	—	—	—	—
II. Shares not subject to selling restrictions									
1. Renminbi-denominated ordinary shares	16,239,000,000	84.98	—	—	—	—	—	16,239,000,000	84.98
2. PRC-listed foreign shares	—	—	—	—	—	—	—	—	—
3. Overseas-listed foreign shares	2,871,000,000	15.02	—	—	—	—	—	2,871,000,000	15.02
4. Others	—	—	—	—	—	—	—	—	—
III. Total number of shares									
	19,110,000,000	100	—	—	—	—	—	19,110,000,000	100.00

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

(II) Changes in shares subject to selling restrictions

During the Reporting Period, there were no changes in the Company's shares subject to selling restrictions.

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities in the latest three years as of the end of the Reporting Period

In the latest three years as at the end of the Reporting Period, there was no issue and listing of securities of the Company.

(II) Changes in total number of shares and share capital structure and changes in asset and liability structures of the Company

There were no changes in the total share capital and share capital structure of the Company due to bonus issue and share placement or otherwise during the Reporting Period.

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

(III) Existing internal employee shares

There were no internal employee shares of the Company during the Reporting Period.

III. PARTICULARS OF SHAREHOLDERS AND ULTIMATE CONTROLLING PERSON

(I) Number of Shareholders and their shareholdings

As at the end of the Reporting Period, the Company had a total of 465,334 Shareholders, among which, 457,473 were A Share Shareholders and 7,861 were H Share Shareholders. As at 23 March 2015, the Company had a total of 442,667 Shareholders, among which, 434,932 were A Share Shareholders and 7,735 were H Share Shareholders.

1. Particulars of the top 10 Shareholders (Note 1)

Name of Shareholder	Change during the Reporting Period	Total number of shares held at the end of the period	Percentage	Number of shares subject to selling restrictions	Shares pledged or frozen		Nature of Shareholder
					States of shares	Amount	
China Metallurgical Group Corporation	0	12,265,108,500	64.18%	0	Nil	0	State-owned legal person
HKSCC Nominees Limited (Note 2)	-203,000	2,838,526,000	14.85%	0	Nil	0	Others
Baosteel Group Corporation	-94,891,500	27,000,000	0.14%	0	Nil	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)	435,907	26,646,510	0.14%	0	Pledged	188,100	Others
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)	7,012,196	20,521,203	0.11%	0	Nil	0	Others
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)	-703,400	16,727,500	0.09%	0	Nil	0	Others
Huang Canliang (黃燦良)	10,258,000	13,803,000	0.07%	0	Nil	0	Others
Wang Dezhi (王德志)	13,000,000	13,000,000	0.07%	0	Nil	0	Others
Li Tao (李濤)	12,709,900	12,709,900	0.07%	0	Nil	0	Others
China Construction Bank — SSE 180 Trading Open-ended Index Securities Investment Fund (中國建設銀行 — 上證180交易型開放式指數證券投資基金)	11,812,967	11,812,967	0.06%	0	Nil	0	Others

Note 1: Figures in the table were extracted from the Company's register of Shareholders as at 31 December 2014.

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

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

2. Particulars of top 10 holders of shares not subject to selling restrictions ^{Note 1}

Name of Shareholder	Number of shares not subject to selling restrictions held	Type of shares
China Metallurgical Group Corporation	12,265,108,500	A Share
HKSCC Nominees Limited ^{Note 2}	2,838,526,000	H Share
Baosteel Group Corporation	27,000,000	A Share
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)	26,646,510	A Share
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)	20,521,203	A Share
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)	16,727,500	A Share
Huang Canliang (黃燦良)	13,803,000	A Share
Wang Dezhi (王德志)	13,000,000	A Share
Li Tao (李濤)	12,709,900	A Share
China Construction Bank — SSE 180 Trading Open-ended Index Securities Investment Fund (中國建設銀行 — 上證180交易型開放式指數證券投資基金)	11,812,967	A Share
Explanations on the connections or parties acting in concert among the aforesaid Shareholders	The Company is not aware of the existence of any connections or parties acting in concert among the aforesaid Shareholders.	

Note 1: Figures in the table were extracted from the Company's register of Shareholders as at 31 December 2014.

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

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

At the end of 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. *Controlling shareholder*

The controlling shareholder of the Company is China Metallurgical Group Corporation, whose registered office is 28 Shuguang Xili, Chaoyang District, Beijing and the legal representative is Guo Wenqing, and the registered capital is RMB8,538,555,870.73. Organization code is 10000094. It was founded on 18 December 1982.

Major Operating Businesses

General contracting of various kinds of domestic and international engineering; various kinds of engineering and technology consulting services and leasing of engineering equipment; technology development, technical services, technical exchange and transfer of technology of new materials, new techniques, and new products related to engineering and construction; development, production and sales of equipment required for the metallurgical industry; development and operation of real estate; bidding agent; undertaking various types of international industrial and civil construction, engineering consulting, surveying, design and leasing of equipment; import and export business; sales of mechanical and electrical products, cars, building materials, instrument and apparatus, and hardware and electric materials; research, planning, survey, design, supervision and services for construction and installation projects of mechanical and electrical equipment and related technology; development and sale of raw materials and products of papermaking; resource development, processing and utilization of metallic mineral products and relevant services. (projects that require pre-approvals according to laws can only be conducted after obtaining approvals from the relevant authorities)

In the year 2013, MCC Group achieved operating revenue of RMB207.2 billion and total profit of RMB4.44 billion. The net cash flow generated from operating activities amounted to RMB 19.7 billion; the total assets at the end of 2013 amounted to RMB332.5 billion. The operating revenue decreased slightly year-on-year while a substantial year-on-year increase was recorded in both the total profit and the net cash flow generated from operating activities.

Future Development Strategies

Upholding the grand guideline of “focus on building the scale and strength of principal businesses, whilst diversify the operation moderately to achieve a sound development”, the Company will sincerely perform its responsibility of maintenance and appreciation of the value of state-owned assets and its social responsibility as a central enterprise, and fully understand, rapidly adapt to and proactively lead the new normal era, so as to enhance quality and benefits, promote reform and innovation, and create a domestic leading and international first-class central enterprise.

As at the end of the Reporting Period, MCC Group had an indirect shareholding of 23.59% in Huludao Zinc Industry Co., Ltd. (000751) through MCC Huludao Nonferrous Metals Group Co., Ltd..

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

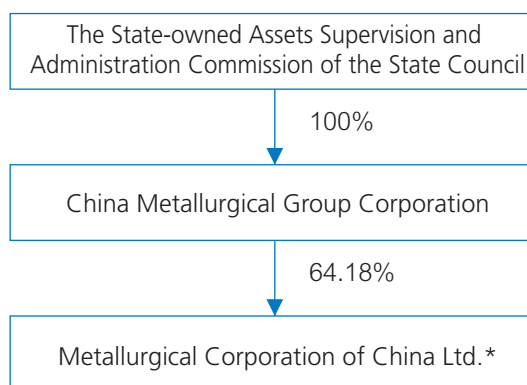
2. *Ultimate controlling person*

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

3. *Index and date on changes in controlling shareholder and ultimate controlling person during the Reporting Period*

There was no change in the controlling shareholder and ultimate controlling person of the Company during the Reporting Period.

(III) **The equity and controlling relationship between the Company and the ultimate controlling person**



(IV) **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.

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) List of Directors and Supervisors

As at the end of the Reporting Period, the members of the Board were as below:

Name	Position	Nominating Party	Commencement of Term of Office
Guo Wenqing	Chairman and executive Director	MCC Group	13 November 2014
Zhang Zhaoxiang	Executive Director and President	MCC Group	13 November 2014
Jing Tianliang	Non-executive Director	MCC Group	13 November 2014
Yu Hailong	Independent non-executive Director	MCC Group	13 November 2014
Ren Xudong	Independent non-executive Director	MCC Group	13 November 2014
Chan Ka Keung Peter	Independent non-executive Director	MCC Group	13 November 2014
Lin Jinzhen	Employee Representative Director (Non-executive Director)	Assembly of Employee Representatives	13 November 2014

As at the end of the Reporting Period, members of the Company's Supervisory Committee were as follows:

Name	Position	Nominating Party	Commencement of Term of Office
Xu Xiangchun	Chairman of Supervisory Committee	MCC Group	13 November 2014
Peng Haiqing	Supervisor	MCC Group	13 November 2014
Shao Bo	Employee Representative Supervisor	Assembly of Employee Representatives	13 November 2014

For particulars of Directors, Supervisors resigned during the Reporting Period, please refer to "(III) CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT".

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(II) BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographies of the Directors, Supervisors and Senior Management of the Company as at 31 December 2014 are set out below.

1. DIRECTORS

Mr. Guo Wenqing (國文清)

Born in December 1964, Chinese nationality with no right of abode overseas, Mr. Guo is currently the Chairman (executive Director and legal representative) and secretary of the Communist Party Committee of the Company as well as the Chairman (legal representative), general manager and deputy secretary of the Communist Party Committee of MCC Group. Mr. Guo had served as deputy director, and director and secretary of the Communist Party Committee of the Hebei Province Highways Authority (河北省高速公路管理局), chairman of the board of directors and general manager of Hebei Province Highways Development Company Limited (河北省高速公路開發有限公司) and director of the Hebei Province Ports Authority (河北省港航管理局) since 1994. From 2002 to 2008, Mr. Guo served as secretary of the Communist Party Committee, executive director and vice general manager of CRBC International Co., Ltd. (路橋集團國際建設股份有限公司). Mr. Guo served as deputy secretary of the Communist Party Committee and Director of the Company from December 2008 to August 2012, and director and deputy secretary of the Communist Party Committee of MCC Group from April 2009 to July 2012. From July 2012 to August 2014, Mr. Guo served as vice chairman, general manager (legal representative) and deputy secretary of the Communist Party Committee of MCC Group. He served as secretary of the Communist Party Committee of the Company since August 2012, and the Chairman (executive Director and legal representative) of the Company since September 2013. He then served as the Chairman (legal representative), general manager and deputy secretary of the Communist Party Committee of MCC Group since August 2014. Mr. Guo graduated from Hebei University of Science and Technology with a Bachelor's degree in business administration, and obtained an Executive MBA degree from Tsinghua University. Mr. Guo is a professional-level senior engineer and a senior political engineer (高級政工師).

Mr. Zhang Zhaoxiang (張兆祥)

Born in August 1963, Chinese nationality with no right of abode overseas, Mr. Zhang is currently an executive Director and the president of the Company. Mr. Zhang successively served as engineer, deputy director of the Jinchuan Branch, director of the General Office and vice president of Beijing Research Institute of Non-ferrous Metallurgical Equipment (北京有色冶金設計研究總院), and vice president of China Non-ferrous Engineering and Research Institute (中國有色工程設計研究總院). From January 2004 to August 2008, Mr. Zhang served as the president and secretary of the Communist Party Committee of China Non-ferrous Engineering and Research Institute and executive director, general manager and secretary of the Communist Party Committee of China Non-ferrous Engineering Corporation Ltd. (中國有色工程有限公司) from August 2008 to November 2008 (during which, he was also the chairman and general manager of China Enfi Engineering Corporation (中國恩菲工程技術有限公司) from December 2005 to February 2008 and continued to be the chairman of China Enfi Engineering Corporation until November 2008). From November 2008 to September 2013, Mr. Zhang was vice president of the Company. He was appointed as the president of the Company with effect from September 2013 and took the position as executive Director of the Company from June 2014. Mr. Zhang obtained his Bachelor's and Master's degrees in chemical machinery from Tianjin University and an MBA degree from Peking University afterwards. He is a professor-level senior engineer.

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Mr. Jing Tianliang (經天亮)

Born in August 1945, Chinese nationality with no right of abode overseas, Mr. Jing is currently a non-executive Director of the Company, and external director of Baosteel Group Corporation (寶鋼集團有限公司) and State Development & Investment Corporation (國家開發投資公司). He served as deputy director of the Ministry of Coal Industry (煤炭工業部), the Ministry of Energy Resources (國家能源局) and China National Coal Corporation (中國統配煤礦總公司), the chairman and general manager of China Coal Industrial Import and Export Corporation (中國煤炭工業進出口集團公司), director of the General Office of the Ministry of Coal Industry, director of the General Office and the Department of Foreign Affairs of the State Administration of Coal Industry (國家煤炭工業局), general manager of China National Coal Group Corporation (中國中煤能源集團有限公司) and the chairman of China Coal Energy Company Limited (中國中煤能源股份有限公司), etc. Mr. Jing served as external director of Baosteel Group Corporation since January 2009 and was the chairman of MCC Group from March 2010 to August 2014. From June 2010 to September 2013, he served as the Chairman of the Company and became an external director of State Development & Investment Corporation since May 2011. Mr. Jing graduated from Xi'an Mining Institute with an associate degree in electrical and mechanical engineering. He is a professor-level senior engineer and entitled to a special government subsidy granted by the State Council.

Mr. Yu Hailong (余海龍)

Born in August 1950, Chinese nationality with no right of abode overseas, Mr. Yu currently serves as an Independent non-executive Director of the Company, and an independent director of China State Construction Engineering Corporation (中國建築股份有限公司) and Shenzhen Overseas Chinese Town Company Limited (深圳華僑城股份有限公司). Mr. Yu served as deputy director of State Economic and Trade Commission Personnel Bureau (國家經委人事局) since February 1983, director of the office and project investigation department of China Kangfu International Leasing Co., Ltd. under the Ministry of Foreign Trade and Economic Cooperation (外經貿部中國康富國際租賃公司) since February 1988, and deputy director of the office (in charge of work) of National Machinery and Electric Qingfang Investment Co., Ltd. (國家機電輕紡投資公司) since June 1992. Mr. Yu served as director of the office and secretary of the Communist Party Committee of State Development & Investment Corporation (國家開發投資公司), and general manager of State Development & Investment (Electronics) Corporation (國投電子公司) and State Development & Investment (High Technology and Pioneering) Corporation (國投高科技創業公司) since March 1994. He served as general manager and deputy secretary of the Communist Party Committee of China New Era Group Corporation (中國新時代控股(集團)公司) since April 2002 and general manager, member of the standing committee of the Communist Party Committee and director of China Energy Conservation and Environmental Protection Group (中國節能環保集團公司) from May 2010 to September 2012. Mr. Yu is a professor-level senior engineer with a Master's degree in engineering management.

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Mr. Ren Xudong (任旭東)

Born in November 1953, Chinese nationality with no right of abode overseas, Mr. Ren currently serves as an Independent non-executive Director of the Company, managing vice president and deputy secretary of the Communist Party Committee of China Nonferrous Metal Industry Association (中國有色金屬工業協會), independent director of Zhejiang Hailiang Co., Ltd. (浙江海亮股份有限公司) and independent director of Shenzhen Zhongjin Lingnan Nonfermet Company Limited (深圳市中金嶺南有色金屬股份有限公司). He served as deputy managing officer and managing officer of the office of China National Non-Ferrous Metals Industry Corporation (中國有色金屬工業總公司) from December 1995 to August 1998, deputy general manager, group deputy general manager, deputy secretary of the Communist Party Committee of China Nonferrous Mining Corporation Limited Zambia NFCA Mining Co., Ltd. (中色建設集團非洲(贊比亞)礦業有限公司), and deputy general manager and executive director of China Non-ferrous Group (HK) Co., Ltd. (中國有色金屬(香港)集團有限公司) from August 1998 to May 2002. Mr. Ren served as director, vice president and the president of China Mining International Co., Ltd. (中國礦業國際有限公司) and assistant to the president of China Minmetals Corporation (中國五礦集團有限公司) from May 2002 to December 2005. He also served as assistant to the general manager, deputy general manager and member of the Communist Party Committee of Aluminum Corporation of China (中國鋁業公司) from December 2005 to February 2013 and non-executive director of Chinalco Mining Corporation International from April 2011 to May 2013. He is a senior engineer with an associate degree.

Mr. Chan Ka Keung Peter (陳嘉強)

Born in April 1951, a citizen of Hong Kong, the PRC. He currently serves as an Independent non-executive Director of the Company and CSR Corporation Limited. Mr. Chan served as senior assistant of the Audit Department, manager of the Tax Department and senior manager of China Service Department in Ernst & Young, as well as chief financial officer of Dransfield Group. From January 1994 to December 2008, he served as a Beijing-based partner, a Beijing-based managing partner of Tax and Investment Advisory Service Department and managing partner of NPA Transaction Advisory Service Department of Ernst & Young successively. Mr. Chan graduated from The Hong Kong Polytechnic majoring in accounting. He is a member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants of UK, an associate member of the Institute of Chartered Secretaries and Administrators of UK and a member of CPA Australia. Mr. Chan also served as a member of the executive committee of Hong Kong Chamber of Commerce in China from 1996 to 2003 and the chairman of Hong Kong Chamber of Commerce in China in 2000 and 2003.

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Mr. Lin Jinzhen (林錦珍)

Born in July 1961, Chinese nationality with no right of abode overseas, Mr. Lin is currently an employee representative Director of the Company, an employee director of MCC Group, and the director and secretary of the Communist Party Committee of MCC TianGong Group Corporation Limited (中冶天工集團有限公司). Mr. Lin successively served as an assistant engineer and principal staff member in the business administration office under the Infrastructure Construction Bureau (基建局企業管理處), as well as an engineer in the general office of the construction department (建設司綜合處) of the Ministry of Metallurgical Industry (冶金工業部), an engineer and a senior engineer of China Metallurgical Construction (Group) Corporation (during preparation of its establishment) (中國冶金建設集團公司(籌備)), the deputy chief of the personnel division, the manager of the personnel department II, and deputy head of the human resources department of China Metallurgical Construction (Group) Corporation (中國冶金建設集團公司). He served as the head of the human resources department (head of the organizational department under the Communist Party Committee) of MCC Group from November 2003 to September 2013 (and of MCC from May 2009 onwards) and the head of organizational department under the Communist Party Committee of MCC from September 2013 to July 2014. He has served as an employee director of MCC Group since November 2006, an employee representative director of MCC since October 2012, a director and the secretary of the Communist Party Committee of MCC TianGong Group Corporation Limited since July 2014. Mr. Lin graduated from Northeastern University (東北大學) with a Bachelor's degree in mining and construction, and is a senior engineer.

2. Supervisor

Mr. Xu Xiangchun (徐向春)

Born in January 1960, Chinese nationality with no right of abode overseas, Mr. Xu is currently the Chairman of the Supervisory Committee of the Company and a deputy general manager of MCC Group. Mr. Xu once served as deputy officer, officer, accountant and deputy manager of finance division of MCC. He successively served as assistant to general manager and head of capital department, general representative of Burma Paper Pulp Project, and general manager of International Engineering Company (國際工程公司) of MCC Group from February 1996 to October 2004. Mr. Xu has served as deputy general manager of MCC Group since October 2004, during which he also served as general manager and legal representative of MCC Paper Industry Co., Ltd. (中冶紙業集團有限公司) from August 2009 to January 2011, and the chairman of MCC Paper Industry Co., Ltd. from January 2011 to April 2013. Mr. Xu graduated from Zhejiang Metallurgic and Economics Technical School majoring in accounting and is a senior accountant.

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Mr. Peng Haiqing (彭海清)

Born in June 1971, Chinese nationality with no right of abode overseas, Mr. Peng is currently a Supervisor and deputy director of finance department of the Company. Mr. Peng once served as assistant to director of the finance division, deputy director of the enterprise management office and deputy director of the economic office and secretary to manager of the 3rd company under Shanghai Bao Steel Metallurgical Construction Corp. (上海寶鋼冶金建設公司). He was director of the cost management division of the finance office of Shanghai Bao Steel Metallurgical Construction Corp. from September 2000 to January 2003, deputy director of the planning and finance department and deputy director of the audit department of Shanghai Baoye Construction Corp., Ltd.(上海寶冶建設有限公司) from January 2003 to December 2005, and director of the property office of the planning and finance department of MCC Group from January 2006 to November 2008. He served as director of the property office of the planning and finance department of the Company from December 2008 to June 2009 and as deputy director of finance department of the Company since October 2012. Mr. Peng graduated from the department of economic management of the Qinhuangdao branch of Northeastern University with a Bachelor's degree in industrial accounting, and from Central University of Finance and Economics with a Master's degree in accounting. He is a senior accountant.

Mr. Shao Bo (邵波)

Born in November 1963, Chinese nationality with no right of abode overseas, Mr. Shao is currently an Employee Representative Supervisor and the head of the Corporate Planning and Management Department of MCC. He is also a part-time supervisor of MCC Group. Mr. Shao once served as the assistant engineer, the secretary of the Communist Youth League, engineer and deputy director of the business office at Beijing Central Engineering and Research Incorporation of Iron & Steel Industry (北京鋼鐵設計研究總院), vice division chief level investigator (副處級調研員) of the general office of the Ministry of Metallurgical Industry, the assistant to the head and the deputy head (deputy general manager) of Beijing Central Engineering and Research Incorporation of Iron & Steel Industry (北京鋼鐵設計研究總院), as well as a director and the secretary to the board of directors of MCC Capital Engineering & Research Incorporation Limited (中冶京誠工程技術有限公司) and the general manager (legal representative) of Beijing Dongxing Metallurgical New Technology and Development Corporation (北京東星冶金新技術開發公司). From February 2007 to September 2009, he served as the standing deputy director of the Listing Office of MCC Group. From January 2009 to September 2012, he served as the director of the Integrated Management Department of MCC Group. He served as a part-time supervisor of MCC Group since March 2010, an employee representative supervisor of MCC Group since January 2011, the head of the corporate management department (renamed as the Corporate Planning and Management Department in September 2013) of MCC. Mr. Shao graduated from the East China College of Science and Technology (華東化工學院) majoring in coal chemical technology with a Bachelor's degree and the Capital University of Economics and Business with a Master's degree in industrial economics. He is a professor-level senior engineer.

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

3. SENIOR MANAGEMENT

Mr. Zhang Zhaoxiang (張兆祥)

Currently serves as an executive Director and the President of the Company. (Please refer to the "Director" section for Mr. Zhang's biography)

Ms. Huang Dan (黃丹)

Born in May 1961, Chinese nationality with no right of abode overseas, Ms. Huang is currently a vice president of the Company. Ms. Huang once served as an associate engineer, engineer, senior engineer and professor-level senior engineer of the Mineral Separation Office, director of the Department of Science and Technology, director of the Department of Personnel, assistant to the president and president of Changsha Metallurgical Design & Research Institute. She served as the chairman and general manager of Zhong Ye Chang Tian International Engineering Co., Ltd., and the president of Changsha Metallurgical Design & Research Institute from March 2003 to October 2014, deputy general manager of MCC Group from October 2004 to September 2008 and concurrently served as secretary to the board of directors of MCC Group from November 2006 to January 2009. She also concurrently served as the secretary to the Board and the joint company secretary of the Company from November 2008 to November 2010. Ms. Huang successively graduated from the Central-South Institute with a Bachelor's degree in mineral processing and a doctoral degree in iron and steel metallurgy. She is a professor-level senior engineer.

Mr. Wang Yongguang (王永光)

Born in March 1958, Chinese nationality with no right of abode overseas, Mr. Wang is currently a Vice President of the Company. Mr. Wang once served as an assistant engineer in Zhangjiakou Gold Mine (張家口金礦) in Hebei Province, engineer in the Mining Office of the Beijing General Research Institute of Mining & Metallurgy, deputy director of the Mining Department of the Copper and Nickel Office of China National Nonferrous Metals Industry Corporation (中國有色金屬工業總公司), deputy director of the Enterprise Management Department, manager of the Gansu Branch, director of the Information Center, director-level commissioner in the Copper Center of China National Nonferrous Metals Import and Export Corporation (中國有色金屬進出口總公司), and vice general manager of the Raw Materials Center of Non-Ferrous Metal Industrial and Trade Group Corporation of China (中國有色金屬工業貿易集團公司). He was a deputy general manager of China Shougang International Trade & Engineering Corporation from February 1999 to December 2003, during which he served as general manager of Shougang Hierro Peru S.A.A and manager of the Ore Import Department of China Shougang International Trade & Engineering Corporation. He served as chief representative of HISMELT Project of Shougang Group in Australia from December 2003 to November 2004 and deputy general manager of MCC Group from November 2004 to September 2008. Mr. Wang graduated from Northeastern Institute of Technology with a Bachelor's degree in mining and from Beijing General Research Institute of Mining & Metallurgy with a Master's degree in mining engineering. He is now a professor-level senior engineer.

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Mr. Li Shiyu (李世鈺)

Born in May 1956, Chinese nationality with no right of abode overseas, Mr. Li is currently a Vice President and the Chief Accountant (chief financial officer) of the Company. Mr. Li served as deputy director and director of the Accounting Division of the Finance Department of the 19th Engineering Bureau of the Ministry of Railway (鐵道部第十九工程局) and accountant of the Finance Department of China Railway Construction Corporation. He served as deputy director of the Finance Department of China Railway Construction Corporation from March 1996 to November 1998 and director of the Finance Department of China Railway Construction Corporation from November 1998 to December 2005. Mr. Li was deputy chief accountant of China Railway Construction Corporation from December 2005 to August 2006 and the chief accountant of MCC Group from August 2006 to September 2008. Mr. Li graduated from Liaoning University majoring in corporate management, and obtained a Master's degree in accounting from Northern Jiaotong University. He is a senior accountant.

Mr. Wang Xiufeng (王秀峰)

Born in November 1970, Chinese nationality with no right of abode overseas, Mr. Wang is currently a Vice President of the Company. Mr. Wang once served as deputy chief accountant and chief accountant of the Electromechanical Company of the 22nd China Metallurgical Construction Corporation (中國第二十二冶金建設公司機電公司) and director of the Planning and Finance Department, deputy chief accountant and vice general manager of the 22nd China Metallurgical Construction Corporation. Mr. Wang was the general manager and vice secretary of the Communist Party Committee of the 22nd China Metallurgical Construction Corporation from December 2004 to November 2006 and was chairman and secretary of the Communist Party Committee of MCC Jingtang Construction Corporation Limited and general manager of the 22nd China Metallurgical Construction Corporation from November 2006 to November 2008 (he was an executive director and general manager of China 22nd Metallurgical Construction Corporation Limited from August 2008 to November 2008 following the conversion of the 22nd China Metallurgical Construction Corporation into China 22nd Metallurgical Construction Corporation Limited in August 2008). Mr. Wang graduated from Northeastern University with a Bachelor's degree in industrial accounting and from Tsinghua University with an Executive MBA degree. He is now a senior accountant.

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Mr. Kang Chengye (康承業)

Born in February 1957, Chinese nationality with no right of abode overseas, Mr. Kang is currently the secretary to the Board and the company secretary of the Company. He has also served as the chairman of Huatian Engineering & Technology Corporation, MCC since December 2013. Mr. Kang once served as a member of China MCC 20th Machinery and Transportation Company, technician of the Electrical Installation Office of China MCC 20th Construction Corporation ("MCC 20th Construction"), member, deputy head and head of the Planning Office and Economist, deputy head and head of the Business Planning Office of MCC 20th Construction. He was deputy chief economist and head of the Business Planning Office of MCC 20th Construction from September 1996 to March 2001, deputy general manager and chief economist of MCC 20th Construction from March 2001 to October 2006, and director, standing deputy general manager and chief economist of China MCC 20 Construction Co., Ltd. from October 2006 to June 2008. He was the chairman of the board of directors and the secretary of the Communist Party Committee of China MCC 17 Group Co., Ltd. (previously named "China MCC 17 Construction Co., Ltd.") from June 2008 to November 2010. Mr. Kang graduated from the Xi'an Institute of Metallurgical Construction with a Bachelor's degree in industrial and civil construction and from Party School of the Central Committee of C.P.C. with a Master's degree in legal theory. He has also obtained an MBA degree from The Open University of Hong Kong, an EMBA degree from Fudan University, a doctoral degree in management from Tianjin University and a DBA from Grenoble Ecole de Management, France. He is a doctoral supervisor of Xi'an University of Architecture and Technology, a professor-level senior engineer who enjoys special subsidy granted by the State Council.

(III) CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 1 April 2014, the Board of the Company received the written resignation of Mr. Shen Heting to resign as an executive Director and member of special committees under the Board of the Company due to the fact that he has reached the statutory age of retirement. He then ceased to assume the position of authorised representative of the Company (the "Authorised Representative") under Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. On 27 June 2014, the 2013 Annual General Meeting elected Mr. Zhang Zhaoxiang as an executive Director of the Company.

On 13 November 2014, the 2014 first first extraordinary general meeting (the "EGM") of the Company was held to elect Mr. Guo Wenqing and Mr. Zhang Zhaoxiang as executive Directors of the second session of the Board of the Company, elect Mr. Jing Tianliang as a non-executive Director, Mr. Yu Hailong, Mr. Ren Xudong and Mr. Chan Ka Keung Peter as Independent non-executive Directors of the Company, and elect Mr. Xu Xiangchun and Mr. Peng Haiqing as Supervisors of the second session of the Supervisor Committee. The 2014 second employee representative congress (職工代表大會) was held to legally elect Mr. Lin Jinzhen as an employee representative Director of the second session of the Board of the Company and Mr. Shao Bo as an employee representative Supervisor of the second session of the Supervisory Committee of the Company. The first meeting of the second session of the Board was held to elect Mr. Guo Wenqing as the Chairman of the second session of the Board of the Company; the first meeting of the second session of the Supervisor Committee was held to elect Mr. Xu Xiangchun as the Chairman of the Supervisory Committee of the Company. Mr. Jiang Longsheng, Mr. Wen Keqin, Mr. Liu Li, Mr. Chen Yongkuan and Mr. Cheung Yukming ceased to be the Independent non-executive Directors of the Company and Mr. Shan Zhongli ceased to be the Chairman of the Supervisory Committee of the Company due to expiry of their terms of office (please refer to the serial overseas regulatory announcements of the Company published on 13 November 2014 for details).

(IV) DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

None of the Directors and Supervisors of the Company has entered into a service contract with the Company or any of its subsidiaries that is not determinable within one year without payment of compensation (other than statutory compensation).

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(V) DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

During the Reporting Period, none of the Directors or Supervisors, unless disclosed in the relevant announcements, directly or indirectly had a material interest in any contract of significance to the Company which was entered into by the Company, its subsidiaries or subsidiaries of its holding company.

(VI) DIRECTORS' INTERESTS IN BUSINESS COMPETING WITH THE COMPANY

During the Reporting Period, none of the Directors had any interests in any business that competes or is likely to compete, either directly or indirectly, with the business of the Company.

(VII) DIRECTORS', SUPERVISORS' AND SENIOR MANagements' EMOLUMENTS

The emoluments received by the Directors and Supervisors of the Company in 2014 were as follows:

Unit: RMB'000

Name	Basic salaries, housing allowances, other allowances and benefits in-kind RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000	Remark
Directors					
Guo Wenqing	323.59	39.32	157.90	520.81	Existing
Zhang Zhaoxiang	308.59	39.32	159.70	507.61	Existing
Jing Tianliang	107.01	—	—	107.01	Existing
Yu Hailong	16.34	—	—	16.34	Existing
Ren Xudong	16.34	—	—	16.34	Existing
Chan Ka Keung Peter	14.34	—	—	14.34	Existing
Lin Jinzhen	440.29	39.32	265.80	745.41	Existing
Shen Heting	20.02	12.54	160.80	193.36	Resigned
Jiang Longsheng	181.02	—	—	181.02	Resigned
Wen Keqin	177.02	—	—	177.02	Resigned
Liu Li	178.02	—	—	178.02	Resigned
Chen Yongkuan	102.04	—	—	102.04	Resigned
Cheung Yukming	148.04	—	—	148.04	Resigned
Supervisors					
Xu Xiangchun	—	—	—	—	Existing
Peng Haiqing	336.25	39.32	137.84	513.41	Existing
Shao Bo	423.09	39.32	211.00	673.41	Existing
Shan Zhongli	232.15	32.76	114.42	379.33	Resigned

During the Reporting Period, none of the Directors or Supervisors waived any emoluments and no emoluments were paid by the Company to any of the Directors or Supervisors as an inducement to join or upon joining the Company as compensation for loss of office.

During the Reporting Period, the total amount of remuneration payable (before tax) received by each of the senior management from the Company was between RMB430,000 and RMB510,000.

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

II. EMPLOYEES AND REMUNERATION POLICY

(I) Remuneration policy for Directors, Supervisors and Senior Management

1. *Determination procedures for remuneration of Directors, Supervisors and Senior Management*

Remuneration of Directors and Supervisors (not being employee representatives) were considered and approved at the general meetings. The Remuneration Committee of the Board makes remuneration recommendations for senior management which is subject to the Board's review and approval.

2. *Basis for Determination of Remunerations of Directors, Supervisors and Senior Management*

The remuneration of Independent non-executive Directors of the Company for 2014 comprised of basic salary and conference allowances. The standards of the annual basic salary and conference allowances were determined with reference to the Remuneration Standards for External Directors of Pilot Enterprises as promulgated by the SASAC. The Company's executive Directors do not receive remuneration from their positions as Directors but are remunerated in accordance with their positions and performance at the Company.

The Company's Supervisors receive remuneration in accordance with the Management Rules on Remuneration and Assessment (總部薪酬與考核管理辦法) and their positions.

Senior management members of the Company are remunerated in accordance with relevant regulations of the SASAC.

(II) Changes in core technical teams or critical technical staff, the impact on the Company and the measures to be adopted

The profile of the core technical staff of the Company was disclosed in its A Share Prospectus. During the Reporting Period, there was generally no change to the core technical staff of the Company.

(III) Overview of the employees of the Parent and principal subsidiaries

1. *Overview of employees*

Overview of employees of the Company as at 31 December 2014 is as follows:

Unit: person

Number of existing staff of the Parent	201
Number of existing staff of principal subsidiaries	104,192
Total numbers of existing staff	104,393
Number of quitted or retired staff to whom the Parent and subsidiaries are liable for	130,626

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Composition of Professions

Categories of Professions	Number of persons in the professions
Project contracting	93,889
Equipment manufacturing	8,599
Resource development	1,143
Property development and others	802
Total	104,393

Education level

Categories of education level	Number
Above graduate degree	8,107
Undergraduate degree	38,536
Associate degree	20,991
Below associate degree	36,759
Total	104,393

2. *Remuneration policies*

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

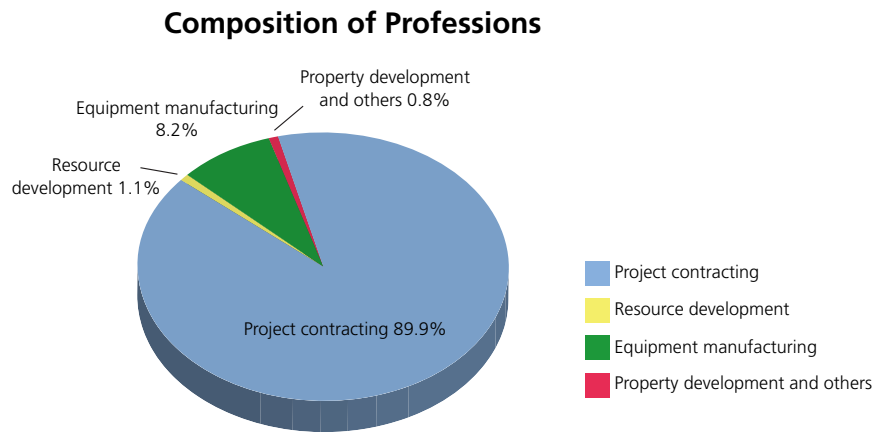
3. *Staff Training*

According to the corporate development strategy and actual business needs, the Company utilised various channels and actively commenced trainings for operation and management personnel, professional and technical personnel and other categories of professions. The Company carried out trainings for senior management mainly through higher education training resources such as Party School of the Central Committee of C.P.C., China National Institute of Cadre (國家幹部學院), and Chinese Academy of Governance, conducted trainings for senior and mid-level management and reserve personnel of subsidiaries through talents

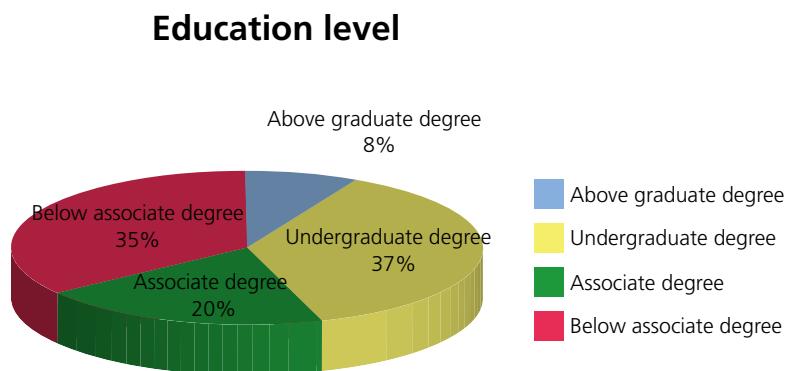
PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

institute of the Group, colleges and universities and other training resources, and developed trainings for professional technical personnel by way of invitation and assignment, arranged front-line management such as monitors and headmen to participate in the position capability training in rotation. Each second-tier enterprise also fully utilised various training resources inside and outside of the Company and actively carried out management trainings, professional technology trainings, diploma and degree education, quality certification, continuing education and so forth for each category of personnel. In 2014, there were a total of 120,564 person-time of trainings participated in by each level of operation and management personnel and professional and technical personnel of the Company.

4. Statistical chart of composition of professions



5. Statistical chart of education level



CORPORATE GOVERNANCE REPORT

I. OVERVIEW

During the Reporting Period, the Company continued to comply strictly with laws and regulations including the Company Law, the Securities Law, the relevant requirements of regulatory authorities such as CSRC, as well as the requirements of the Stock Listing Rules of the Shanghai Stock Exchange, further standardised and optimised the governance structure of the Company, improved the system of the Company and further improved the governance level of the Company. In accordance with provisions and requirements of relevant laws, regulations, the Articles of Association and related rules of procedures, the general meetings of the Company, the Board and its special committees as well as the Supervisory Committee operated in compliance with the laws and regulations in an efficient manner, and feasibly fulfilled responsibilities and obligations assumed.

Pursuant to the latest regulatory requirements of regulators, the Company revised its governance system such as the Articles of Association of MCC, the Rules of Procedures for Board Meetings (《董事會議事規則》) and the work rules for each special committee of the Board to ensure that the operation of the Company was carried out in compliance with laws. By the end of the Reporting Period, there were no other changes in the Articles of Association other than the revision on Articles 143, 146, 148, 151, 213 and 218 of the Articles of Association as approved by the general meeting.

The Board has reviewed the corporate governance report of the Company. The Board is of the view that during the Reporting Period the Company has complied with the requirements of the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

II. GENERAL MEETINGS

During the Reporting Period, with a view to ensuring that all the Shareholders, especially the minority Shareholders, are treated equally and are able to effectively exercise their rights as Shareholders, the Company convened the 2013 AGM and the first 2014 EGM by ways of on-site voting and internet voting in accordance with the requirements provided in the Articles of Association and the Rules of Procedures for General Meetings.

On 27 June 2014, the Company convened the 2013 AGM. The Directors of the Company, including Mr. Guo Wenqing, Mr. Zhang Zhaoxiang, Mr. Jing Tianliang, Mr. Jiang Longsheng, Mr. Wen Keqin, Mr. Liu Li, Mr. Cheung Yukming and Mr. Lin Jinzhen attended the meeting in person. 12 proposals were considered and approved at the meeting, including 9 ordinary proposals and 3 special proposals. Such proposals involved the work report of the Board, the work report of the Supervisory Committee, the final account for 2013, the proposed profit distribution plan for 2013, the remunerations for Directors and Supervisors for 2013, the guarantee plans for 2014, the issue plan of bonds for 2014, the amendments to the Articles of Association and the Rules of Procedures for Board Meetings, appointment of domestic and overseas auditors and auditors on internal control, modification of the undertakings for applying for certificates for flawed real estates and electing executive Directors. Meanwhile, the 2013 Performance Report by Independent Directors was received. Please refer to the announcement published by the Company on 27 June 2014 for specific resolutions of this general meeting.

On 13 November 2014, the Company convened the first 2014 EGM. The Directors of the Company, including Mr. Guo Wenqing, Mr. Zhang Zhaoxiang, Mr. Yu Hailong, Mr. Ren Xudong, Mr. Chan Ka Keung Peter and Mr. Lin Jinzhen attended the meeting in person. 4 proposals were considered and approved at the meeting, including 2 ordinary proposals and 2 special proposal. Such proposals involved the matters in relation to election of the second session of the Board and Supervisory Committee, and amendments to the Articles of Association and the Rules of Procedures for Board Meetings. Please refer to the announcement published by the Company on 13 November 2014 for specific resolutions of the general meeting.

CORPORATE GOVERNANCE REPORT

III. THE BOARD

(I) Composition of the Board

On 13 November 2014, the Company convened the first 2014 EGM, at which Mr. Guo Wenqing and Mr. Zhang Zhaoxiang were elected as executive Directors of the second session of the Board, Mr. Jing Tianliang was elected as non-executive Director, and Mr. Yu Hailong, Mr. Ren Xudong and Mr. Chan Ka Keung Peter were elected as independent non-executive Directors of the Company. On the same day, Mr. Lin Jinzhen was elected as the employee representative Director at an Assembly of Employee Representatives.

As at the end of the Reporting Period, the Board of the Company comprised 7 Directors with Mr. Guo Wenqing as the Chairman, 3 of whom were Independent non-executive Directors. Among the Board, Mr. Chan Ka Keung Peter has expertise in the fields of financial management and accounting, which was in compliance with the requirements of the Hong Kong Listing Rules. None of the 3 independent non-executive Directors held positions other than Directors within the Company. Meanwhile, the Company received the confirmation of independence from each Independent non-executive Director pursuant to Rule 3.13 of the Hong Kong Listing Rules. The Company is of the view that each of the Independent non-executive Directors remained independent. The Independent non-executive Directors gave objective and independent opinions on significant events, thus ensuring the independence and fairness of the decisions made by the Board on such matters.

All members of the Board have performed their duties with loyalty, honesty and diligence to serve the interests of the Company and all the Shareholders. In accordance with the Articles of Association, the term of office of each session of the Board is three years. The Directors, other than employee representative Directors, are elected or replaced at general meetings and serve a term of office from the date of passing the resolutions of general meetings to the expiry date of the term of office of the current session of the Board. The Directors may serve consecutive terms upon the expiry of their term of office if re-elected. During the Reporting Period, the Company purchased liability insurance policies for all directors.

Save for their services to the Company, there is no financial, business and familial connection among the Directors and between them and the chief executive officer, nor any other material relations among them.

During the Reporting Period, for the purpose of further increasing capabilities to perform duties and promptly upgrade professional knowledge and techniques, all of the Directors of the Company carefully studied the special documents regarding to the normalisation of board of directors issued by the SASAC of the State Council. Chairman Guo Wenqing, Director Zhang Zhaoxiang and Director Jing Tianliang studied documents and materials regarding the improvement of the supervisory system of state-owned assets published by the SASAC of the State Council. Director Jing Tianliang attended the training course organised by the SASAC of the State Council on directors workshop in respect of improving the supervisory system of state-owned assets. Directors Ren Xudong and Lin Jinzhen attended the special training course organised by the SASAC of the State Council on directors workshop in terms of managerial staff selection, performance management and leadership building. Directors Yu Hailong, Ren Xudong and Chan Ka Keung Peter studied regulatory requirements including the Information Disclosure Guideline on Employee Stock Ownership Plan of Listing Companies issued by Shanghai Stock Exchange.

CORPORATE GOVERNANCE REPORT

(II) Board meetings

During the Reporting Period, the first session of the Board of the Company held 13 Board meetings (including 8 on-site meetings and 5 meetings held via communications) and the second session of the Board of the Company held 2 meetings (including 1 on-site meeting and 1 meeting held via communications). The attendance of each Board meeting by each of the Directors during the Reporting Period are as follows:

Name of Directors	Number of attendance at Board meetings required for the year	Number of meetings attended in person	Attendance through communication tools	Number of meetings attended by proxy	Remark
Guo Wenqing	15	7	6	2	Incumbent
Zhang Zhaoxiang	8	4	4	0	Incumbent
Jing Tianliang	15	9	6	0	Incumbent
Yu Hailong	2	1	1	0	Incumbent
Ren Xudong	2	1	1	0	Incumbent
Chan Ka Keung Peter	2	1	1	0	Incumbent
Lin Jinzhen	15	9	6	0	Incumbent
Shen Heting	3	0	0	3	Retired
Jiang Longsheng	13	8	5	0	Retired
Wen Keqin	13	8	5	0	Retired
Liu Li	13	8	5	0	Retired
Chen Yongkuan	13	3	1	2	Retired
Cheung Yukming	13	7	5	1	Retired

(III) Duties and operation of the Board

The Board of the Company is elected at and accountable to Shareholders at general meetings. In accordance with the requirements of the Articles of Association, the Board is mainly responsible for convening general meetings, submission of work reports at general meetings, implementation of the resolutions of general meetings, deciding the Company's business and investment plans, deciding matters such as foreign investment, asset acquisition and disposal, asset mortgage, entrusted asset management and connected transactions within the authorisation of general meetings, the formulation of the Company's annual financial budgets and final accounts, the formulation of the Company's profit distribution plans and plans for making up for losses, the formulation of proposals for increase or reduction in the Company's registered capital, the issuance of corporate bonds or other securities and the listing plans, the preparation for the Company's material acquisitions, purchases of the Company's shares, mergers, demergers, dissolutions or changes in the Company's form, as well as the formulation of the revision plan for the Articles of Association. In addition, pursuant to the requirements of Corporate Governance Code, the Board undertakes corporate governance functions such as formulating corporate governance policy and practice, monitoring trainings for Directors and senior management and supervising the Company's compliance of laws and regulations as well as Corporate Governance Code.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the roles of Chairman and President of the Company were segregated and served by different Directors. The Chairman and the President performed their respective duties in accordance with the relevant regulations regarding division of duties set out in corporate governance rules such as the Articles of Association, the Rules of Procedures for Board Meetings and the Work Rules for President of the Company. The Chairman of the Company is Mr. Guo Wenqing and the President of the Company is Mr. Zhang Zhaoxiang.

The Chairman is mainly responsible for presiding over general meetings and convening and presiding over Board meetings, checking and facilitating the implementation of the resolutions of the Board; nominating candidates for the Secretary to the Board, supervising and examining the performance of each special committee under the Board, organising and formulating rules for different operations of the Board, coordinating the operation of the Board, receiving regular or random work reports submitted by the senior officers of the Company and advising on the implementation of the resolutions of the Board as well as other functions conferred by laws, administrative regulations, department regulations or the Articles of Association and duties authorised by the Board.

The President is accountable to the Board and is mainly responsible for taking charge of the Company's production, operation, management and reporting his work to the Board, the organisation of the implementation of the resolutions of the Board, the organisation of the implementation of the Company's annual business plans and investment plans, drafting plans for the establishment of the Company's internal management structure, drafting the Company's basic management system, the formulation of specific rules and regulations of the Company, the preparation of the merger, demerger or restructuring plans for subsidiaries of the Company under the requirements of the laws, administrative regulations, department rules or the Articles of Association, as well as other duties authorised by the Board.

In 2014, the Board placed an emphasis on the following major events:

Firstly, the Board spared no efforts on implementation of the Company's strategies and improvement of its capabilities of management and control. Facing the complicated economy both at home and abroad and the sluggish iron and steel market, the Board adhered to its strategic philosophy of 「focusing on the core businesses and building a better MCC」 and based on the phased strategic guidance of 「focus on building the scale and strength of principal businesses, whilst diversify the operation moderately to achieve a sound development」, promoted the operation of 「macro environment, major clients and large projects」 and strived to balance economic benefits and scales so as to ensure the stable and sound development of the Company.

Secondly, the Board exercised stringent control over the risks associated with investment, finance and capital to promote the sound and stable development of the Company. It controlled the risks by adopting strict measures on the approval of investments and mergers and the control of the amount of receivables and inventory, paying attention to outstanding payments and vigorously pushing forward its settlement, revitalising the proceeds from fund-raising, optimising capital structure, and enhancing the authorisation management and accountability system for operating activities, in a bid to lay the foundation to the sustainable and healthy development of the Company.

Thirdly, the Board made great efforts on reform and innovation to vitalise the enterprise. It paid continuous attention to and energetically carried forward relevant reforms and innovations such as innovating the corporate management philosophy, business model and systems as well as internal resource integration, with an aim to revitalise the corporate development through renovation.

CORPORATE GOVERNANCE REPORT

Fourthly, the Board further strengthened the performance appraisal of the management. The Board continued to organise and carry out performance appraisals of the management based on the indicators of performance appraisal and the principle of performance-linked remuneration, and determined their remuneration according to the appraisal results.

Fifthly, the Board continued to intensify the Board building to heighten the standards and rationality of decision-making. The Board further specified the procedure for decision-making with clearer accountability to ensure its efficiency and quality on making decisions. It also gave full play to the advisory functions of each special committee in decision-making, to provide the basis for it to reach scientific decisions. The Board also continued to enhance its ability in collaboration and performing its duties to support the improvement of scientific decision-making.

(IV) Special Committees of the Board

The 2014 first extraordinary general meeting of the Company was held on 13 November 2014, at which members of the second session of the Board were elected. On the same day, members of each special committee were elected at the first meeting of the second session of the Board. Based on the personnel composition and actual operation, the second session of the Board of the Company ceased the separate operation of the Risk Management Committee, the functions of which were instead performed by the Finance and Audit Committee. Therefore, there were four special committees under the Board of the Company in total, namely the Strategy Committee, the Finance and Audit Committee, the Remuneration Committee and the Nomination Committee. Each committee was accountable to the Board. The Independent non-executive Directors formed the majority of all the special committees (except the Strategy Committee) and served as chairman of the Finance and Audit Committee, the Nomination Committee and the Remuneration Committee.

During the Reporting Period, the Board gave more prominence to the supporting role and professional discussion and consultation function of the relevant special committees. Before special issues were submitted to the Board for consideration, such issues would be thoroughly investigated by the relevant special committees, where specific review opinions were raised and thus provided a basis of decision-making for the Board, and performed an important function of improving the work quality of the Board.

1. Strategy Committee

In accordance with the Articles of Association, the Rules of Procedures for Board Meetings and the Work Rules for the Strategic Committee, the Strategy Committee is accountable to the Board and is mainly responsible for conducting research and submitting proposals regarding the Company's mid-to-long term development strategies and major investment decisions, regularly evaluating the management and organisational structure of the Company based on the requirements of the business and management of the Company, and discharging other duties authorised by the Board.

As at the end of the Reporting Period, the Strategy Committee under the Board of the Company comprised 3 Directors, namely Mr. Guo Wenqing, Mr. Zhang Zhaoxiang and Mr. Jing Tianliang, Mr. Guo Wenqing, served as the convener.

During the Reporting Period, no meeting was held by the Strategy Committee of the Board.

CORPORATE GOVERNANCE REPORT

2. *Finance and Audit Committee*

In accordance with the requirements of the Articles of Association, the Rules of Procedures for Board Meetings and the Work Rules for the Finance and Audit Committee, the Finance and Audit Committee of the Board is accountable to the Board and is mainly responsible for reviewing major financial control targets, supervising the implementation of financial regulatory system and guiding the finance functions of the Company, formulating guarantee management policies and reviewing guarantee business, reviewing annual financial budgets and final accounts and supervising the implementation thereof, reviewing the financial analysis of major investment projects, monitoring the execution outcome of investment projects, and arranging for the review of the subsequent evaluation of the major investing and financing projects. The Finance and Audit Committee is also accountable for reviewing the Company's proposals for profit distribution and recovery of losses and making recommendations in respect thereof, reviewing the Company's quality indicators of assets and finance and making recommendations to the Board in respect thereof, reviewing the Company's financial information and its disclosure, independently auditing the financial statements and issuing opinions in respect thereof, reviewing the annual internal audit plan of the Company; reviewing the construction plan, regulatory system, work flows and major control objectives for the comprehensive risk management and internal control system; reviewing the annual work plans and annual reports of comprehensive risk management and submitting the same to the Board; supervising the soundness, reasonableness and effectiveness of the execution of the risk management and internal control system, and instructing the comprehensive risk management and internal control of the Company; reviewing assessment plans drafted by the internal control assessment department, and reviewing the internal control assessment report and submitting the same to the Board; suggesting the engagement or replacement of external auditors for financial statements and internal control; being responsible for the communication between internal auditors and external auditors; reviewing material connected transactions proposed to be entered into by the Company and affiliated persons, examining the Company's feedback channels to ensure employees can raise objections to the improprieties in financial reporting, internal control and other areas, as well as other duties authorised by the Board.

At the end of the Reporting Period, the Finance and Audit Committee under the Board of the Company comprised 3 Directors, namely Mr. Chan Ka Keung Peter, Mr. Jing Tianliang and Mr. Yu Hailong. Mr. Chan Ka Keung Peter served as the convenor.

During the Reporting Period, the Finance and Audit Committee held 13 meetings, considered 42 issues for discussion. It selected and engaged the PRC and international auditors for the 2014-2015 annual financial report of MCC, and audited the annual audit remuneration. It convened four meetings to communicate with the auditors in relation to the audit of the 2013 annual financial statements and the review of the 2014 interim report. Study and audit was made to matters such as the 2013 final account, 2013 annual profit distribution plan and periodic reports of MCC and its subsidiaries, change of accounting policies, transfer of part of equity in Project Company regarding the land parcel No. 1 in Xiaguan District of Nanjing, the use of proceeds, financing and liability management and other matters. It also specified the requirements of the management.

CORPORATE GOVERNANCE REPORT

The attendance of meetings by each committee member are as follows:

Name of Directors	Number of attendance required for the Directors	Number of meetings attended in person	Remark
Chan Ka Keung Peter	0	0	Existing
Jing Tianliang	13	13	Existing
Yu Hailong	0	0	Existing
Liu Li	13	13	Retired
Jiang Longsheng	13	12	Retired
Wen Keqin	13	13	Retired
Cheung Yukming	13	12	Retired

3. *Nomination Committee*

Pursuant to the requirements of the Articles of Association, the Rules of Procedures for Board Meetings and the Work Rules for the Nomination Committee, the Nomination Committee of the Board is accountable to the Board and is mainly responsible for studying and preparing the standards, procedures and methodology for the election of Directors, Presidents and other senior management of the Company and submitting the proposals to the Board, assessing the candidates for Directors, Presidents and other senior management and advising to the Board in this respect, extensively identifying qualified candidates to fill the positions of Directors, Presidents and other senior management. The Nomination Committee shall stipulate the Board diversity policy (including gender, age, culture and education background or professional experience) in accordance with strategy, business model and specific needs of the Company, and study and examine the structure, size and composition of the Board at least once per year; evaluate the independence of independent non-executive Directors; and discharge other duties authorised by the Board.

At the end of the Reporting Period, the Nomination Committee of the Board of the Company comprised 3 Directors, namely Mr. Ren Xudong, Mr. Guo Wenqing and Mr. Yu Hailong. Mr. Ren Xudong served as the convenor.

During the Reporting Period, the Nomination Committee held two meetings, considered 2 issues for discussion, the candidates for executive Directors and senior management of MCC. It agreed to nominate the candidates of executive Directors of MCC to the Board, and agreed to nominate President, Vice President, Chief Accountant (Chief Financial Officer), Secretary to the Board and Company Secretary to the Board for appointing them.

CORPORATE GOVERNANCE REPORT

The attendance of meetings by each committee member are as follows:

Name of Directors	Number of attendance required for the Directors	Number of meetings attended in person	Remark
Ren Xudong	1	1	Existing
Guo Wenqing	2	1	Existing
Yu Hailong	1	1	Existing
Wen Keqin	1	1	Retired
Shen Heting	0	0	Retired
Jiang Longsheng	1	1	Retired
Chen Yongkuan	1	0	Retired

4. *Remuneration Committee*

Pursuant to the requirement of the Articles of Association, the Rules of Procedures for Board Meetings and the Work Rules for the Remuneration Committee, the Remuneration Committee of the Board is accountable to the Board and is mainly responsible for studying and preparing the assessment criteria of Directors and senior management, organising assessment initiatives and offering recommendations in respect thereof, studying and formulating the remuneration policies, remuneration & performance appraisal plans and recommended reward & penalty plans of Directors and senior management, reviewing the income distribution schedule of the employees of the Company, and discharging other duties authorised by the Board. Remuneration plans for Directors of the Company proposed by the Remuneration Committee shall be subject to the consent of the Board and submitted to general meetings for consideration and approval prior to implementation. Remuneration distribution plans for the senior management of the Company shall be subject to approval of the Board.

At the end of the Reporting Period, the Remuneration Committee of the Board of the Company comprised 3 Directors, namely Mr. Yu Hailong, Mr. Jing Tianliang and Mr. Ren Xudong. Mr. Yu Hailong served as the convenor.

During the Reporting Period, the Remuneration Committee held 4 meetings and studied 4 issues for discussion. The Remuneration Committee studied relevant matters regarding remuneration of Directors, Supervisors and senior management of the Company, and submitted them to the Board for consideration and approval.

CORPORATE GOVERNANCE REPORT

The attendance of meetings by each committee member are as follows:

Name of Directors	Number of attendance required for the Directors	Number of meetings attended in person	Remark
Yu Hailong	0	0	Existing
Jing Tianliang	4	4	Existing
Ren Xudong	0	0	Existing
Jiang Longsheng	4	4	Retired
Wen Keqin	4	4	Retired
Liu Li	4	4	Retired
Chen Yongkuan	4	0	Retired

5. Risk Management Committee

During the Reporting Period, the Risk Management Committee held 3 meetings and studied 4 issues for discussion. The meetings considered the Evaluation Report on Internal Control of MCC for 2013 (《中國中冶2013年度內部控制評價報告》), the Work Proposal of Risk Management and Internal Control of MCC for 2014 (《中國中冶2014年度風險管理與內部控制工作方案》) and other issues. The attendance of meetings by each committee member are as follows:

Name of Directors	Number of attendance required for the Directors	Number of meetings attended in person
Guo Wenqing	3	3
Jing Tianliang	3	2
Shen Heting	3	1
Jiang Longsheng	3	2
Liu Li	3	3
Chen Yongkuan	3	3
Cheung Yukming	3	3

IV. SUPERVISORY COMMITTEE

During the Reporting Period, the Company's first session of the Supervisory Committee comprised 3 members, namely Mr. Shan Zhongli, the Chairman of the Supervisory Committee, Mr. Peng Haiqing, the Supervisor, and Mr. Shao Bo, the employee representative Supervisor. On 13 November 2014, the second session of the Company's Supervisory Committee was established. It comprised 3 Supervisors, namely Mr. Xu Xiangchun, the Chairman of the Supervisory Committee, Mr. Peng Haiqing, the Supervisor, and Mr. Shao Bo, the employee representative Supervisor. All Supervisors fulfilled their duties conscientiously, attended all Board meetings and reported their work status of the Supervisory Committee to the general meetings in accordance with the requirements of the Articles of Association.

CORPORATE GOVERNANCE REPORT

In the spirit of being accountable to all the Shareholders, all the Supervisors are mainly responsible for monitoring the Company's financial condition, internal control, connected transactions, major events, implementation of registration and management system of inside information and the performance of duties by Directors and senior management of the Company to ensure their compliance with relevant laws and regulations. They pay close attention to asset quality and operating ability, debt risk and solvency position, and profitability, etc. of the Company. Furthermore, they continue to pay close attention to receivables and the progress of inventory closeout of the Company to prevent the rebounding of all financial indicators.

During the Reporting Period, the Company's Supervisory Committee held 10 meetings with 5 regular meetings, 5 special meetings, 17 considered proposals and 7 received reports. The attendance of meetings by each Supervisor are as follows:

Name of Supervisors	Number of attendance required for the Supervisors	Number of meetings attended in person
Xu Xiangchun ^{Note 1}	2	2
Peng Haiqing	10	9
Shao Bo	10	10
Shan Zhongli ^{Note 1}	8	8

Note 1: On 13 November 2014, Mr. Shan Zhongli retired as the Supervisor of the Company. On the same day, Xu Xiangchun was appointed as the Chairman of the Company's Supervisory Committee.

During the Reporting Period, the Supervisory Committee reviewed the financial reports which were disclosed on a regular basis by the Company, conscientiously studied the final account and profit distribution schemes for 2013 and supervised the internal control, the lists of related parties/connected persons, as well as the utilisation and change of relevant raised proceeds; and continually paid attention to related assets or businesses influencing the operating performance of the Company, and had no objections to the disposal measures and methods of these assets or businesses of the Board and management.

V. MODEL CODE FOR SECURITIES DEALINGS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of List Issuers as the codes governing the dealings in the Company's securities by Directors and Supervisors. Having made specific enquiries with all Directors and Supervisors, the Company confirmed that all Directors and Supervisors had complied with the required standard provisions and requirements provided by the above code during the Reporting Period.

VI. INTERNAL CONTROL

(I) Statement of the accountability of the Directors in relation to internal control

The Board is the top decision-making body of internal control and is responsible for the establishment of the internal control system of the Company as well as the sound and effective implementation thereof. The Board's duties include establishment and optimisation of the internal control system and the implementation plan, as well as supervision of the effective implementation of internal control.

CORPORATE GOVERNANCE REPORT

(II) Establishment of the internal control regime

During the Reporting Period, the Company strengthened its compliance with all laws and regulations and requirements of external regulatory institutions in all respects. Catering to the internal demand for improvement of corporate management, it focused on the organic combination of the internal control system and risk management. The Company organised all functional departments to emphasize on key businesses and major risks according to its risk list, revised all basic regimes, management measures and implementation rules of the Company, and applied risk control on the internal control system.

The Company promulgated all regulations and regimes in strict compliance with relevant requirements in corporate governance and undertook the corresponding procedures of drafting, consultation, review and approval to ensure a scientific and rational design of system. The Compilation of Regulation System (《規章制度彙編》), covers over 200 internal control regimes and supporting supplemental guiding documents in 17 domains, such as corporate governance and organisation, strategic development and investment management, human resources management, social responsibility and emergency management, legal and contract management, internal control and risk management, market management, purchase management, asset management, research and development and innovation management, budget and financial management, fund and guarantee management, assessment management, technology and communicating, internal review and supervision, operation management and administration management.

The Company established a comprehensive financial management system including, among others, financial reporting, budget management, capital management, management of financial staff and information, assets management, cost management and tax management. The Company had established an internal control system in relation to the financial report, including Accounting System for Enterprises (《企業會計制度》), Tax Management System (《稅務管理制度》), Comprehensive Budget Management System (《全面預算管理制度》), Management Rules of Scope of Consolidation Check List (《合併範圍清單管理辦法》), Management Rules of Evaluation of Supplementary Accounting Information, Change of Business and Significant Accounting Issues (《會計信息補充 業務變更和重大會計事項評估管理辦法》), Management Rules of the Progress of Formulation of Financial Report (《財務報告編製進度管理辦法》), Management Rules of Declaration and Disclosure of Financial Report (《財務報告申報及披露管理辦法》), Management Rules for Closure of Account Sets of Financial Statements (《財務報表賬套關閉管理辦法》), Management Rules for Internal Transactions and Account Reconciliation (《內部往來及交易對賬管理辦法》), Management Rules for Auditing and Analyzing of Financial Statements (《財務報告審核與分析管理辦法》), Management Rules of Impairment of Assets (《資產減值管理辦法》), Fixed Assets Management Rules (《固定資產管理辦法》), Cost Management Rules (《成本管理辦法》), Financial Management Rules of Purchase Business (《採購業務財務管理辦法》), Financial Management Rules of Sales Business (《銷售業務財務管理辦法》), Management Rules of Information Disclosure (《信息披露管理辦法》), Management Rules of Financial Informatization (《財務信息化管理辦法》), Management Rules of Floor Trading for Assets Transfer (《資產轉讓進場交易管理辦法》) and Management Rules of Repayment and Receipt of Accounts Receivable and Accountability for Losses (《應收賬款清欠回收和損失問責管理辦法》), covering the aspects of primary control of the significant business processes, such as quality control of the data input of financial statement system, preparation of financial statement and disclosure.

The aforesaid internal control systems have been fully implemented in the Company. By analyzing the quality of financial reports in recent years and according to the conclusion upon the inspection, evaluation and audit of internal control, the relevant internal control systems of the Company's financial report achieved the goal of internal control.

CORPORATE GOVERNANCE REPORT

(III) Relevant explanations on the audit report of internal control

Deloitte Touche Tohmatsu CPA LLP (Special General Partnership) issued the internal control audit report and is of the opinion that as at 31 December 2014, the Company had maintained an effective internal control over its financial report in all major aspects with reference to the Basic Standard for Enterprise Internal Control (《企業內部控制基本規範》) and relevant requirements.

VII. ACCOUNTABILITY OF THE DIRECTORS IN RELATION TO FINANCIAL REPORTS

The Directors are responsible for the preparation of financial statements. In preparing the financial statements for the year ended 31 December 2014, the Directors selected and applied appropriate accounting policies and made prudent and reasonable judgment and estimates, so as to give a true and fair view of the state of affairs of the Company and of the results and cash flow for such financial year. The statement of the auditors of the Company concerning their reporting responsibilities is set out in the Independent Auditor's Report on page 114 to 115 of this annual report.

VIII. AUDITOR'S REMUNERATION

The Company appointed Deloitte Touche Tohmatsu CPA LLP (Special General Partnership) ("Deloitte Touche Tohmatsu") as the international and domestic auditors, respectively, of the Company. Other than annual financial auditing, Deloitte Touche Tohmatsu also provided internal control auditing services related to financial reports for the Company, statutory audits of the financial statements of certain subsidiaries in the PRC and other non-audit services.

The remuneration of independent auditor for 2014 included RMB23 million of auditing service for financial report and RMB3 million of auditing service for internal control. As the International auditor and domestic auditor were the same during the year, the said RMB23 million was inclusive of the remuneration of domestic auditing service.

CORPORATE GOVERNANCE REPORT

IX. INFORMATION DISCLOSURE AND INVESTOR RELATIONS

The Company attaches great importance to information disclosure and investor relation management. In 2014, the Company organised and completed the work of information disclosure in strict compliance with relevant requirements of regulatory authorities, such as the CSRC, the Shanghai Stock Exchange and the Hong Kong Stock Exchange. It made the relevant information disclosure in a truthful, accurate, complete, timely and fair manner, and was recognized as Grade A (Excellent) listed company in disclosing information on the Shanghai Stock Exchange. In the meantime, the Company further stepped up its efforts in communications with investors, analysts and financial media, in order to protect the legitimate rights and interest of the investors, especially the small and medium investors. It received the Golden Bauhinia Awards of 「The Best Listed Company for Investor Relationship Management」 (最佳投資者關係管理上市公司).

1. **Strengthened communications and association with regulatory institutions to ensure compliance in operation**

The Company continued to enhance the communications with the China Securities Regulatory Commission, Beijing Securities Regulatory Bureau, the Shanghai Stock Exchange, the Hong Kong Stock Exchange and other regulatory organizations. It maintained daily communications with commissioners from the regulatory institutions so that they could understand the actual operating environment and operating conditions comprehensively, hence enhancing the effectiveness and efficiency of the regulation. It sought guidance opinions in advance regarding relevant matters through project visits of regulatory institutions to facilitate the legality and compliance of the Company's operations.

2. **Further strengthened the reporting of information management to disclose information in a timely and compliant manner**

The Company strengthened the procedures of recording through further standardisation of the reporting and handling procedures of information, so as to enhance efficiency and achieve network covering of material information. Meanwhile, it further required the preparation of regular reports and the disclosure process to perform and implement the latest regulatory requirements, in a bid to promote the continuity and readability of regular reports. The Company further made voluntary disclosures, including contract briefing and announcements on progress of significant events, on the basis of statutory information disclosure in strict compliance with rules, and emphasized the disclosure of market concern in the contents of the announcement.

3. **Conducted communications on Company's performance in a time manner, strengthen interpersonal communications with institutional investors**

The Company organised annual and interim results discussions in Beijing and Hong Kong and a telephone conference for the third quarterly results to communicate and interact with some of the investors, analysts and the media in relation to the operating and financial conditions of the Company. It strived to enable institutional investors to fully understand the development and reform of the Company through interpersonal communications. Meanwhile, the Company continued to perform well in the reception of the regular visits and calls from investors, analysts and financial media.

CORPORATE GOVERNANCE REPORT

X. RIGHTS OF INVESTORS

To safeguard the statutory rights of shareholders, the Article 66 of the Articles of Association of the Company prescribes that the Shareholders holding more than 10% of the Company's shares either independently or collectively can request an extraordinary general meeting in writing. The Company set an exclusive session for communication with Shareholders in the general meeting, during which Shareholders can raise their concerns and suggestions. Shareholders can also lodge their enquiries and suggestions through investor relations hotline (+86-10-5986-8666), fax (+86-10-5986-8999) and email (ir@mccchina.com).

XI. COMPANY SECRETARY

Pursuant to the Rule 3.29 to the Listing Rules, as at the year ended 31 December 2014, Mr. Kang Chengye, Secretary to the Board and Company Secretary, attended professional skills trainings for not less than 15 hours.

INDEPENDENT AUDITOR'S REPORT

I. AUDITOR'S REPORT

De Shi Bao (Shen) Zi (15) No. P0066

To the shareholders of Metallurgical Corporation of China Ltd.:

We have audited the accompanying financial statements of Metallurgical Corporation of China Ltd. (the "Company"), which comprise the Company's and consolidated balance sheets as at 31 December 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 year then ended, and notes to the financial statements.

(I) MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management of the Company is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation of the financial statements; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

(II) AUDITOR'S RESPONSIBILITY

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. China Standards on Auditing require that we comply with the Code of Ethics for Chinese Institute of Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, Certified Public Accountants consider the internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT

I. AUDITOR'S REPORT *(Continued)*

(III) OPINION

In our opinion, the financial statements of China GAAP Company present fairly, in all material respects, the Company's and consolidated financial position as of 31 December 2014, and the Company's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Deloitte Touche Tohmatsu CPA LLP.
Shanghai, China

Chinese Certified Public Accountants:

Ma Yan Mei
Chen Wen Long
27 March 2015

This auditor's report of the financial statements and the accompanying financial statements are English translations of the auditor's report and the 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 BALANCE SHEET

2014.12.31

II. FINANCIAL STATEMENTS

Consolidated Balance Sheet

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance (Restated)
Current Assets:			
Cash and bank balances	VII1	33,409,480	33,585,579
Financial assets at fair value through profit or loss	VII2	555	591
Derivative financial assets	VII3	18,532	40,969
Bills receivable	VII4	9,977,574	11,141,096
Accounts receivable	VII5	55,799,282	52,597,630
Prepayments	VII6	16,510,723	15,037,010
Interest receivable	VII7	11,505	11,679
Dividends receivable	VII8	119,234	642
Other receivables	VII9	19,768,319	13,844,812
Inventories	VII10	106,415,992	107,930,551
Assets classified as held for sale	VII11	—	33,981
Non-current assets due within one year	VII12	4,867,780	4,369,433
Other current assets	VII13	187,588	1,360,221
Total Current Assets		247,086,564	239,954,194
Non-current Assets:			
Available-for-sale financial assets	VII14	1,643,092	1,400,704
Held-to-maturity investments	VII15	20	20
Long-term receivables	VII16	17,383,285	20,342,364
Long-term equity investments	VII17	3,939,211	4,133,422
Investment properties	VII18	1,864,386	1,817,637
Fixed assets	VII19	32,874,747	33,382,887
Construction in progress	VII20	2,280,214	2,855,270
Materials for construction of fixed assets	VII21	47,617	48,386
Intangible assets	VII22	14,967,560	15,278,732
Goodwill	VII23	270,448	278,451
Long-term prepayments	VII24	167,767	176,881
Deferred tax assets	VII25	3,316,126	2,987,346
Other non-current assets	VII26	137,442	228,145
Total Non-current Assets		78,891,915	82,930,245
TOTAL ASSETS		325,978,479	322,884,439

CONSOLIDATED BALANCE SHEET

2014.12.31

II. FINANCIAL STATEMENTS (CONTINUED)

Consolidated Balance Sheet

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
Current Liabilities:			
Short-term borrowings	VII27	36,461,263	45,080,598
Bills payable	VII28	11,808,491	7,610,246
Accounts payable	VII29	77,722,163	70,186,463
Receipts in advance	VII30	33,978,850	35,311,169
Employee benefits payable	VII31	1,987,771	1,960,291
Taxes payable	VII32	6,399,466	7,304,737
Interest payable	VII33	970,589	976,378
Dividends payable	VII34	504,931	798,649
Other payables	VII35	15,888,498	19,793,109
Non-current liabilities due within one year	VII36	11,875,968	11,096,007
Other current liabilities	VII37	19,966,195	18,927,212
Total Current Liabilities		217,564,185	219,044,859
Non-current Liabilities:			
Long-term borrowings	VII38	21,329,884	21,618,045
Bonds payable	VII39	21,945,923	20,606,063
Including: Preference share		—	—
Perpetual bond		—	—
Long-term payables	VII40	864,818	266,293
Long-term employee benefits payable	VII41	3,944,693	3,952,311
Special payables	VII42	22,501	42,720
Provisions	VII43	208,154	97,459
Deferred income	VII44	1,552,840	1,600,900
Deferred tax liabilities	VII25	481,873	562,091
Other non-current liabilities		39,100	28,479
Total Non-current Liabilities		50,389,786	48,774,361
TOTAL LIABILITIES		267,953,971	267,819,220

CONSOLIDATED BALANCE SHEET

2014.12.31

II. FINANCIAL STATEMENTS (CONTINUED)

Consolidated Balance Sheet

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
Shareholders' Equity:			
Share capital	VII45	19,110,000	19,110,000
Capital reserve	VII46	17,826,218	17,947,113
Less: Treasury shares		—	—
Other comprehensive income	VII47	583,421	465,797
Special reserve	VII48	12,550	12,550
Surplus reserve	VII49	529,549	420,659
Retained profits	VII50	9,275,519	6,585,181
Total shareholders' equity attributable to equity holders of the Company		47,337,257	44,541,300
Non-controlling interests		10,687,251	10,523,919
TOTAL SHAREHOLDERS' EQUITY		58,024,508	55,065,219
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		325,978,479	322,884,439

The accompanying notes form an integral part of these financial statements.

Legal Representative :
Guo Wenqing

Chief Financial Controller :
Li Shiyu

Chief Accountant :
Fan Wanzhu

THE COMPANY'S BALANCE SHEET

2014.12.31

II. FINANCIAL STATEMENTS (CONTINUED)

The Company's Balance Sheet

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance (Restated)
Current Assets:			
Cash and bank balances	XVI1	7,025,950	6,931,616
Bills receivable		—	19,700
Accounts receivable	XVI2	389,062	702,073
Prepayments		105,106	338,273
Interest receivable	XVI3	955,561	4,647,420
Dividends receivable	XVI4	1,264,817	2,001,841
Other receivables	XVI5	26,396,763	25,655,321
Inventories		889,870	309,860
Non-current assets due within one year		6,780,040	2,163,317
Other current assets		283	2,517
Total Current Assets		43,807,452	42,771,938
Non-current Assets:			
Available-for-sale financial assets		231	231
Long-term receivables	XVI6	4,573,576	8,865,711
Long-term equity investments	XVI7	72,549,338	68,042,986
Investment properties		118,773	110,669
Fixed assets		55,263	71,534
Intangible assets		13,601	16,110
Total Non-current Assets		77,310,782	77,107,241
TOTAL ASSETS		121,118,234	119,879,179

THE COMPANY'S BALANCE SHEET

2014.12.31

II. FINANCIAL STATEMENTS (CONTINUED)

The Company's Balance Sheet

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
Current Liabilities:			
Short-term borrowings	XVI8	8,378,860	15,995,038
Accounts payable		1,074,091	942,816
Receipts in advance		303,192	407,671
Employee benefits payable		8,251	9,458
Taxes payable		48,154	55,017
Interest payable		742,538	770,894
Other payables	XVI9	10,697,648	6,755,783
Non-current liabilities due within one year	XVI10	7,124,503	564,154
Other current liabilities		19,900,000	18,900,000
Total Current Liabilities		48,277,237	44,400,831
Non-current Liabilities:			
Long-term borrowings	XVI11	5,403,934	3,595,956
Bonds payable		12,904,839	17,574,737
Including: Preference share		—	—
Perpetual bond		—	—
Long-term payables		378,980	78,980
Long-term employee benefits payable		19,772	21,641
Deferred income		957	1,138
Total Non-current Liabilities		18,708,482	21,272,452
TOTAL LIABILITIES		66,985,719	65,673,283
Shareholders' Equity:			
Share capital		19,110,000	19,110,000
Capital reserve		33,481,220	33,481,220
Less: Treasury shares		—	—
Other comprehensive income		3,267	(159)
Special reserve		12,550	12,550
Surplus reserve		529,549	420,659
Retained profits		995,929	1,181,626
TOTAL SHAREHOLDERS' EQUITY		54,132,515	54,205,896
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		121,118,234	119,879,179

The accompanying notes form an integral part of these financial statements.

Legal Representative :
Guo Wenqing

Chief Financial Controller :
Li Shiyu

Chief Accountant :
Fan Wanzhu

CONSOLIDATED INCOME STATEMENT

2014.01-12

II. FINANCIAL STATEMENTS (CONTINUED)

Consolidated Income Statement

All amounts in RMB'000

Items	Notes	Amount for the current year	Amount for the prior year
I Total operating income		215,785,772	202,690,241
Including: Operating income	VII51	215,785,772	202,690,241
II Total operating costs		211,526,719	198,650,963
Including: Operating costs	VII51	187,884,556	175,112,261
Business taxes and levies	VII52	5,712,644	5,723,373
Selling expenses	VII53	1,500,231	1,617,470
Administrative expenses	VII54	9,108,267	9,449,306
Finance costs	VII55	4,022,637	4,459,771
Impairment losses of assets	VII56	3,298,384	2,288,782
Add: Gains (losses) from changes in fair values	VII57	(22,473)	39,355
Investment income (losses)	VII58	1,053,667	342,812
Including: Income from investments in associates and joint ventures		(96,238)	(126,532)
III Operating profit		5,290,247	4,421,445
Add: Non-operating income	VII59	1,699,134	1,046,500
Including: Gains from disposal of non-current assets		123,154	288,747
Less: Non-operating expenses	VII60	284,076	171,432
Including: Losses from disposal of non-current assets		36,318	48,108
IV Total profit		6,705,305	5,296,513
Less: Income tax expenses	VII61	2,363,950	2,218,717
V Net profit		4,341,355	3,077,796
Net profit attributable to shareholders of the Company		3,964,938	2,980,864
Profit or loss attributable to non-controlling interests		376,417	96,932

CONSOLIDATED INCOME STATEMENT

2014.01-12

II. FINANCIAL STATEMENTS (CONTINUED)

Consolidated Income Statement

All amounts in RMB'000

Items	Notes	Amount for the current year	Amount for the prior year
VI Other comprehensive income, net of income tax	VII62	108,064	305,226
(I) Items that will not be reclassified subsequently to profit or loss		(140,781)	308,466
1. Re-measurement of defined benefit obligations		(140,781)	308,466
(II) Items that may be reclassified subsequently to profit or loss		248,845	(3,240)
1. Share of other comprehensive income of the investees accounted for using the equity method		—	99
2. Net (loss) gain on revaluation of available-for-sale financial assets		130,276	(40,968)
3. Exchange differences on translating foreign operations		118,569	37,629
Other comprehensive income attributable to shareholders of the Company, net of income tax		117,624	400,464
Other comprehensive income attributable to non-controlling interests, net of income tax		(9,560)	(95,238)
VII Total comprehensive income		4,449,419	3,383,022
Total comprehensive income attributable to shareholders of the Company		4,082,562	3,381,328
Total comprehensive income attributable to non-controlling interests		366,857	1,694
VIII Earnings per share	XV3		
(I) Basic earnings per share (<i>Yuan/share</i>)		0.21	0.16
(II) Diluted earnings per share (<i>Yuan/share</i>)		—	—

The accompanying notes form an integral part of these financial statements.

Legal Representative:
Guo Wenqing

Chief Financial Controller:
Li Shiyu

Chief Accountant:
Fan Wanzhu

THE COMPANY'S INCOME STATEMENT

2014.01-12

II. FINANCIAL STATEMENTS (CONTINUED)

The Company's Income Statement

All amounts in RMB'000

Items	Notes	Amount for the current year	Amount for the prior year
I Operating income	XVI12	1,455,431	1,786,549
Less: Operating costs	XVI12	1,452,440	1,706,221
Business taxes and levies		5,650	1,344
Selling expenses		60	9,159
Administrative expenses		208,280	218,566
Finance costs		822,439	1,074,634
Impairment losses of assets	XVI13	29,759	366,067
Add: Gains (losses) from changes in fair values		—	—
Investment income (losses)	XVI14	2,143,251	16,408,196
Including: Income from investments in associates and joint ventures		(40)	(5,587)
II Operating profit		1,080,054	14,818,754
Add: Non-operating income		264	3,737
Including: Gains from disposal of non-current assets		—	56
Less: Non-operating expenses		40	233
Including: Losses from disposal of non-current assets		33	233
III Total profit		1,080,278	14,822,258
Less: Income tax expenses		(8,625)	35,669
IV Net profit		1,088,903	14,786,589
V Other comprehensive income, net of income tax		3,426	9
(I) Items that will not be reclassified subsequently to profit or loss		3,430	(29)
1. Re-measurement of defined benefit obligations		3,430	(29)
(II) Items that may be reclassified subsequently to profit or loss		(4)	38
1. Exchange differences on translating foreign operations		(4)	38
VI Total comprehensive income		1,092,329	14,786,598

The accompanying notes form an integral part of these financial statements.

Legal Representative :
Guo Wenqing

Chief Financial Controller :
Li Shiyu

Chief Accountant :
Fan Wanzhu

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

2014.01-12

II. FINANCIAL STATEMENTS (CONTINUED)

Consolidated Statement of Changes in Shareholders' Equity

All amounts in RMB'000

Items	Amount for the current year									
	Attributable to shareholders of the Company								Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits			
I Closing balance of the preceding year	19,110,000	17,947,113	—	465,797	12,550	420,659	6,585,181	10,523,919	55,065,219	
Add: Changes in accounting policies	—	—	—	—	—	—	—	—	—	
Corrections of prior periods errors	—	—	—	—	—	—	—	—	—	
Others	—	—	—	—	—	—	—	—	—	
II Opening balance of the current year	19,110,000	17,947,113	—	465,797	12,550	420,659	6,585,181	10,523,919	55,065,219	
III Changes for the year	—	(120,895)	—	117,624	—	108,890	2,690,338	163,332	2,959,289	
(I) Total comprehensive income	—	—	—	117,624	—	—	3,964,938	366,857	4,449,419	
(II) Shareholders' contributions and reduction in capital	—	(120,895)	—	—	—	—	—	146,755	25,860	
1. Capital contribution from owners	—	—	—	—	—	—	—	171,640	171,640	
2. Others	—	(120,895)	—	—	—	—	—	(24,885)	(145,780)	
(III) Profit distribution	—	—	—	—	—	108,890	(1,274,600)	(350,280)	(1,515,990)	
1. Transfer to surplus reserve	—	—	—	—	—	108,890	(108,890)	—	—	
2. Distributions to shareholders	—	—	—	—	—	—	(1,165,710)	(350,280)	(1,515,990)	
3. Others	—	—	—	—	—	—	—	—	—	
(IV) Transfers within shareholders' equity	—	—	—	—	—	—	—	—	—	
1. Capitalization of capital reserve	—	—	—	—	—	—	—	—	—	
2. Capitalization of surplus reserve	—	—	—	—	—	—	—	—	—	
3. Loss offset by surplus reserve	—	—	—	—	—	—	—	—	—	
4. Others	—	—	—	—	—	—	—	—	—	
(V) Special reserve	—	—	—	—	—	—	—	—	—	
1. Transfer to special reserve in the current year	—	—	—	—	2,183,105	—	—	204,774	2,387,879	
2. Amount utilized in the current year	—	—	—	—	(2,183,105)	—	—	(204,774)	(2,387,879)	
(VI) Others	—	—	—	—	—	—	—	—	—	
IV Closing balance of the current year	19,110,000	17,826,218	—	583,421	12,550	529,549	9,275,519	10,687,251	58,024,508	

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

2014.01-12

II. FINANCIAL STATEMENTS (CONTINUED)

Consolidated Statement of Changes in Shareholders' Equity

All amounts in RMB'000

Items	Amount for the prior year									
	Attributable to shareholders of the Company								Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits			
I Closing balance of the preceding year	19,110,000	17,971,249	—	65,333	12,550	289,366	3,735,610	11,650,479	52,834,587	
Add: Changes in accounting policies	—	—	—	—	—	—	—	—	—	
Corrections of prior periods errors	—	—	—	—	—	—	—	—	—	
Others	—	—	—	—	—	—	—	—	—	
II Opening balance of the current year	19,110,000	17,971,249	—	65,333	12,550	289,366	3,735,610	11,650,479	52,834,587	
III Changes for the year	—	(24,136)	—	400,464	—	131,293	2,849,571	(1,126,560)	2,230,632	
(I) Total comprehensive income	—	—	—	400,464	—	—	2,980,864	1,694	3,383,022	
(II) Shareholders' contributions and reduction in capital	—	(24,136)	—	—	—	—	—	1,216,066	1,191,930	
1. Capital contribution from owners	—	(19,704)	—	—	—	—	—	1,840,027	1,820,323	
2. Others	—	(4,432)	—	—	—	—	—	(623,961)	(628,393)	
(III) Profit distribution	—	—	—	—	—	131,293	(131,293)	(2,344,320)	(2,344,320)	
1. Transfer to surplus reserve	—	—	—	—	—	131,293	(131,293)	—	—	
2. Distributions to shareholders	—	—	—	—	—	—	—	(2,344,320)	(2,344,320)	
3. Others	—	—	—	—	—	—	—	—	—	
(IV) Transfers within shareholders' equity	—	—	—	—	—	—	—	—	—	
1. Capitalization of capital reserve	—	—	—	—	—	—	—	—	—	
2. Capitalization of surplus reserve	—	—	—	—	—	—	—	—	—	
3. Loss offset by surplus reserve	—	—	—	—	—	—	—	—	—	
4. Others	—	—	—	—	—	—	—	—	—	
(V) Special reserve	—	—	—	—	—	—	—	—	—	
1. Transfer to special reserve in the current year	—	—	—	—	1,894,603	—	—	191,669	2,086,272	
2. Amount utilized in the current year	—	—	—	—	(1,894,603)	—	—	(191,669)	(2,086,272)	
(VI) Others	—	—	—	—	—	—	—	—	—	
IV Closing balance of the current year	19,110,000	17,947,113	—	465,797	12,550	420,659	6,585,181	10,523,919	55,065,219	

The accompanying notes form an integral part of these financial statements.

Legal Representative :
Guo Wenqing

Chief Financial Controller :
Li Shiyu

Chief Accountant :
Fan Wanzhu

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

2014.01-12

II. FINANCIAL STATEMENTS (CONTINUED)

The Company's Statement of changes in Shareholders' Equity

All amounts in RMB'000

Items	Amount for the current year							Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	
I Closing balance of the preceding year	19,110,000	33,481,220	—	(159)	12,550	420,659	1,181,626	54,205,896
Add: Changes in accounting policies	—	—	—	—	—	—	—	—
Corrections of prior periods errors	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—
II Opening balance of the current year	19,110,000	33,481,220	—	(159)	12,550	420,659	1,181,626	54,205,896
III Changes for the year	—	—	—	3,426	—	108,890	(185,697)	(73,381)
(I) Total comprehensive income	—	—	—	3,426	—	—	1,088,903	1,092,329
(II) Shareholders' contributions and reduction in capital	—	—	—	—	—	—	—	—
1. Capital contribution from owners	—	—	—	—	—	—	—	—
2. Others	—	—	—	—	—	—	—	—
(III) Profit distribution	—	—	—	—	—	108,890	(1,274,600)	(1,165,710)
1. Transfer to surplus reserve	—	—	—	—	—	108,890	(108,890)	—
2. Distributions to shareholders	—	—	—	—	—	—	(1,165,710)	(1,165,710)
3. Others	—	—	—	—	—	—	—	—
(IV) Transfers within shareholders' equity	—	—	—	—	—	—	—	—
1. Capitalization of capital reserve	—	—	—	—	—	—	—	—
2. Capitalization of surplus reserve	—	—	—	—	—	—	—	—
3. Loss offset by surplus reserve	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—
(V) Special reserve	—	—	—	—	—	—	—	—
1. Transfer to special reserve in the current year	—	—	—	—	—	—	—	—
2. Amount utilized in the current year	—	—	—	—	—	—	—	—
(VI) Others	—	—	—	—	—	—	—	—
IV Closing balance of the current year	19,110,000	33,481,220	—	3,267	12,550	529,549	995,929	54,132,515

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

2014.01-12

II. FINANCIAL STATEMENTS (CONTINUED)

The Company's Statement of changes in Shareholders' Equity

All amounts in RMB'000

Items	Amount for the prior year							
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
I Closing balance of the preceding year	19,110,000	33,481,220	—	(168)	12,550	289,366	(13,473,670)	39,419,298
Add: Changes in accounting policies	—	—	—	—	—	—	—	—
Corrections of prior periods errors	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—
II Opening balance of the current year	19,110,000	33,481,220	—	(168)	12,550	289,366	(13,473,670)	39,419,298
III Changes for the year	—	—	—	9	—	131,293	14,655,296	14,786,598
(I) Total comprehensive income	—	—	—	9	—	—	14,786,589	14,786,598
(II) Shareholders' contributions and reduction in capital	—	—	—	—	—	—	—	—
1. Capital contribution from owners	—	—	—	—	—	—	—	—
2. Others	—	—	—	—	—	—	—	—
(III) Profit distribution	—	—	—	—	—	131,293	(131,293)	—
1. Transfer to surplus reserve	—	—	—	—	—	131,293	(131,293)	—
2. Distributions to shareholders	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	—
(IV) Transfers within shareholders' equity	—	—	—	—	—	—	—	—
1. Capitalization of capital reserve	—	—	—	—	—	—	—	—
2. Capitalization of surplus reserve	—	—	—	—	—	—	—	—
3. Loss offset by surplus reserve	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—
(V) Special reserve	—	—	—	—	—	—	—	—
1. Transfer to special reserve in the current year	—	—	—	—	—	—	—	—
2. Amount utilized in the current year	—	—	—	—	—	—	—	—
(VI) Others	—	—	—	—	—	—	—	—
IV Closing balance of the current year	<u>19,110,000</u>	<u>33,481,220</u>	<u>—</u>	<u>(159)</u>	<u>12,550</u>	<u>420,659</u>	<u>1,181,626</u>	<u>54,205,896</u>

The accompanying notes form an integral part of these financial statements.

Legal Representative :
Guo Wenqing

Chief Financial Controller :
Li Shiyu

Chief Accountant :
Fan Wanzhu

CONSOLIDATED CASH FLOW STATEMENT

2014.01-12

II. FINANCIAL STATEMENTS (CONTINUED)

Consolidated Cash Flow Statement

All amounts in RMB'000

Items	Notes	Amount for the current year	Amount for the prior year
I Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		221,018,784	192,644,063
Receipts of tax refunds		327,987	378,961
Other cash receipts relating to operating activities	VII63(1)	5,040,257	8,317,395
Sub-total of cash inflows from operating activities		226,387,028	201,340,419
Cash payments for goods purchased and services received		169,818,155	146,925,337
Cash payments to and on behalf of employees		17,271,989	15,251,522
Payments of various types of taxes		11,247,436	10,337,058
Other cash payments relating to operating activities	VII63(2)	13,080,421	8,804,356
Sub-total of cash outflows from operating activities		211,418,001	181,318,273
Net Cash Flows from Operating Activities	VII64(1)	14,969,027	20,022,146
II Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		60,086	1,685,739
Cash receipts from investment income		86,932	269,501
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		351,934	660,283
Net cash receipts from disposal of subsidiaries and other business units	VII64(3)	8,851	753,945
Other cash receipts relating to investing activities	VII63(3)	344,977	989,899
Sub-total of cash inflows from investing activities		852,780	4,359,367
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		2,760,049	3,260,275
Cash payments to acquire investments		170,951	693,880
Other cash payments relating to investing activities	VII63(4)	1,126,752	120
Sub-total of cash outflows from investing activities		4,057,752	3,954,275
Net Cash Flows from Investing Activities		(3,204,972)	405,092

CONSOLIDATED CASH FLOW STATEMENT

2014.01-12

II. FINANCIAL STATEMENTS (CONTINUED)

Consolidated Cash Flow Statement

All amounts in RMB'000

Items	Notes	Amount for the current year	Amount for the prior year
III Cash Flows from Financing Activities:			
Cash receipts from capital contributions		148,244	950,526
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries		148,244	950,526
Cash receipts from borrowings		109,039,297	97,593,389
Other cash receipts relating to financing activities	VII63(5)	—	258,071
Sub-total of cash inflows from financing activities		109,187,541	98,801,986
Cash repayments of borrowings		113,546,803	110,705,008
Cash payments for distribution of dividends or profits or settlement of interest expenses		9,330,061	9,090,962
Including: Payments for distribution of dividends or profits to non-controlling interests of subsidiaries		603,506	1,150,012
Other cash payments relating to financing activities	VII63(6)	742,251	159,024
Sub-total of cash outflows from financing activities		123,619,115	119,954,994
Net Cash Flows from Financing Activities		(14,431,574)	(21,153,008)
IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(3,858)	(115,851)
V Net Increase in Cash and Cash Equivalents		(2,671,377)	(841,621)
Add: Opening balance of Cash and Cash equivalents		31,242,554	32,084,175
VI Closing Balance of Cash and Cash Equivalents	VII64(4)	28,571,177	31,242,554

The accompanying notes form an integral part of these financial statements.

Legal Representative :
Guo Wenqing

Chief Financial Controller :
Li Shiyu

Chief Accountant :
Fan Wanzhu

THE COMPANY'S CASH FLOW STATEMENT

2014.01-12

II. FINANCIAL STATEMENTS (CONTINUED)

The Company's Cash Flow Statement

All amounts in RMB'000

Items	Notes	Amount for the current year	Amount for the prior year
I Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		1,689,115	1,250,495
Receipts of tax refunds		241	35,405
Other cash receipts relating to operating activities		284,029	69,107
Sub-total of cash inflows from operating activities		1,973,385	1,355,007
Cash payments for goods purchased and services received		1,618,759	1,110,743
Cash payments to and on behalf of employees		100,757	88,826
Payments of various types of taxes		60,598	61,104
Other cash payments relating to operating activities		116,392	610,531
Sub-total of cash outflows from operating activities		1,896,506	1,871,204
Net Cash Flows from Operating Activities	XVI15(1)	76,879	(516,197)
II Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		—	105,259
Cash receipts from investment income		8,101,127	7,743,184
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		8	64
Sub-total of cash inflows from investing activities		8,101,135	7,848,507
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		4,563	5,705
Cash payments to acquire investments		4,355,176	4,812,781
Other cash payments relating to investing activities		784,067	871,778
Sub-total of cash outflows from investing activities		5,143,806	5,690,264
Net Cash Flows from Investing Activities		2,957,329	2,158,243

THE COMPANY'S CASH FLOW STATEMENT

2014.01-12

II. FINANCIAL STATEMENTS (CONTINUED)

The Company's Cash Flow Statement

All amounts in RMB'000

Items	Notes	Amount for the current year	Amount for the prior year
III Cash Flows from Financing Activities:			
Cash receipts from borrowings		57,492,591	44,899,355
Other cash receipts relating to financing activities		19,700	—
Sub-total of cash inflows from financing activities		57,512,291	44,899,355
Cash repayments of borrowings		55,836,570	45,850,492
Cash payments for distribution of dividends or profits or settlement of interest expenses		4,066,226	2,946,330
Other cash payments relating to financing activities		113,429	461,086
Sub-total of cash outflows from financing activities		60,016,225	49,257,908
Net Cash Flows from Financing Activities		(2,503,934)	(4,358,553)
IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		1,072	7
V Net Increase in Cash and Cash Equivalents		531,346	(2,716,500)
Add: Opening balance of Cash and Cash equivalents		6,494,604	9,211,104
VI Closing Balance of Cash and Cash Equivalents	XVI15(2)	7,025,950	6,494,604

The accompanying notes form an integral part of these financial statements.

Legal Representative :
Guo Wenqing

Chief Financial Controller :
Li Shiyu

Chief Accountant :
Fan Wanzhu

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

III. BASIC CORPORATE INFORMATION

1. Basic information of the Company

Metallurgical Corporation of China Ltd. (the "Company") was established as a joint stock limited liability company by China Metallurgical Group Corporation ("CMGC") and 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 June, 2008. CMGC is the parent company of the Company and the SASAC is the ultimate controlling party of the Company. Upon establishment of the Company, the registered capital of the Company was RMB13 billion, representing 13 billion ordinary shares of RMB1.0 each. On 14 September 2009, the Company issued 3,500 million A shares of the Company to domestic investors and these A shares of the Company were listed on the Shanghai Stock Exchange on 21 September 2009, and 2,610 million H shares of the Company were issued and listed on the Main Board of The Stock Exchange of Hong Kong Ltd. (the "Hong Kong Stock Exchange") on 24 September 2009. During the course of the issue of A shares and H shares of the Company, CMGC and BGC have transferred a total amount of 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 Company and its subsidiaries (the "Group") are principally engaged in the following activities (Core Operations): engineering and construction, property development, equipment manufacturing, and resources 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 sale of residential and commercial properties, affordable housing and primary land development ("property development"); development and production of metallurgical equipment, steel structures and other metal products ("equipment manufacturing"); and development, mining and processing of mineral resources and the production of nonferrous metal and polysilicon ("resources development").

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

The Company and consolidated financial statements had been approved by the Board of Directors of the Company on 27 March 2015.

2. Scope of the consolidated financial statements

Details of the scope of the consolidated financial statements are set out in Note IX "Rights in other subjects", whereas the changes of the scope of consolidation are set out in Note VIII "Changes in the consolidation scope".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IV. BASIS OF PREPARATION

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 which, 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.

According to Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong and other Hong Kong Listing Rules Amendments issued by the Hong Kong Stock Exchange in December 2010, also referring to the relevant provisions issued by the MoF and the 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 prepared in accordance with the CASBE and the International Financial Reporting Standards (the “IFRS”) separately to stockholders of A shares and H shares. Instead, the Company provides the financial statements prepared in accordance with the CASBE to all stockholders, taking the relevant disclosure standards of Hong Kong Companies Ordinance and Hong Kong Listing Rules into consideration.

The comparative financial data in these financial statements of the year ended 31 December 2013 was prepared in accordance with CASBE.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IV. BASIS OF PREPARATION *(Continued)*

2. Accrual basis and measurement principle

The Group has adopted the accrual basis of accounting. Except for certain financial instruments set out in Note XI1 which are measured at fair value, the Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

In the historical cost measurement, assets obtained shall be measured at the amount of cash or cash equivalents or fair value of the purchase amount paid. Liabilities shall be measured at the actual amount of cash or assets received or the contracted amount assume the current obligation, or measured at the prospective amount of cash or cash equivalents paid to discharge the liabilities according to business activities.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing market participants in an arm's length transaction at the measurement date. Fair value measured and disclosed in the financial statements are determined on this basis whether it is observable or estimated by valuation techniques.

The following table provides an analysis, grouped into Levels 1 to 3 based on the degree to which the fair value input is observable and significant to the fair value measurement as a whole:

Level 1	—	based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly;
Level 3	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

3. Going concern

The Group has performed an assessment of the going concern for the following 12 months from 31 December 2014 and does not identify any significant doubtful matter or event on the going concern. As such, these financial statements have been prepared on a going concern basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance

These financial statements are in compliance with the CASBE to truly and completely reflect the consolidated and the Company's financial position as at 31 December 2014 and the consolidated and the Company's operating results and cash flows for the year then ended.

2. Accounting period

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

3. Business cycle

Business cycle refers to the period that starts from the purchase of assets for production and ends with the realization of cash or cash equivalent. The business cycle of infrastructure and real estate development business of the Group is normally over one year because the duration of construction and infrastructure warranty is relatively long. The business cycles of other businesses are 12 months in general.

4. Reporting currency

The Company and its domestic subsidiaries choose RMB as their functional currency. The functional currency of the overseas subsidiaries of the Company is selected based on the primary economic environment where they operate. Their financial statements were presented in RMB when being consolidated into the consolidated financial statements. The Company adopts RMB to present its financial statements.

5. Business combinations

(1) *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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

5. Business combinations *(Continued)*

(2) *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 cost of business combination is the sum of total consideration paid at the acquisition date and the re-measured fair value of acquirer's previously held equity interests in the acquiree at the acquisition date. 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 recognized 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 recognized 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 recognizes the remaining difference immediately in profit or loss for the current year.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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 adjustments are made to the opening balances and comparative figures in the consolidated financial statements. For a subsidiary acquired through a business combination involving enterprises under common control, it will be fully consolidated into the consolidated financial statements from the date on which the subsidiary was ultimately under common control by the same party or parties.

The significant accounting policies and accounting years adopted by the subsidiaries are determined based on the uniform accounting policies and accounting years 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 shareholders' equity in the consolidated balance sheet. 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.

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 is still allocated against non-controlling interests.

Acquisition of non-controlling interests or disposal of equity 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 is 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 recognized as investment income in the year in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the year in which control is lost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

7. Investments in associates and joint ventures

Joint arrangement involves by two or more parties jointly 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.

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.

Joint management refers to the joint arrangement that the joint ventures enjoy the relevant arrangements assets and bear the relevant arrangements liabilities. When a group entity undertakes its activities under joint operations, the Group as a joint operator recognized in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly. The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the provision applicable to the particular assets, liabilities, revenues and expenses.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

(1) *Transactions denominated in foreign currencies*

On initial recognition, foreign currency transactions are translated into RMB 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 recognized in profit or loss for the period, except that (i) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period; (ii) exchange differences arising from available-for-sale non-monetary items (such as shares) denominated in foreign currencies and changes in the carrying amounts of available-for-sale monetary items are recognized as other comprehensive income. 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 other comprehensive income, 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 recognized in profit and loss or as other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

(2) *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 recorded as other comprehensive income.

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 foreign 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 equity interest in a foreign operation, or upon a loss of control over a foreign operation due to disposal of certain equity 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 other comprehensive income 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 is not recognized in profit and loss. For partial disposals of equity interest 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 CONSOLIDATED FINANCIAL STATEMENTS

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

10. Financial instruments

(1) *Financial assets*

(a) 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: (i) It has been acquired principally for the purpose of selling in the near term; or (ii) 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 (iii) it is a derivative that is not designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

— 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, bills 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 CONSOLIDATED FINANCIAL STATEMENTS

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

10. Financial instruments *(Continued)*

(1) Financial assets *(Continued)*

(a) 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.

(b) Recognition and measurement of the financial assets

Financial assets are recognized at fair value at the balance sheet when the Group becomes one of contracting parties of the financial assets. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at FVTPL. Financial assets carried at FVTPL are initially recognized 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 amortized 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, any dividend or interest income earned and any gains and losses generating by disposal on the financial assets at FVTPL are recognized 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 recognized as other comprehensive income, except that impairment losses and exchange differences related to the financial assets denominated in foreign currencies are recognized in profit or loss, until the financial assets are derecognized, at which time the gains or losses are released and recognized 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 recognized in investment gains in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

10. Financial instruments *(Continued)*

(1) Financial assets *(Continued)*

(b) Recognition and measurement of the financial assets *(Continued)*

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

(c) 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 reorganizations;
- The disappearance of an active market for that financial asset because of financial difficulties of the issuer;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

10. Financial instruments *(Continued)*

(1) Financial assets *(Continued)*

(c) 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:
 - (i) Adverse changes in the payment status of borrower in the Group of assets;
 - (ii) 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 amortized 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 recognized as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortized 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 recognized, the previously recognized 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 amortized cost would have been had the impairment not been recognized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

10. Financial instruments *(Continued)*

(1) Financial assets *(Continued)*

(c) 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 recognized 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 recognized in other comprehensive income is released to profit or loss. The amount of the cumulative loss that is released to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized 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 recognized, the previously recognized impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognized as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognized in profit or loss.

(d) Derecognition of financial assets

The Group derecognizes 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 recognize the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized 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 recognized in other comprehensive income is recognized in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

10. Financial instruments *(Continued)*

(2) *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.

Trade payables including bills payable, 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.

The Group derecognizes 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 derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

(3) *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 recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize 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 CONSOLIDATED FINANCIAL STATEMENTS

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

11. Receivables

(1) *Receivables individually significant for which provision for impairment is assessed individually*

Basis or monetary criteria for determining an individually significant receivable	A receivable with an amount greater than RMB100,000,000 is considered to be individually significant.
Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed	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.

(2) *Receivables for which provision for impairment is assessed collectively in a group with similar credit risk characteristics:*

Bad debt provision method for a portfolio of credit risk characteristics	
Group 1 : Aging analysis method	With credit risk according to nature of business.
Group 2 : No provision	Without credit risk according to nature of 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%

(3) *Other individually not significant receivables but individually tested for impairment:*

Reasons for making individual bad debt provision	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.
Bad debt provision methods	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

12. Inventories

(1) *Categories of inventories and initial measurement*

The Group's inventories are initially measured at cost. 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-gross amount due from contract customers etc.

(2) *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.

(3) *Basis for determining net realizable 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 realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realizable 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 realizable value is determined based on 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 realizable value of inventories is higher than their carrying amount, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

(4) The perpetual inventory system is maintained for stock system.

(5) *Amortization method for low cost and short-lived consumable items and packaging materials*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

12. Inventories *(Continued)*

(6) *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, capitalized borrowing costs and other relevant costs. Cost of real estate development product is calculated based on actual costs incurred; public facilities means the facilities approved by the relevant government departments such as roads, the construction expenditures of which form part of properties development costs and are allocated to respective individual properties projects. The expenditure of development land is also included in the development cost.

(7) *Construction contracts-gross amount due from contract customers*

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.

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 "gross amount due from contract customers" listed in inventories. 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 "gross amount due to contract customers" listed in receipts in advance.

13. Non-current assets held for sale and discontinued operations

It will be recognized as hold for sale if those non-current assets or the components of the Group meet the following conditions simultaneously: (i) The components of the Group or non-current assets can be sold immediately base on the clause which is commonly used for sale under the current situation. (ii) Resolution has been made for disposal of the components or non-current assets. (iii) Non-cancellable transfer agreement with the transferee has been signed. (iv) The transfer must be finished within one year.

The non-current assets (not include the financial assets and deferred income tax assets) which meet the held for sale conditions are not accounted for under equity method and not subject to depreciation or amortization. It should be recognized as the amount of the lower of book value and fair value less the disposal expenses and listed as held for sale assets. If the fair value less the disposal expenses is lower than the carrying amount, it will be recognized as impairment loss of assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

14. Long-term equity investments

Long-term equity investments include investments in subsidiaries by the Company, joint ventures and associates held by the Group.

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. Investments in associates and joint ventures are accounted for under equity method.

(1) *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 share of the carrying amount of the shareholders' equity of the acquiree attributable to the ultimate controlling party 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).

Regarding the long-term equity investment acquired otherwise than through a business combination, 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.

(2) *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.

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 recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

14. Long-term equity investments *(Continued)*

(2) *Subsequent measurement and recognition of profit or loss (Continued)*

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income of the investee for the period as investment income or loss and other comprehensive income for the period. The Group recognizes 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 recognizing 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. For the changes in equity in addition to the net profit or loss, other comprehensive income and profits distribution, adjust the carrying value of long-term equity investment when the investee declares dividend distribution and included in shareholders' equity. The Group recognizes its share of the dividends of the investee should be adjusted, and reduces the carrying value of the investment. Unrealized profits or losses resulting from the Group's transactions with its associates and joint ventures are recognized as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated if the trading assets do not form a business. Unrealized losses are resulted from the Group's transactions with its associates and joint ventures, the impairment losses on the transferred assets are not eliminated.

(3) *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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

14. Long-term equity investments *(Continued)*

(4) *Methods of impairment assessment and determining the provision for impairment loss*

If the recoverable amounts of the investments to subsidiaries, joint ventures and associates are less than their carrying amounts, an impairment loss should be recognized to reduce the carrying amounts to the recoverable amounts. (NoteV20)

(5) *The disposal of long-term equity investment*

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognized in profit or loss for the period.

If the Group loses its control over the investee because of the disposal of partial equity investment and the remaining equity investment still have significant influence on the investee, then equity method should be adopted to record long-term equity investment when preparing the financial statements as if the equity investment is all the way accounted for under equity method from the date the Group acquired this investment. If the remaining equity investment does not have significant influence on the investee, the equity investment should be recorded according to the recognition and measurement of financial assets and the difference between the carrying amount and fair value of the equity investment on the date of losing control shall be included in profit or loss for the current year.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

15. Investment properties

Investment properties include properties held to earn rentals or for capital appreciation or properties in construction which will be used to earn rentals or for capital appreciation in the future. 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 recognized in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

15. Investment properties *(Continued)*

The Group uses the cost model for subsequent measurement of investment property, and adopts a depreciation or amortization policy for the investment property according to estimated useful lives and net salvage value for buildings or land use rights. The estimated useful lives, estimated residual values and annual depreciation rates of investment properties by category are as follows:

	Estimated useful lives	Estimated residual values	Annual depreciation rate
Buildings	15–40 years	3%–5%	2.38%–6.47%
Land use rights	40–70 years	—	1.43%–2.50%

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 recognizes the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

The difference between recoverable amounts of the investment properties under the carrying amount is referred to as impairment loss (Note V 20).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

16. Fixed assets

(1) 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 recognized 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. Purchased or constructed fixed assets are initially measured at cost when acquisition. 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. Those old fixed asset items are replaced by other new fixed asset items, the old fixed asset items should be de-recognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

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

Category	Depreciation	Useful life	Residual value	Annual Depreciation rate
		(year)	(%)	(%)
Buildings and structures	The straight-line method	15-40	3%-5%	2.38%-6.47%
Temporary buildings and structures	The straight-line method	3-5	3%-5%	19.00%-32.33%
Machinery and equipment	The straight-line method	3-14	3%-5%	6.79%-32.33%
Transportation vehicles	The straight-line method	5-12	3%-5%	7.92%-19.40%
Office equipment and others	The straight-line method	5-12	3%-5%	7.92%-19.40%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

16. Fixed assets *(Continued)*

(3) *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 V27(2)).

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.

(4) *Other explanations*

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 derecognized. 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 recognized in profit or loss for the period.

The difference between recoverable amounts of the fixed assets under the carrying amount is referred to as impairment loss (Note V 20).

17. 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.

The difference between recoverable amounts of the construction in progress under the carrying amount is referred to as impairment loss (Note V 20).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

18. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are Capitalized 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. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Borrowing costs incurred subsequently should be charged to profit or loss. Capitalization 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. Capitalization is suspended until the acquisition, construction or production of the asset is resumed. Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized 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 capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

19. Intangible assets

(1) *Valuation methods, service life, impairment test*

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.

(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 from the granting authority, if any, between amounts received from users of the public service and specified or determinable amounts.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

19. Intangible assets *(Continued)*

(1) *Valuation methods, service life, impairment test (Continued)*

(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 amortization method at the end of the period, and makes adjustments when necessary.

(g) The difference between recoverable amounts of the intangible assets under the carrying amount is referred to as impairment loss (Note V 20).

(2) *Research and development expenditure*

Internal research and development project expenditures were classified into research expenditures and development expenditures depending on its nature and the greater uncertainty whether the research activities becoming to intangible assets.

Expenditure during the research phase is recognized 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 recognized as intangible asset:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

19. Intangible assets *(Continued)*

(2) *Research and development expenditure (Continued)*

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

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 CONSOLIDATED FINANCIAL STATEMENTS

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

21. Long-term prepayments

Long-term prepayments include improvement expenses on leased fixed assets and other expenses incurred that should be amortized over the current and subsequent periods (amortization period of more than one year). Long-term prepayments are amortized on a straight-line basis over the expected periods in which benefits are derived, presented by the net amount of actual expenditure less accumulated amortization.

22. Employee benefits

(1) *Short-term employee benefits*

Short-term employee benefits include salaries, bonus, subsidies, staff benefits, social security charges (including medical insurance, work-related injury insurance and maternity insurance, etc.), housing funds, labor union expenditures and personal education.

During the accounting period in which the employees provide services, the Group's actual short-term remuneration is recognized as liabilities and included in the profits or losses of the current year or recognized as respective assets costs. At the time of actual occurrence, The Group's employee benefits are recorded into the profits and losses of the current year or assets associated costs according to the actual amount. The non-monetary employee benefits are measured at fair value.

Regarding to the health insurance, industrial injury insurance, maternity insurance and other social insurances, housing fund and labor union expenditure and personnel education that the Group paid for employees, the Group should recognize corresponding employees benefits payable and include these expenses in the profits or losses of the current year or recognized as respective assets costs.

(2) *Post-employment benefits*

Post-employment benefits are classified into defined contribution plans and defined benefit plans.

All the employees of the Group enjoy and participate in the endowment insurance plans set by local government, which are called defined contribution plans. The Group takes certain proportion (no more than upper limit) out of employees' wages as endowment insurance, and pays to local labor and social security institutes. Corresponding expense shall be included in the profits or losses of the period in which employees provide services or assets associated costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

22. Employee benefits *(Continued)*

(2) *Post-employment benefits (Continued)*

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: (i) 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. (ii) Interest costs of defined benefit plans payable. (iii) 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 (i) and (ii) mentioned above into profits or losses of the current period, and recognize (iii) mentioned above as other comprehensive income without charging into profit or loss in later accounting periods.

(3) *Termination benefits*

Liabilities arising from termination benefits and staff internal retirement plan are recognized after the edition of the termination agreement or notice to the employee. The Group should recognize 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: (i) The Group cannot withdraw from the compensation plan of the labor relationship termination by itself. (ii) The Group recognizes the costs or expenses of the reorganization involving the compensation of termination. When the Group offers some compensation plans to encourage the employee to accept the termination of the labor relationship voluntarily, the termination benefits are recognized based on the expected number of employee who are willing to take the compensation plans. The specific terms of the termination and early retirement plan varies according to the occupation, seniority and location etc.

The Group provides internal retirement benefits to employees who are willing to retire voluntarily. Internal retirement benefits refer to wages and social security fees the Group pays to employees who retired earlier voluntarily with the approval of the management. 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. The accounting treatments of early retirement benefits are referring 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

23. Provisions

Provisions are recognized 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 recognized as a provision is the best estimate of the consideration required to settle the present obligation at the settlement 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 recognized as interest expense.

If all or part of the provision settlements is reimbursed by third parties, when the realization of income is virtually certain, then the related asset should be recognized. However, the amount of related asset recognized 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 recognized 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 recognized 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.

24. Revenue

The Group recognizes 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:

(1) *Revenue from sale of goods*

Revenue from sale of goods is recognized when:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

24. Revenue *(Continued)*

(1) Revenue from sale of goods *(Continued)*

- It is probable that the associated economic benefits will flow to the Group;
- The associated costs incurred or to be incurred can be measured reliably.

(2) Revenue from construction contracts

- (a) When the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognized using the percentage of completion method at the balance sheet date. Percentage of completion method means the method of confirming revenues and expenses according to the schedule of the contracted project. 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.

Revenue from fixed price construction contracts is recognized when:

- The amount of total contract revenue can be measured reliably;
- It is probable that the associated economic benefits will flow to the Group;
- The associated costs incurred can be clearly separated and measured reliably;
- 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:

- It is probable that the associated economic benefits will flow to the Group;
- The associated costs incurred can be clearly separated and measured reliably.

At the balance sheet date, the amount of total contract revenue times the schedule of completion and deducting the previous accumulated revenue is recognized as contract income in the current year. Meanwhile, the amount of estimated total contract costs multiplied by the completion progress deducted the previously recognized costs is recognized as contract costs in the current year. Changes in contract work, claims and bonuses, would be included in the total contract revenue depend on the potential revenue and the amount can be reliably calculated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

24. Revenue *(Continued)*

(2) Revenue from construction contracts *(Continued)*

- (b) When the outcome of a construction contract cannot be estimated reliably:
- If contract costs are expected to be recoverable, contract revenue is recognized to the extent of contract costs that are expected to be recoverable; and contract costs are recognized as expenses in the period in which they are incurred;
 - If contract costs are not expected to be recoverable, they are recognized as expenses immediately when incurred and contract revenue is not recognized.
- (c) If the estimated total contract costs exceed total contract revenue, the expected loss is recognized immediately as an expense for the period.

The disclosure for individual construction is set out in Note VII10(4) and Note VII30(3).

(3) Revenue from rendering of services

- (a) Revenue from rendering of services where the outcome can be estimated reliably is recognized using the percentage of completion method at the balance sheet date. Percentage of completion method means the method of confirming revenues and expenses according to the schedule.

Revenue from rendering of services is recognized when:

- The amount of revenue can be measured reliably;
 - It is probable that the associated economic benefits will flow to the enterprise;
 - The stage of completion of the transaction can be determined reliably;
 - The associated costs incurred or to be incurred can be measured reliably.
- (b) When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of the costs incurred that will be recoverable, and the costs incurred are recognized as expenses for the period. When it is not probable that the costs incurred will be recovered, the costs incurred should be recognized as expenses immediately when incurred and revenue is not recognized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

24. Revenue *(Continued)*

(4) *Assignment of asset use right*

This revenue consists of interest revenue, royalty revenue and rental revenue, etc. Revenues are recognized when:

- It is probable that the associated economic benefits will flow to the Group;
- The amount of revenue can be measured reliably.

Interest income amount is calculated by the using time of monetary funds and effective interest by others.

The amount of royalty revenue is calculated in accordance with the time and method of charging as stipulated in the relevant contract or agreement.

Rental income under operating leases of buildings is recognized on a straight-line basis over the lease term.

(5) *Revenue from mining*

Revenue from mining is recognized when coincides 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.

(6) *Revenue from sales of properties*

Revenue from sale of goods is recognized 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; (5) The associated costs incurred or to be incurred can be measured reliably.

(7) *Build- Operation-Transfer ("BOT") Revenue*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

V. 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 recognized 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.

(1) *The basis of judgment and accounting method of the government grants related to assets*

The Group government grants mainly including the investment subsidies for the purchase of new equipment and other production infrastructure, since that these government grants are used for purchase or forming long-term assets, such grants are the government grants related to assets.

A government grant related to an asset is recognized as deferred income, and amortized to profit or loss on a straight-line basis over the useful life of the related asset. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period.

(2) *The basis of judgment and accounting method of the government grants related to profits*

The government grants related to profits are in addition to the ones related to assets. The Group government grants mainly including research subsidies, since that these government grants are mainly the compensation for related expenses or losses of the enterprises, such grants are the government grants related to profits.

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 recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period.

(3) *Relocation compensation received for relocation in the public interests*

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 income accordingly. Excess of the relocation compensation over the amount transferred to deferred income should be recorded in capital reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

26. Deferred tax assets/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 recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

All taxable temporary differences are recognized as related deferred tax liabilities under normal circumstances. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized. However, for deductible 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 recognized. 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 realized or the liability is settled.

Deferred tax liabilities are recognized 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 recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. Except for those current income tax and deferred tax charged to comprehensive income or shareholders' equity in respect of those transactions or events which have been directly recognized in other comprehensive income or shareholders' equity, and deferred tax recognized on business combinations, all other current income tax and deferred tax items are charged to profit or loss in the current period.

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 utilized. 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 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 realize 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 CONSOLIDATED FINANCIAL STATEMENTS

V. 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.

(1) *Operating leases*

Operating lease payments are recognized 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.

(2) *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. The difference between the recorded amounts is accounted for as unrecognized finance charge, using the effective interest method amortization during the lease term. Minimum lease payments deducting unrecognized financing charges are listed as long-term payables.

(3) *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 recognized as a deferred income and is amortized on a straight-line basis over the remaining useful life of that asset and adjusted the depreciation charge of that asset.

28. Other significant accounting policies and accounting estimates

(1) *Distribution of profit*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

28. Other significant accounting policies and accounting estimates *(Continued)*

(2) *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.

(3) *Segment information*

The accounting policies of segment information are listed in Note XV 1(1).

(4) *Significant accounting judgments and estimates*

Based on historical experience and other factors including reasonable expectations of future events, the Group would take a continuous assessment of critical estimates and judgments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

28. Other significant accounting policies and accounting estimates *(Continued)*

(4) Significant accounting judgments and estimates (Continued)

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next fiscal year:

(a) Construction contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognized using the percentage of completion method (budgeted contract costs shall be estimated by the management). Where the outcome of a construction contract cannot be estimated reliably, (1) if contract costs are expected to be recoverable, contract revenue is recognized to the extent of contract costs that are expected to be recoverable; and contract costs are recognized as expenses in the year in which they are incurred; (2) if contract costs are not expected to be recoverable, they are recognized as expenses immediately when incurred and contract revenue is not recognized. If the estimated total contract costs exceed total contract revenue, the expected loss is recognized immediately as an expense for the period. When the expected loss of contract confirmed, company would make provision of relevant part of the loss and recognized as expense. 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. 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, if needed. 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.

(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.

At the end of each year, the Group reviews and makes appropriate adjustment for expected service life and expected net salvage value of fixed assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

28. Other significant accounting policies and accounting estimates *(Continued)*

(4) Significant accounting judgments and estimates *(Continued)*

(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 long-term equity investments, fixed assets, construction in progress, intangible assets with finite life 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 13.44% to 21.92% for the period. The Group recognizes impairment provisions for long-term equity investments, 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 VII 17, VII 19, VII 20, VII 22, and VII 23. Provision for impairment of long-term equity investments based on the estimated recoverable value, details of which are set out in Note XVI 7.

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 judgment 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 judgment 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 CONSOLIDATED FINANCIAL STATEMENTS

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

28. Other significant accounting policies and accounting estimates *(Continued)*

(4) 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 judgment 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 deductible 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 deductible temporary differences or tax losses to deduct taxable income in future.

As at 31 December 2014, the Group has recognized deferred tax assets of RMB3,316,126,000 (as at 31 December 2013: RMB2,987,346,000), in consolidated balance sheet. In cases where the actual future profits generated is 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 31 December 2014, the Group has an unrecognized deductible tax losses of RMB20,436,884,000 (as at 31 December 2013: RMB26,232,303,000) and an unrecognized deductible temporary differences of RMB6,778,885,000 (as at 31 December 2013: RMB8,289,709,000), not recognized as deferred income tax assets since the Group is uncertain about recoverable period of deductible tax losses and deductible temporary differences. In cases where the actual future profits generated are greater than estimates and where the actual tax rate is higher than estimates, 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 employees. The amounts of employee benefit expenses and liabilities are determined using various assumptions and conditions assumptions on discount rates, salary growth rates during retirement, medical expense growth rates, and other factors. 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 CONSOLIDATED FINANCIAL STATEMENTS

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

29. Changes in significant accounting policies and accounting estimates

(1) *Changes in significant accounting policies*

Changes in accounting policies and reasons				Approval procedures	Remarks
<p>The Group has adopted the newly issued or revised accounting standards 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.</p> <p>According to amendments to CAS 2 (revised), the Group adopted retrospective adjustment to reclassify the equity investments from long-term equity investment — other equity investment to available-for-sale financial assets, which the Group does not control, have joint control or have significant impact, does not have quoted price in the active market, and the fair value cannot be measured reliably to available-for-sale financial assets.</p> <p>The impact of changes in accounting policies above on the Group's assets at 1 January 2013 and at 31 December 2013 were as follows:</p>				<p>Approved on August 28 2014 in the 72nd meeting of the first session held by the Group's Board of Directors.</p>	<p>None</p>
	1 January 2013 (Before restatement)	Adjustment	1 January 2013 (After restatement)		
Items					
Available-for-sale financial assets	337,444	1,010,215	1,347,659		
Long-term equity investment	3,513,916	(1,010,215)	2,503,701		
Total impact on assets			—		
	31 December 2013 (Before restatement)	Adjustment	31 December 2013 (After restatement)		
Items					
Available-for-sale financial assets	311,277	1,089,427	1,400,704		
Long-term equity investment	5,222,849	(1,089,427)	4,133,422		
Total impact on assets			—		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

29. Changes in significant accounting policies and accounting estimates (Continued)

(1) Changes in significant accounting policies (Continued)

Changes in accounting policies and reasons				Approval procedures	Remarks
The impact of changes in accounting policies above on the Company's assets at 1 January 2013 and at 31 December 2013 are as follows:					
	1 January 2013 (Before restatement)		1 January 2013 (After restatement)		
Items		Adjustment			
Available-for-sale financial assets	—	231	231		
Long-term equity investment	55,204,959	(231)	55,204,728		
Total impact on assets			—		
	31 December 2013 (Before restatement)		31 December 2013 (After restatement)		
Items		Adjustment			
Available-for-sale financial assets	—	231	231		
Long-term equity investment	68,043,217	(231)	68,042,986		
Total impact on assets			—		
Except for the CAS 2(revised), changes in other accounting policies above do not have any significant impacts on the financial statements of the Group.					

(2) Changes in significant accounting estimates

During the reporting period, there were no important changes in accounting estimate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VI. TAXATION

1. Major categories of taxes and respective tax rates

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

According to the Circular of the Ministry of Finance and the State Administration of Taxation on Printing and Issuing the Pilot Proposals for the Change from Business Tax to Value-Added Tax ("Caishui [2011] No. 110") and the Circular including Railway Transportation and Postal Service in the Pilot of the Change from Business Tax to Value-Added Tax ("Caishui [2013] No. 106"), organizations and individuals providing transportation services, postal services and certain modern 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 January 2014.

Some subsidiaries of the Group have already undertaken the change from business tax to value-added tax according to the requirements of the circular above.

The disclosure of the subject of tax payment suitable for non-25% enterprise income tax rate:

- (1) The business entities within the Mainland China are disclosed in Note VI2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VI. TAXATION (CONTINUED)

1. Major categories of taxes and respective tax rates (Continued)

(2) The foreign business entities are as follows:

<u>Subject of tax payment</u>	<u>Enterprise income tax rate</u>
MCC Minera Sierra Grande S.A	35%
MCC Luba International (Private) Ltd.	35%
MCC international Venezuelan Ltd.	34%
China first metallurgical India (Private) Ltd.	32.45%
China Enfei (Namibia) Ltd.	32%
MCC Australia Holding Pty Ltd.	30%
MCC Australian gold mines Ltd.	30%
MCC Mining (Western Australia) Pty Ltd.	30%
MCC Malaysia overseas Ltd.	26%
MCC-CISDI Engenharia do Brisal Ltd.	24%
MCC Kampuchea overseas Ltd.	20%
MCC Singapore Ltd.	17%
MCC Real Estate Singapore Ltd.	17%
MCC Potong Pasir Ltd.	17%
China MCC International Economic and Trade (Hong Kong) Co., Ltd.	16.5%
MCC Hong Kong Overseas Ltd.	16.5%
Hong Kong Nan Hua International Engineering Ltd.	16.5%
Xiong Hui Investment Ltd.	16.5%
MCC Real Estate Hong Kong Co., Ltd.	15%
MCC Tian Gong (Mongolia) Ltd.	10%
MCC Holding (Hong Kong) Corporation Limited	7%
MCC India Indonesia Construction Co., Ltd.	0%
MCC Zimbabwe (Private) Ltd.	0%
MCC Ramu NiCo Limited	0%
Ramu NiCo Management (MCC) Ltd.	0%
MCC Tongsin Resources Ltd.	0%
MCC JCL Anak Mining Co., Ltd.	0%
China Metallurgical Group Duda Mining Development Co., Ltd.	0%
China Metallurgical Group Resources Development Co., Ltd.	0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VI. TAXATION (CONTINUED)

2. Tax incentive

(1) *Preferential Tax Policies for the Development of the Western Regions*

According to the Circular of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Issues Concerning Preferential Tax Policies for the Development of the Western Regions ("Caishui [2001] No. 202"), Guoshui [2002] No. 47 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 engaging in those industries with tax incentive. 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, enterprises need to submit application for applying relevant tax incentive every year, including:

- (a) 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.
- (b) 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.
- (c) The enterprise income tax of CISDI Group Chongqing Information and Technology Co., Ltd., Chongqing CISDI Engineering Management Consultants Co., Ltd., CISDI Industrial Furnace Co., Ltd., CISDI Engineering Co., Ltd., 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 Xian Electric Furnace Institute Co., Ltd., MCC Chongqing Real Estate Development Co., Ltd. and MCC Chongqing Property Management Co., Ltd. were levied at a preferential tax rate of 15% from 2011 to 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

(2) 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:

- (a) Ceristar Electric Co., Ltd., CERI Phoenix Industrial Furnace Co., Ltd., CERI Seric Graphic Mdt Info Tech Ltd, CERI Long Product Co., Ltd., CERI ZeYu Energy Environmental Protection Engineering Technology Co., Ltd., CERI eco Technology Co., Ltd., CERI Technology Co., Ltd., MCC Capital Engineering & Research Incorporation Limited, Huatian Nanjing Automation Engineering Co., Ltd., Shanghai Baoye Engineering Technology Co., Ltd. and Baotou Beilei Continuous Casting Engineering Technology Co., Ltd. were levied at a preferential tax rate of 15% from 2008 to 2014.
- (b) CERI Colin Environmental Protection Technology Co., Ltd. was levied at a preferential tax rate of 15% from 2008 to 2015.
- (c) Wuhan Surveying Geotechnical Research Institute Co., Ltd. and Beijing Yuanda International Project Management Consulting Co., Ltd. of MCC were levied at a preferential tax rate of 15% from 2009 to 2014.
- (d) Beijing New Vision Building Construction Technology Co., Ltd., Beijing Jinwei Soldering Material Co., Ltd. and MAANSHAN MCC17 Engineering Science & Technology Co., Ltd. were levied at a preferential tax rate of 15% from 2009 to 2015.
- (e) Baotou Beilei High and New Technology Development Co., Ltd. were levied at a preferential tax rate of 15% from 2009 to 2016.
- (f) CERI Manufacturing Executive & Managing System Co., Ltd. and CERI Hua Yu Architectural Design & Research Institute Co., Ltd. were levied at a preferential tax rate of 15% from 2010 to 2014.
- (g) CERI Yangzhou Machinery Co., Ltd. was levied at a preferential tax rate of 15% from 2010 to 2015.
- (h) MCC Wuhan Research Institute of Metallurgical Construction Co., Ltd. and CCTEC Engineering Co., Ltd. were levied at a preferential tax rate of 15% from 2011 to 2014.
- (i) China silicon Co., Ltd., Beijing MCC Equipment Research & Design Corporation Ltd., Wu Han Yi Ye Steel Structure Co., Ltd., MCC (Beijing) Transportation Science and Technology Development Co., Ltd., Tianjin Ye Jian Construction Materials Co., Ltd., Beijing Ye Jian Construction Materials Co., Ltd., MCC 5 Group (Shanghai) Co., Ltd. and Shanghai ZhiDa Electronic Co., Ltd. were levied at a preferential tax rate of 15% from 2012 to 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

(2) High-Technology Enterprises (Continued)

- (j) BERIS Engineering and Research Co., Ltd., Beijing Tieforce Drive Machine Co., Ltd. and CISDI Electrics Technology Co., Ltd. were levied at a preferential tax rate of 15% from 2012 to 2015.
- (k) Shanghai Baoye Slag Comprehensive Development Co., Ltd. was levied at a preferential tax rate of 15% from 2013 to 2014.
- (l) ACRE Coking & Refractory Engineering Consulting(Dalian) Corporation, WISDRI Wuhan Steel Design & Research Incorporation Ltd., WISDRI Handan Wupeng Furnace lining New Material Co., Ltd., Huatian Engineering & Technology(Nanjing) Corporation MCC, Huatian Engineering & Technology Corporation, MCC, Nan Jing Industrial Furnace Co., Ltd., CERI Paper Technology and Engineering Co., Ltd. and Northern Engineering & Technology Corporation, MCC (Dalian) were levied at a preferential tax rate of 15% from 2013 to 2015.
- (m) CISDI Shanghai Engineering Technology Co., Ltd. and MCC Chang Tian (Hunan) Heavy industry technology Co., Ltd. were levied at a preferential tax rate of 15% from 2013 to 2016.
- (n) Wuhan Huaxia Fine-blanking Technology Co., Ltd. and MCC-SFRE Heavy Industry Equipment Co., Ltd. were levied at a preferential tax rate of 15% in 2014.
- (o) China ENFI Engineering Corporation and MCC Energy Conservation Environmental Protection Co., Ltd. were levied at a preferential tax rate of 15% from 2014 to 2015.
- (p) China MCC 19 Group (Fangchenggang) Structure of the Equipment Co., Ltd., China MCC 17 Group Co., Ltd., Central Research Institute of Building and Construction Co., Ltd., MCC Group, Beijing Enfi Environmental Protection Co., Ltd., Beijing Enfi Environmental Protection Technology 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 Co., Ltd., WISDRI (Wuhan) Informatology Engineering Co., Ltd., China MCC 5 Group Co., Ltd., 2015 Beijing Sida Jian Mao Science and Technology Development Co., Ltd., China Jing Ye Engineering Technology Co., Ltd., MCC Welding Technology Co., Ltd., Beijing Metallurgical Nuclear Technology Development Co., Ltd., MCC Communication Engineering Technology Co., Ltd., China First Metallurgical Group Co., Ltd. and Shenkan Engineering & Technology Corporation, MCC were levied at a preferential tax rate of 15% from 2014 to 2016.
- (q) Zhong Ye Chang Tian International Engineering Co., Ltd., Hunan Changtian Automation Co., Ltd. and MCC Changtian (Hunan) Energy-saving and Environmental Protection Technology Co., Ltd. were levied at a preferential tax rate of 15% from 2014 to 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

(3) The other major preferential tax policies

- (a) 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 and the Order of the State Council No.512.

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 from 2010 and is still in their tax holiday in 2014.

- (b) According to the Order of the President of the People's Republic of China ("[2007] No.63"):

Chuzhou Huatian Water Corporation MCC, Laian Huatian Water Corporation MCC, Shouguang North Water Corporation MCC, Huangshi Water Corporation MCC, Liuan Water Corporation MCC, and Maanshan Water Corporation MCC are 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 Huatian 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 2011, the preferential policy of Liuan Water Corporation MCC and Maanshan Water Corporation MCC has come into effective in 2014. All of the enterprises above are still in their tax holidays in 2014.

- (c) 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, Lanzhou Zhongtuo Water Corporation and 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.

Xiangyang Enfei Environmental Protection Energy Co., Ltd. enjoys the favorable corporate income tax policy of three-year tax exemption followed by three-year tax half deducted" from 2013 and is still in its tax holiday in 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

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

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

(e) According to Announcement of the State Administration of Taxation on Issues Concerning the Implementation of Preferential Income Tax Policies for Software Enterprises, CISDI Group Chongqing Information and Technology Co., Ltd. enjoys the policy of "two-year exemption followed by three-year reduced payment" of enterprise income tax from 2011.

(f) 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 ("Caishui [2014] No. 34"), 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:

Shanghai Metallurgical Steel Structure Co., Ltd., MCC Refractory Materials Testing Center, Shanghai Baoye Light steel Co., Ltd., Shanghai Zhongye Baosteel Technology Occupation Skill Training Center, Steel Magazine (Hubei) Co., Ltd., MCC Central Research Institute of Jilin and Construction Property Management Co., Ltd., MCC Dalian Jiaonai dragon Instrument Co., Ltd. and Dalian Fenglin Safety Evaluation Test Consulting Co., Ltd. are levied at a preferential tax rate of 20% in 2014.

(g) 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 No.512") and Circular on Issues Concerning the Enterprise Income Tax Incentives on Enterprises That Recruit the Disabled ("Caishui [2009] No. 70"), 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., MCC Baosteel Technology Services Co., Ltd. and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

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

- (h) 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 ([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 Shanghai Engineering Technology Co., Ltd., CISDI ENGINEERING Co., Ltd., CISDI Industrial Furnace Co., Ltd., CISDI Group Chongqing Information and Technology Co., Ltd., Beijing Tieforce Drive Machine Co., Ltd., CISDI Chongqing Construction Engineering Co., Ltd., CISDI Electrics Technology Co., Ltd., MCC Xian Electric Furnace Institute 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., Panzihua Tianyu Engineering Detection Co., Ltd., China MCC 20 Group Co., Ltd., Tianjin MCC 20 Group Co., Ltd., Zhong Ye Chang Tian International Engineering Co., Ltd., Hunan Changtian Automation Co., Ltd., MCC Chang Tian (Hunan) Heavy industry technology Co., Ltd., MCC Changtian (Hunan) Energy-saving and Environmental Protection Technology Co., Ltd., MCC Baosteel Technology Services 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 Co., Ltd., CCTEC ENGINEERING Co., Ltd., MCC-SFRE Heavy Industry Equipment Co., Ltd., Huatian Engineering & Technology Corporation, MCC, Huatian Engineering & Technology (Nanjing) Corporation MCC, China MCC 5 Group Co., Ltd. and MCC 5 Group (Shanghai) Co., Ltd. enjoyed the preferential tax policy of additionally calculation and deduction of research and development expenditures in 2014.

Baotou Beilei Continuous Casting Engineering Technology Co., Ltd., China First Metallurgical Group Co., Ltd, Wu Han Yi Ye Steel Structure Co., Ltd., Wuhan Huaxia Fine-blanking Technology Co., Ltd. and MCC Wuhan Research 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 and New Technology Development Co., Ltd., BERIS Engineering and Research Co., Ltd. enjoyed the preferential tax policy of additionally calculation and deduction of research and development expenditures from 2008 to 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

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

- (i) 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 ("Caishui [2010] No. 110"), the taxable business income earned by qualified energy conservation service companies for implementing energy management contract projects shall be temporarily exempted from business tax (after VAT reform, be exempted from VAT), 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 12.5 percent from the fourth year to the sixth year.

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

- (j) 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") and the rules of comprehensive use of resources according to the Economic and trade commission of Guangdong province [2010] No. 132. 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 city maintenance and construction tax, education surcharges based on the value-added tax from 2010 to 2014.

Panzhuhua MCC 19 Group Industry and Construction Co., Ltd. comply with Integrated Utilization of Resources which enjoy the preferential value-added tax rate of 6% from 2013 to 2014.

Shanghai Baoye Slag Comprehensive Development Co., Ltd. was exempted from value-added tax for the sales of commercial concrete in 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

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

- (k) 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. and Changzhou Enfei Water Co., Ltd. were exempted from value-added tax from the date of establishment to 2014.

MCC Qinhuangdao Water Co., Ltd., MCC Funing Water Co., Ltd. and China 22 MCC Group equipment leasing Ltd. are exempted 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, Luan Water Corporation MCC, Maanshan Water Corporation MCC, Xuancheng Water Corporation MCC, subsidiaries of Huatian Engineering & Technology Corporation, MCC are exempted from value-added tax.

- (l) According to the Circular of the Ministry of Finance and the State Administration of Taxation “Caishui [2013] No. 106”, income derived from the operations of technology transfers, technology development and the related technology consultation shall be exempted from the business tax. The income derived from the operations of technology transfers of Zhong Ye Changtian International Engineering Co., Ltd. shall be exempted from the business tax in 2014 (after VAT reform, be exempted from VAT).
- (m) 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 (“Caishui [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 was still applicable in 2014.
- (n) According to the Ministry of Finance, the State Administration of Taxation on issues concerning Value-added Tax Policy on Software Products (“Caishui [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 Co., Ltd. enjoyed the policy of “levy and refund” of value-added tax of selling software products from 2010 to 2014, refund rate was 14%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

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

- (o) 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 ("Caishui [2003] No. 137"), the technology development business income of MCC Xian Electric Furnace Institute Co., Ltd. was exempted from Value-added tax in 2014.
- (p) According to the "Su [2014] No. 30" for Comprehensive utilization, Dafeng Urban environmental protection and new energy development Co., Ltd. which is a subsidiary of the WISDRI Engineering & Research Incorporation Limited enjoyed the policy of "levy and refund" of value-added tax of selling software products from 2014 to 2015.
- (q) According to the "Caishui [2012] No. 24", China MCC 19 Group Co., Ltd. enjoyed the policy of VAT-export-refund in 2014.
- (r) 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.
- (s) According to the "Caishui [2000] No. 125", Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd. enjoyed the policy of exemption of business tax and building tax for the enterprise public housing rental in 2014. According to the "Caishui [2014] No. 71", Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd. enjoyed the policy of exemption of business if the monthly business tax monthly payable income less than RMB30,000.
- (t) According to <Mining Development Contract Amendment Agreement RAMU Nickel Project> made between the Independent State of Papua New Guinea and MCC RAMU Ni Co Limited on 10 August 2006, the income tax rate applicable to MCC RAMU Ni Co 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 tones. The enterprise is currently in its 10 years tax holiday.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

All amounts in RMB'000

Items	Closing balance	Opening balance
Cash	23,660	31,553
RMB	16,656	20,101
USD	1,964	3,794
EUR	138	604
AUD	275	57
Others	4,627	6,997
Bank deposits	26,732,332	30,099,247
RMB	23,245,720	27,654,011
USD	2,303,973	1,655,834
EUR	33,692	16,781
AUD	184,729	103,683
Others	964,218	668,938
Other cash and bank	6,653,488	3,454,779
RMB	6,498,316	2,866,700
USD	117,702	52,778
EUR	3,060	51,418
AUD	3,529	438,769
Others	30,881	45,114
Total	33,409,480	33,585,579
Including: Total amount of deposits abroad	1,344,935	900,141

As at 31 December 2014, the Group had other cash and bank balances of RMB6,653,488,000 (as at 31 December 2013: RMB3,454,779,000), in which restricted cash and bank balances was RMB4,838,303,000 (as at 31 December 2013: RMB2,343,025,000) (in NoteVII65), mainly including deposits for issuing bills of RMB2,312,599,000 (as at 31 December 2013: RMB1,381,014,000), guarantee deposits of RMB399,560,000 (as at 31 December 2013: RMB211,069,000), and frozen deposits of RMB41,829,000 (as at 31 December 2013: RMB497,362,000) etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. Financial assets at fair value through profit or loss

All amounts in RMB'000

Items	Closing balance	Opening balance
Held-for-trading equity financial assets	555	591
Including: Equity instruments (Listed on the Mainland China)	555	591
Total	555	591

The fair values of held-for-trading equity investments are based on their closing prices quoted on the respective stock exchanges on the last trading day of the reporting period.

3. Derivative financial assets

All amounts in RMB'000

Items	Closing balance	Opening balance
Forward exchange contracts	18,532	40,969
Total	18,532	40,969

The fair values of derivative financial assets are based on prices of similar derivative financial instruments in active markets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4. Bills receivable

(1) Bills receivable analysed by category were as follows:

All amounts in RMB'000

Items	Closing balance	Opening balance
Bank acceptance bills	7,238,677	9,615,887
Commercial acceptance bills	2,738,897	1,525,209
Total	9,977,574	11,141,096

(2) Pledged bills receivable at the end of the year were as follows:

All amounts in RMB'000

Items	Amount
Bank acceptance bills	744,585
Commercial acceptance bills	—
Total	744,585

(3) Bills receivable endorsed to other parties or discounted but not yet due at the end of the year were as follows:

All amounts in RMB'000

Items	Amount derecognized at the end of the year	Amount not derecognized at the end of the year
Bank acceptance bills	7,646,487	—
Commercial acceptance bills	492,984	—
Total	8,139,471	—

(4) Bills receivable with title restriction as at 31 December 2014 are set out in NoteVII65.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

5. Accounts receivable

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

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	38,947,676	37,182,310
1 to 2 years	13,341,763	12,658,595
2 to 3 years	6,333,875	4,768,738
3 to 4 years	2,231,819	1,862,701
4 to 5 years	1,163,111	973,040
Over 5 years	1,450,285	1,254,103
Total	63,468,529	58,699,487

Accounts receivable resulted from the engineering and construction services will be settled according to the settlement terms and conditions set out in the respective service contracts.

(2) Accounts receivable disclosed by category were as follows:

All amounts in RMB'000

Category	Closing balance				Opening balance					
	Book value		Provision for bad debts		Carrying amount	Book value		Provision for bad debts		Carrying amount
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Individually significant and subject to provision individually (a)	2,756,520	4.34	934,954	33.92	1,821,566	402,174	0.68	147,944	36.79	254,230
Subject to provision by groups with credit risk	59,492,385	/	6,186,119	/	53,306,266	57,753,940	/	5,539,270	/	52,214,670
Group 1(b)	44,726,855	70.47	6,186,119	13.83	38,540,736	40,520,065	69.03	5,539,270	13.67	34,980,795
Group 2	14,765,530	23.26	—	—	14,765,530	17,233,875	29.36	—	—	17,233,875
Accounts receivable which are individually insignificant but subject to provision individually	1,219,624	1.93	548,174	44.95	671,450	543,373	0.93	414,643	76.31	128,730
Total	63,468,529	/	7,669,247	/	55,799,282	58,699,487	/	6,101,857	/	52,597,630

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

5. Accounts receivable (Continued)

(2) Accounts receivable disclosed by category were as follows: (Continued)

(a) At the end of the year, analysis of accounts receivable which are individually significant and subject to provision for bad debts individually was as follows:

All amounts in RMB'000

Accounts receivable (per entity)	Book value	Closing balance		Reasons
		Provision for bad debts	Proportion of provision (%)	
Party 1	1,124,017	120,077	10.68	Discounted amount of future cash flows is less than the original book value
Party 2	542,904	271,452	50.00	
Party 3	345,089	172,544	50.00	
Party 4	345,041	172,521	50.00	
Party 5	251,676	151,006	60.00	
Party 6	147,793	47,354	32.04	
Total	2,756,520	934,954	33.92	/

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

All amounts in RMB'000

Aging	Closing balance			Opening balance		
	Book value of accounts receivable	Provision for bad debts	Proportion of provision (%)	Book value of accounts receivable	Provision for bad debts	Proportion of provision (%)
Within 1 year	28,611,824	1,430,591	5.00	25,555,007	1,277,751	5.00
1 to 2 years	8,431,361	843,136	10.00	8,616,874	861,687	10.00
2 to 3 years	4,016,196	1,204,859	30.00	3,070,933	921,280	30.00
3 to 4 years	1,662,263	831,131	50.00	1,265,231	632,615	50.00
4 to 5 years	644,044	515,235	80.00	830,414	664,331	80.00
Over 5 years	1,361,167	1,361,167	100.00	1,181,606	1,181,606	100.00
Total	44,726,855	6,186,119	13.83	40,520,065	5,539,270	13.67

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

5. Accounts receivable (Continued)

- (3) Provision for bad debts for the current year is 1,650,662,000, recovered or reversed bad debts are 60,614,000. The important recovered or reversed bad debts:

All amounts in RMB'000

Name of entity	Amount written-back or recovered	Recovery mode
Party 1	58,000	Cash received
Total	58,000	/

- (4) At the end of the year, the top 5 largest accounts receivable were as follows:

All amounts in RMB'000

Name of entity	Relationship with the Group	Closing balance	As a percentage of total accounts receivable (%)	Provision for bad debts at the end of the year
Party 1	Third party	2,083,018	3.28	—
Party 2	Third party	1,481,825	2.33	—
Party 3	Third party	1,171,461	1.85	102,597
Party 4	Third party	1,124,017	1.77	120,077
Party 5	Third party	835,859	1.32	203,057
Total		6,696,180	10.55	425,731

- (5) Confirmation of the termination of account receivable due to the transfer of financial asset:

As a result of transferring substantially all the risks and rewards of ownership of the accounts receivable to the transferees, the Group derecognized trade receivables amounting to RMB1,002,279,000 as at 31 December 2014 (as at 2013: RMB550,000,000), without incurring any losses (Year ended 2013: without incurring any losses).

- (6) Accounts receivable with title restriction as at 31 December 2014 are set out in Note VII 65.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

6. Prepayments

(1) Aging analysis of prepayments was as follows:

All amounts in RMB'000

Aging	Closing balance		Opening balance	
	Amount	As a percentage of total prepayments (%)	Amount	As a percentage of total prepayments (%)
Within 1 year	12,350,371	74.80	10,336,383	68.74
1 to 2 years	1,807,721	10.95	2,398,220	15.95
2 to 3 years	1,079,607	6.54	1,248,618	8.30
Over 3 years	1,273,024	7.71	1,053,789	7.01
Total	<u>16,510,723</u>	<u>100.00</u>	<u>15,037,010</u>	<u>100.00</u>

As at 31 December 2014, prepayments aged over one year were RMB4,160,352,000 (as at 31 December 2013: RMB4,700,627,000), mainly including prepaid land lease payments and prepaid construction costs.

(2) At the end of the year, the five largest prepayments were as follows:

All amounts in RMB'000

Name of entity	Relationship with the Group	Closing balance	As a percentage of total prepayments (%)
Party 1	Third Party	2,474,500	14.99
Party 2	Third Party	647,500	3.92
Party 3	Third Party	431,000	2.61
Party 4	Third Party	358,282	2.17
Party 5	Third Party	126,494	0.77
Total		<u>4,037,776</u>	<u>24.46</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

7. Interest receivable

All amounts in RMB'000

Items	Closing balance	Opening balance
Interest on term deposits	11,505	11,679
Total	11,505	11,679

8. Dividends receivable

All amounts in RMB'000

Items (or the name of investee)	Closing balance	Opening balance
HBIS Sijiaying Iron Ore Mining Co., Ltd.	101,136	—
Tianjin MCC Heyuan Real Estate Co., Ltd.	17,097	—
Wuhan Zhonghe Engineering Technique Co., Ltd.	720	361
Wuhan Wuxin International Tendering Agency Co., Ltd.	281	281
Total	119,234	642

As at 31 December 2014, dividends receivable aged over one year were RMB642,000.

9. Other receivables

(1) Aging analysis of other receivables was as follows:

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	13,600,181	8,740,050
1 to 2 years	3,730,253	2,531,078
2 to 3 years	1,795,603	1,402,163
3 to 4 years	828,925	768,820
4 to 5 years	494,921	932,379
Over 5 years	1,240,763	1,022,046
Total	21,690,646	15,396,536

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

9. Other receivables (Continued)

(2) Other receivables disclosed by category were as follows:

All amounts in RMB'000

Category	Closing balance					Opening balance				
	Book value		Provision for bad debts		Carrying amount	Book value		Provision for bad debts		Carrying amount
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Individually significant and subject to provision individually (a)	460,050	2.12	223,205	48.52	236,845	170,297	1.11	30,577	17.96	139,720
Subject to provision by groups with credit risk	20,788,292	/	1,357,991	/	19,430,301	14,992,179	/	1,312,056	/	13,680,123
Group1 (b)	5,529,046	25.49	1,357,991	24.56	4,171,055	4,850,454	31.50	1,312,056	27.05	3,538,398
Group2	15,259,246	70.35	—	—	15,259,246	10,141,725	65.87	—	—	10,141,725
Other receivables which are individually insignificant but subject to provision individually	442,304	2.04	341,131	77.13	101,173	234,060	1.52	209,091	89.33	24,969
Total	21,690,646	/	1,922,327	/	19,768,319	15,396,536	/	1,551,724	/	13,844,812

Provision for bad debts for the current year is RMB368,585,000, recovered or reversed bad debts are RMB140,000.

(a) At the end of the year, analysis of other receivables which are individually significant and subject to provision for bad debts individually was as follows:

All amounts in RMB'000

Other receivables (per entity)	Book value	Closing balance		Reasons
		Provision for bad debts	Proportion of provision (%)	
Party 1	198,000	198,000	100.00	Discounted amount of future cash flows is less than the original book value
Party 2	262,050	25,205	9.62	
Total	460,050	223,205	48.52	/

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

9. Other receivables (Continued)

(2) Other receivables disclosed by category were as follows: (Continued)

(b) In group 1, aging analysis of other receivables which are subject to provision for bad debts was as follows:

All amounts in RMB'000

Aging	Closing balance			Opening balance		
	Book value of other receivables	Provision for bad debts	Proportion of provision (%)	Book value of other receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	2,574,861	128,743	5.00	2,121,851	106,092	5.00
1 to 2 years	1,298,131	129,813	10.00	1,091,333	109,133	10.00
2 to 3 years	551,313	165,394	30.00	540,522	162,157	30.00
3 to 4 years	271,132	135,566	50.00	276,576	138,288	50.00
4 to 5 years	175,669	140,535	80.00	118,930	95,144	80.00
Over 5 years	657,940	657,940	100.00	701,242	701,242	100.00
Total	5,529,046	1,357,991	24.56	4,850,454	1,312,056	27.05

(3) Other receivables categorised by nature were as follows:

All amounts in RMB'000

Nature of other receivable	Closing balance	Opening balance
Guarantee deposits	14,049,569	10,092,902
Loan receivables from related parties and third parties	3,009,608	1,882,856
Advance to employees	477,538	493,778
Receivables on disposal of investments	2,346,808	427,390
Others	1,807,123	2,499,610
Total	21,690,646	15,396,536

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

9. Other receivables (Continued)

(4) At the end of the year, the top 5 largest other receivables were as follows:

All amounts in RMB'000

Name of entity	Relationship with the Group	Nature of other receivables	Closing balance	Aging	As a percentage of total other receivables (%)	Provision for bad debts at the end of the year
Party 1	Third party	Receivable on disposal of equity investment	1,269,450	Within 1 year	5.85	—
Party 2	Associate	Loan receivables from related parties	860,676	Within 5 years	3.97	—
Party 3	Third party	Receivable and deposit on disposal of equity investment	788,684	Within 1 year	3.64	—
Party 4	Associate	Loan receivables from related parties	509,807	Within 1 year	2.35	—
Party 5	Third party	Deposit	464,097	Within 1 year	2.14	23,205
Total	/	/	3,892,714	/	17.95	23,205

(5) There was no confirmation of the termination of other receivables due to the transfer of financial assets for the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

10. Inventories

(1) Categories

All amounts in RMB'000

Items	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Raw materials	2,383,904	99,522	2,284,382	2,858,300	94,421	2,763,879
Materials procurement	156,771	—	156,771	398,345	—	398,345
Outsourced						
processing materials	65,854	—	65,854	162,877	—	162,877
Work in progress	2,254,347	13,161	2,241,186	2,210,096	20,691	2,189,405
Finished goods	2,387,633	91,923	2,295,710	2,635,911	197,024	2,438,887
Other materials	491,845	4,950	486,895	578,706	2,097	576,609
Gross amount due from contract customers	42,125,774	1,166,497	40,959,277	34,492,686	497,368	33,995,318
Properties under development (a)	47,229,938	—	47,229,938	55,963,099	—	55,963,099
Completed properties held for sale (b)	10,707,241	11,262	10,695,979	9,453,394	11,262	9,442,132
Total	<u>107,803,307</u>	<u>1,387,315</u>	<u>106,415,992</u>	<u>108,753,414</u>	<u>822,863</u>	<u>107,930,551</u>

Note: Inventories with title restriction are set out in Note VII65.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

10. Inventories (Continued)

(1) Categories (Continued)

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

All amounts in RMB'000

Project name	Project commencement date	Estimated completion date	Estimated total investment amount	Opening balance	Closing balance
Nanjing Xiaguanbin River Project	01/01/2011	31/12/2017	22,743,810	22,213,543	15,265,618
Beijing Daxing Jiugonglvge A1 Project	13/09/2013	31/12/2015	3,916,475	2,579,706	3,075,919
Brazil Fluctuation Apartment Project	30/06/2015	31/12/2018	3,686,040	—	2,290,243
Chongqing Tieshanping Project	01/11/2014	31/12/2020	3,500,000	1,726,776	1,752,897
Singapore Yishun No.7 Execute Public Apartment Project	01/01/2012	31/12/2015	1,953,961	1,581,222	1,746,697
Singapore Danbinni No.10 Project	16/10/2013	16/10/2018	2,755,922	1,516,492	1,690,701
Baotou MCC Campus South Road Community Project	01/08/2011	30/06/2015	2,571,000	1,210,529	1,422,576
Heilongjiang, Qiqihaer, MCC, Binjiang International City(i) Project	16/10/2010	15/10/2016	2,821,600	1,241,135	1,329,312
Guangdong, Zhuhai, Hengqin New City Headquarters building	06/11/2012	31/12/2019	1,356,260	1,054,948	1,272,155
Qin Hai Yun Villa Project	08/08/2011	31/12/2018	4,400,000	1,222,519	1,154,791
Tangshan Fengrun Genyang New City Project	01/03/2010	31/12/2020	10,550,000	1,801,691	1,138,425
Chongqing, Dadukou, MCC International City Project	01/12/2011	01/12/2015	1,380,000	421,197	741,946
Liaoning, Dalian, Ivshun, MCC, Qiancheng Project	25/08/2012	31/12/2017	2,460,956	701,222	736,579
Hebei, Qinhuangdao, Yudaiwan Project	23/12/2008	31/12/2017	4,100,000	678,225	712,428
Shanghai Baoshan District MCC Jin Gardan Project	08/07/2013	02/07/2015	700,000	299,623	611,496
Maanshan, Zhongdingyue City Project	08/09/2011	08/09/2016	1,500,000	600,878	604,165
Zhenjiang Yucui Gardan Project	01/06/2014	30/06/2017	1,200,000	14,951	587,078
Xian, MCC, Changan City Project	15/03/2013	31/05/2016	1,160,806	507,962	572,729
Chongqing Bishan District MCC Daishan First Class Project	08/03/2011	08/06/2015	774,310	355,816	471,477

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

10. Inventories (Continued)

(1) Categories (Continued)

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

All amounts in RMB'000

Project name	Project	Estimated	Estimated total	Opening	Closing
	commencement	completion	investment		
	date	date	amount	balance	balance
Jilin, Changchun, Blue City Project	01/04/2011	31/12/2016	1,060,000	670,051	454,092
Zhejiang, Shaoxing, Wutong Project	05/05/2011	30/11/2015	3,467,530	359,233	453,267
Beijing, Blue City Project	25/12/2012	31/07/2015	1,645,662	742,328	449,097
MCC: Riverside Project I&II	31/12/2013	31/12/2015	800,000	408,429	420,108
Hong Kong Quanwan Project	06/12/2013	31/01/2017	500,000	394,490	415,819
Hubei Huangshi City — MCC Huangshi Gardan Project II	01/01/2015	31/12/2018	1,351,899	370,934	410,837
Maanshan, Jinfu Garden, Placement Project	01/06/2010	30/06/2015	1,072,258	368,293	399,530
Wuhan MCC Southern Yunhoushoufu Project I (North residence)	16/09/2011	30/04/2015	1,763,395	353,811	390,865
Maanshan, Jinan, Placement Project	28/12/2009	31/12/2015	570,000	370,872	370,872
Zhenjiang MCC Blue Riverside Project (Zhenjiang MCC Blue City Project)	03/06/2011	01/12/2015	1,939,540	303,168	362,651
Shanxi Yuncheng Konggang District Home of Public Relations Companies Club Gardan Villa Project	16/03/2012	31/12/2015	1,751,000	348,198	348,198
MCC Shanghe Residence Project	20/06/2014	20/06/2016	985,930	272,182	323,566
Shanxi Taiyuan North Street Liuxi Gardan Project	01/03/2008	31/12/2017	1,302,263	254,783	299,249
Tanghai boulevard Project	01/09/2013	01/10/2017	600,000	248,844	281,661
Shanghai Jinshan District — MCC Fengjunyuan Project II	31/12/2015	31/12/2017	517,955	180,158	265,843
Anshan, MCC, Yuluanwan Project	01/04/2010	30/12/2016	2,400,000	550,521	231,408
Shenyang CB2013-5 Changbai West Road Northern Land	01/05/2015	01/05/2018	681,750	228,122	228,958
Xiuyan — Yuluanwan Project	15/04/2013	30/10/2016	410,000	166,268	223,091
Others			190,047,226	9,643,979	3,723,594
Total			286,397,548	55,963,099	47,229,938

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

10. Inventories (Continued)

(1) Categories (Continued)

(b) Details of the completed properties held for sale are as follows:

All amounts in RMB'000

Project name	Project completion date	Opening balance	Increase	Decrease	Closing balance
Dalian MCC Blue City Project	31/12/2014	—	1,373,580	347,112	1,026,468
Tangshan, Wutong Road Project	31/10/2012	785,734	31,614	258,795	558,553
Shanghai Jinshan District — MCC Fengjunyuan Project I	30/01/2014	—	569,510	54,047	515,463
Caofeidian Real Estate Building Project	31/12/2014	—	511,289	—	511,289
New PhoenixCity Yuhua Road South Project	25/12/2014	—	754,188	251,437	502,751
Anshan Yuluanwan Project II	30/10/2014	—	495,372	77,674	417,698
Jilin Qingshanbishui Project	31/12/2013	420,116	27,025	38,399	408,742
Qinhaiyun Villa Project	31/10/2014	—	396,845	1,706	395,139
Sichuan Pi County World of Countryside Project	18/05/2013	572,441	74,293	292,373	354,361
MCC Blue Riverside Project (Zhenjiang MCC Blue City Project)	31/12/2012	417,384	—	77,736	339,648
Zhongding Joy City Project	21/11/2013	105,310	298,606	76,261	327,655
Xian, MCC, Changan City Project	25/12/2013	746,801	—	433,237	313,564
Chongqing MCC Chongqing Morning Project	28/12/2012	265,276	53,593	19,252	299,617
Beijing Gold Fish pool Project II	04/01/2009	377,357	—	84,794	292,563
Wuhan economic and Technological Development Zone — MCC Fengshuwan Project	30/06/2013	299,846	51,185	61,209	289,822
Tangshan New Gengyang City No.1 Project I	30/12/2014	—	787,330	505,594	281,736
Jilin Changchun MCC Blue City Project	01/01/2014	—	938,359	669,983	268,376
Tangshan New Gengyang City No.3 Project	30/12/2014	—	1,310,274	1,052,136	258,138
Guangxi Fangchenggang — MCC Xinganghua Mansion Project	31/12/2014	—	300,295	66,385	233,910
Chongqing MCC North Luyuan Project	30/09/2012	395,881	21,978	192,716	225,143
Tangshan Heliangongfang District Rebuilding Project	30/06/2012	220,099	—	—	220,099
Jiangsu Kunshan MCC Kunting Project	30/04/2014	—	477,555	262,846	214,709
Heilongjiang Qiqihar Longsha District New Century Square Project	30/12/2013	203,724	14,593	13,869	204,448
Others		4,643,425	6,209,720	8,605,796	2,247,349
Total		9,453,394	14,697,204	13,443,357	10,707,241

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

10. Inventories (Continued)

(2) Provision for impairment

All amounts in RMB'000

Items	Opening balance	Increase		Decrease			Closing balance
		Provision	Others	Reversals	Write-offs	Others	
Raw materials	94,421	10,815	—	—	1,563	4,151	99,522
Work in progress	20,691	6,533	—	—	14,063	—	13,161
Finished goods	197,024	90,598	47	—	173,825	21,921	91,923
Other materials	2,097	2,853	—	—	—	—	4,950
Gross amount due from contract customers	497,368	703,515	—	3,755	30,091	540	1,166,497
Properties under development	—	4,900	—	—	4,900	—	—
Completed properties held for sale	11,262	—	—	—	—	—	11,262
Total	822,863	819,214	47	3,755	224,442	26,612	1,387,315

(3) Borrowing costs that are capitalized in the closing balance of inventories:

As at 31 December 2014, the total borrowing costs capitalized in properties under development were RMB5,017,604,000 (as at 31 December 2013: RMB4,600,819,000). Borrowing costs capitalized during the year ended 31 December 2014 amounted to RMB2,103,247,000 (for the year ended 31 December 2013: RMB2,288,995,000). The capitalization rate of borrowing costs was 5.54% to 7.34% (for the year ended 31 December 2013: 5.60% to 6.70%).

(4) Gross amount due from contract customers of construction contracts at the end of the year was as follows:

All amounts in RMB'000

Items	2014.12.31
Contract costs incurred to date	533,025,618
Recognized profits to date	43,199,934
Less: Estimated loss	1,166,497
Accumulated settlements	534,099,778
Gross amount due from contract customers	40,959,277

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

10. Inventories *(Continued)*

- (4) Gross amount due from contract customers of construction contracts at the end of the year was as follows: *(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 Ltd. ("CITIC Group", the parent company of CITIC Limited) 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 Limited) signed the Fourth Supplementary Agreement of SINO Iron Project in Western Australia dated 24 December 2013 for the handing over of the first and the second production lines of the project to CITIC Group at the end of 2013. As such, the construction, installation and trial running work set out in the EPC contract for the project entered into by Western Australia was completed. For the third to sixth production lines of the project, Western Australia, 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 31 December 2014, the consensus between MCC and CITIC Group for the previously agreed construction costs of US\$4.357 billion remained unchanged. Based on the latest 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 31 December 2014, the Group did not make any adjustment on the provision for loss of the project.

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 agreed project construction costs and make appropriate accounting treatments accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

11. Assets classified as held for sale

All amounts in RMB'000

Items	Closing balance	Opening balance
Fixed assets held for sale	—	29,787
Intangible assets held for sale	—	4,194
Total	—	33,981

12. Non-current assets due within one year

All amounts in RMB'000

Items	Closing balance	Opening balance
Long term receivables due within one year (Note VII16)	4,867,780	4,369,433
Total	4,867,780	4,369,433

13. Other current assets

All amounts in RMB'000

Items	Closing balance	Opening balance
Advance payment of taxes	187,588	1,360,221
Total	187,588	1,360,221

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

14. Available-for-sale financial assets

(1) Available-for-sale financial assets

All amounts in RMB'000

Items	Closing balance			Opening balance (Restated)		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Available-for-sale equity instruments:						
— Measured at fair value (listed on Mainland China)	450,109	—	450,109	282,798	—	282,798
— measured at cost (unlisted)	1,145,160	88,727	1,056,433	1,150,221	60,794	1,089,427
Others (unlisted)	136,550	—	136,550	28,479	—	28,479
Total	1,731,819	88,727	1,643,092	1,461,498	60,794	1,400,704

(2) At the end of the year, available-for-sale financial assets measured at fair value were as follows:

All amounts in RMB'000

Category	Available-for-sale listed equity instruments	Others	Total
Cost/carrying cost	109,513	136,550	246,063
Fair value	450,109	136,550	586,659
Cumulative fair value changes included in other comprehensive income	340,596	—	340,596
Accumulated impairment amount	—	—	—

The carrying amount of the available-for-sale listed equity instruments above 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 year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Available-for-sale financial assets (Continued)

(3) At the end of the year, available-for-sale financial assets measured at cost were as follows:

All amounts in RMB'000

Company name	Opening balance		Book value		Closing balance		Provision for impairment		Closing balance	Percentage of shareholding in the investee (%)	Cash dividends
	balance	increase	increase	decrease	balance	decrease	increase	decrease			
Tangshan Stainless steel Co., Ltd.	645,000	—	—	—	645,000	—	—	—	—	23.89	—
Hebei Iron & Steel Group Luanxian Sijiyang Iron Ore Co., Ltd.	80,000	—	—	—	80,000	—	—	—	—	14.45	101,136
Beris Engineering And Research Corporation Jiangsu Heavy Industry Co., Ltd.	48,000	—	—	—	48,000	—	48,000	—	48,000	20.00	—
Harbin Shuangqi Environmental Resources Co., Ltd.	48,000	—	—	—	48,000	—	—	—	—	20.00	—
Yunnan Panxing Real Estate Development Co., Ltd.	—	30,000	—	—	30,000	—	—	—	—	10.00	—
Great Wall Life Insurance Co., Ltd.	30,000	—	—	—	30,000	—	—	—	—	1.52	—
Jidong Cement Luanxian Co., Ltd.	29,705	—	—	—	29,705	—	—	—	—	6.74	1,583
Hankou Bank Co., Ltd.	27,696	—	—	—	27,696	—	—	—	—	0.74	91
Shanxi Sanjin Mining Holdings Co., Ltd.	20,000	—	—	—	20,000	—	—	—	—	20.00	—
MCC Metallshan Paper Co., Ltd.	18,000	—	—	—	18,000	—	—	—	—	15.00	—
Others	203,820	2,930	37,991	—	168,759	60,794	1,109	21,176	40,727	/	8,429
Total	1,150,221	37,930	37,991	—	1,145,160	60,794	49,109	21,176	88,727	/	111,239

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

14. Available-for-sale financial assets (Continued)

(4) Provision for impairment

All amounts in RMB'000

Category	Available-for-sale equity instruments	Total
Provision at the beginning of the year	60,794	60,794
Increase in the current year	49,109	49,109
Including: Impairment losses in the current year	49,109	49,109
Decrease in the current year	21,176	21,176
Including: Recovery because of the increase in fair value in the subsequent period	/	/
Provision at the end of the year	88,727	88,727

(5) During the current accounting period, the Group did not have any available-for-sale financial assets having significant or prolonged decline in fair value but no impairment provision was made.

15. Held-to-maturity investments

All amounts in RMB'000

Items	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Held-to-maturity investments						
— Treasury bonds	144	144	—	144	144	—
Held-to-maturity investments						
— Other bonds	3,971	3,951	20	3,971	3,951	20
Total	4,115	4,095	20	4,115	4,095	20

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

16. Long-term receivables

(1) Long-term receivables:

All amounts in RMB'000

Items	Closing balance			Opening balance			Range of discount rate
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount	
Receivables on "Build-Transfer" project receivables	21,250,763	106,926	21,143,837	23,524,054	51,276	23,472,778	/
Receivables on disposal of equity investments	259,530	—	259,530	243,576	—	243,576	6.55%
Others	847,698	—	847,698	995,443	—	995,443	6%-8%
Total	22,357,991	106,926	22,251,065	24,763,073	51,276	24,711,797	/
Including: Long term receivables due within one year	4,901,847	34,067	4,867,780	4,369,433	—	4,369,433	/
Long term receivables due after one year	17,456,144	72,859	17,383,285	20,393,640	51,276	20,342,364	/

(2) As at 31 December 2014, the Group de-recognized long-term receivables due to the transfer of the substantially all of the risk and rewards of ownership of these receivables to other parties were RMB5,024,000,000 (as at 2013: RMB5,500,000,000), without incurring any losses (as at 2013: without incurring any losses).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Long-term equity investments

All amounts in RMB'000

Company name	Opening balance (Restated)	Movements during the current year					Provision for impairment for the current year	Closing balance	Impairment provision
		Increasing investments	Decreasing investments	Share of (losses)/ profits	Other comprehensive income	Other equity movements			
1. Joint ventures — Unlisted									
Tianjin Zhongji Equipment Manufacture Co., Ltd.	390,894	—	—	5,266	—	—	—	396,160	—
Beijing New Century Hotel Co., Ltd. (NoteX11)(b))	216,232	—	—	(1,720)	—	(7,701)	—	206,811	—
Subtotal	607,126	—	—	3,546	—	(7,701)	—	602,971	—
2. Associates — Unlisted									
CERI Yingkou Equipment Technology Co., Ltd.	928,423	—	—	(118,304)	—	—	—	810,119	—
Tianjin SER Machinery Equipment Corporation Ltd.	696,945	—	—	11,913	—	—	—	708,858	—
Nanjing Ming's Culture Co., Ltd.	300,003	—	—	(290)	—	—	—	299,713	—
Baotou MCC Real Estate Co., Ltd.	222,831	—	—	(5,913)	—	—	—	216,918	—
Tianjin Tuanbo Urban Development Co., Ltd.	185,281	—	—	18,000	—	—	—	203,281	—
WISDRI (Xinyu) Cold Processing Engineering Co., Ltd.	114,654	—	—	24,039	—	—	—	138,693	—
Tianjin MCC Xinhua Real Estate Co., Ltd.	146,209	—	—	(12,787)	—	—	—	133,422	—
Shanghai Zhong Ye Xiangteng Investment Company Ltd.	110,523	—	—	6,689	—	—	—	117,212	—
Others	821,427	34,128	(24,659)	(62,552)	—	(6,997)	53,323	708,024	56,731
Subtotal	3,526,296	34,128	(24,659)	(139,205)	—	(6,997)	53,323	3,336,240	56,731
Total	4,133,422	34,128	(24,659)	(135,659)	—	(14,698)	53,323	3,939,211	56,731

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

17. Long-term equity investments *(Continued)*

- (a) MCC Ramu NiCo Ltd. ("Ramu NiCo"), a 67.02% 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 mining and processing 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 developing and constructing the Project. For the next 15 years from March 2008, the PNG Parties have the right to acquire 15% interest in the Project with the pre-condition that PNG Parties are responsible for the relevant development costs of the Project incurred previously. 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.

For the year ended 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 exercised their rights to acquire the 15% equity interest. As at 31 December 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 consolidated into the financial statements of the Group. As at 31 December 2014, total assets and total liabilities of the Project recognized by the Group were RMB12.26 billion and RMB14.13 billion, respectively. For the year ended 31 December 2014, gross revenue and costs of the Project recognized by the Group in these consolidated financial statements were RMB1.85 billion and RMB2.42 billion, respectively (including depreciation expense of RMB710 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

18. Investment properties

(1) Investment properties measured at cost

All amounts in RMB'000

Items	Buildings and structures	Land use rights	Total
I. Total original book value			
1. Opening balance	1,643,202	531,495	2,174,697
2. Increase	354,353	—	354,353
(1) Purchase	112,168	—	112,168
(2) Transferred from inventories\fixed assets\ intangible assets\construction in progress	59,562	—	59,562
(3) Others	182,623	—	182,623
3. Decrease	56,250	187,575	243,825
(1) Disposal	45,266	—	45,266
(2) Transferred to inventories\fixed assets\ intangible assets\construction in progress	10,984	4,346	15,330
(3) Others	—	183,229	183,229
4. Closing balance	1,941,305	343,920	2,285,225
II. Total accumulated depreciation and amortization			
1. Opening balance	324,848	32,212	357,060
2. Increase	70,965	11,357	82,322
(1) Depreciation or amortization	53,723	11,357	65,080
(2) Transferred from inventories\fixed assets\ intangible assets\construction in progress	12,072	—	12,072
(3) Others	5,170	—	5,170
3. Decrease	9,266	9,277	18,543
(1) Disposal	3,019	—	3,019
(2) Transferred to inventories\fixed assets\ intangible assets\construction in progress	6,247	4,140	10,387
(3) Others	—	5,137	5,137
4. Closing balance	386,547	34,292	420,839

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

18. Investment properties (Continued)

(1) Investment properties measured at cost (Continued)

All amounts in RMB'000

Items	Buildings and structures	Land use rights	Total
III. Total accumulated impairment provision			
1. Opening balance	—	—	—
2. Increase	—	—	—
(1) Provision	—	—	—
3. Decrease	—	—	—
(1) Disposal	—	—	—
(2) Others	—	—	—
4. Closing balance	—	—	—
IV. Total carrying amount			
1. Closing balance	1,554,758	309,628	1,864,386
2. Opening balance	1,318,354	499,283	1,817,637
	1,554,758	309,628	1,864,386

(2) As at 31 December 2014 and 31 December 2013, all the investment properties are located in Mainland China according to leasehold land of medium-term. The Group did not have any properties and land use rights of which the title certificates were not obtained by the Group.

(3) Investment properties with title restriction as at 31 December 2014 are set out in Note VII65.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

19. Fixed assets

(1) Fixed assets

All amounts in RMB'000

Items	Buildings and structures	Machinery and equipment	Motor vehicles	Other equipment	Total
I. Total historical cost:					
1. Opening balance	19,587,432	21,178,671	2,414,815	2,890,435	46,071,353
2. Increase	1,023,122	1,362,648	274,631	159,471	2,819,872
(1) Purchase	203,079	463,865	244,776	112,046	1,023,766
(2) Transferred from investment properties\ construction in progress	742,181	794,196	27,066	43,604	1,607,047
(3) Others	77,862	104,587	2,789	3,821	189,059
3. Decrease	361,764	512,018	221,955	87,523	1,183,260
(1) Disposal or written-off	105,046	343,491	193,658	69,209	711,404
(2) Transferred to investment properties\ construction in progress	197,863	111,880	6,061	15,731	331,535
(3) Others	58,855	56,647	22,236	2,583	140,321
4. Closing balance	20,248,790	22,029,301	2,467,491	2,962,383	47,707,965
II. Total accumulated depreciation					
1. Opening balance	3,385,697	6,639,538	1,313,449	730,087	12,068,771
2. Increase	803,452	1,677,548	262,610	206,417	2,950,027
(1) Provision	791,902	1,658,076	262,469	205,864	2,918,311
(2) Transferred from investment properties\ construction in progress	6,154	—	—	—	6,154
(3) Others	5,396	19,472	141	553	25,562
3. Decrease	176,704	376,160	151,731	53,416	758,011
(1) Disposal or written-off	70,772	288,405	135,568	39,354	534,099
(2) Transferred to investment properties\ construction in progress	71,034	70,337	4,639	12,659	158,669
(3) Others	34,898	17,418	11,524	1,403	65,243
4. Closing balance	4,012,445	7,940,926	1,424,328	883,088	14,260,787

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

19. Fixed assets (Continued)

(1) Fixed assets (Continued)

All amounts in RMB'000

Items	Buildings and structures	Machinery and equipment	Motor vehicles	Other equipment	Total
III. Total impairment provision					
1. Opening balance	169,960	436,153	8,975	4,607	619,695
2. Increase	5,792	44,900	—	—	50,692
(1) Provision	3,882	43,861	—	—	47,743
(2) Others	1,910	1,039	—	—	2,949
3. Decrease	63,660	30,115	1,499	2,682	97,956
(1) Disposal or written-off	—	223	58	31	312
(2) Transferred to investment properties\construction in progress	63,660	29,892	1,171	2,586	97,309
(3) Others	—	—	270	65	335
4. Closing balance	112,092	450,938	7,476	1,925	572,431
IV. Total carrying amount of fixed assets					
1. Closing balance	16,124,253	13,637,437	1,035,687	2,077,370	32,874,747
2. Opening balance	16,031,775	14,102,980	1,092,391	2,155,741	33,382,887

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

19. Fixed assets (Continued)

(2) Temporary idle fixed assets

All amounts in RMB'000

Items	Historical cost	Accumulated depreciation	Provision for impairment	Carrying amount	Notes
Buildings and structures	84,449	66,228	—	18,221	Seasonal temporary idle
Machinery and equipment	4,147	3,254	—	893	Seasonal temporary idle
Motor vehicles	17,370	14,714	1,140	1,516	Seasonal temporary idle
Other equipment	86	79	—	7	Seasonal temporary idle

(3) Fixed assets under finance leases

All amounts in RMB'000

Items	Historical cost	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery and equipment	200,000	18,947	—	181,053

(4) Fixed assets under operating leases

All amounts in RMB'000

Items	Carrying amount
Buildings and structures	22,501
Machinery and equipment	104,541
Motor vehicles	10,568
Other equipment	10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

19. Fixed assets (Continued)

(5) Fixed assets of which certificates of title have not been obtained

Buildings and structures with an aggregate carrying amount of RMB965,440,000 (historical cost: RMB1,058,482,000) as at 31 December 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.

All amounts in RMB'000

Items	Carrying amount	Reasons for title certificates outstanding
Comprehensive office building of ACRE Coking & Refractory Engineering Consulting Corporation, MCC	708,319	Application in progress
Production Base of Zhongyi Heavy Industry	145,531	Application in progress
Tianjin office building of China Huaye Group Co., Ltd.	53,852	Application in progress
Comprehensive Office Building of China MCC 19 Group Co., Ltd. Kangfu Hospital	30,001	Application in progress
Beijing office building of China Huaye Group Co., Ltd.	17,700	Application in progress
Jiushi hotel 2nd building	10,037	Application in progress

(6) Fixed assets with title restriction as at 31 December 2014 are set out in NoteVII65.

(7) The total depreciation of the Group's fixed assets amounted to RMB2,918,311,000 (for the year ended 31 December 2013: RMB3,042,639,000) for the current year, of which RMB2,218,603,000, RMB14,707,000 and RMB593,328,000 were charged to cost of sales, selling expenses and administrative expenses, respectively (for the year ended 31 December 2013: RMB1,843,104,000, RMB19,367,000 and RMB821,393,000). 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 RMB91,673,000 (for the year ended 31 December 2013: RMB358,775,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

19. Fixed assets (Continued)

(8) The Group made impairment provision for fixed assets of RMB572,431,000 for the current year (for the year ended 31 December 2013: RMB619,695,000).

(a) 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. 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. 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 31 December 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.

(b) 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 31 December 2014, the carrying amount of fixed assets of Ramu Nico Project Papua New Guinea amounted to RMB11.005 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 recognize impairment provision on the related fixed assets in the future, if needed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

20. Construction in progress

(1) Construction in progress

All amounts in RMB'000

Items	Closing balance		Carrying amount	Opening balance		Carrying amount
	Book value	Provision for impairment		Book value	Provision for impairment	
Infrastructure project of MCC JCL Anak Mining Co., Ltd.	857,846	—	857,846	798,121	—	798,121
China ENFI Engineering Co., Ltd. Office building renovation	187,600	—	187,600	5,409	—	5,409
Duddar Lead-Zinc Project	757,420	603,202	154,218	536,992	341,778	195,214
Zhenjiang Steel Environmental Protection BOO Project	120,095	—	120,095	15,203	—	15,203
Large-scale multiple stamp work heavy equipment independent industrial base	92,421	—	92,421	85,325	—	85,325
Others	868,034	—	868,034	1,755,998	—	1,755,998
Total	2,883,416	603,202	2,280,214	3,197,048	341,778	2,855,270

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Construction in progress (Continued)

(2) Movements of the significant items of construction in progress

All amounts in RMB'000

Items	Budgeted amount	Opening balance	Increase	Transfer to fixed assets	Other changes	Closing balance	Cost incurred as a percentage of budgeted amount (%)	Construction progress (%)	Accumulated capitalized borrowing costs	Including: Capitalized borrowing costs for the current year	Latest rate of borrowing costs capitalized for the current year	Sources of fund
Infrastructure project of MCC JCL												
Anak Mining Co., Ltd.	23,847,800	798,121	56,690	—	3,035	857,846	4.83	4.83	—	—	—	self-raised funds
China ENR Engineering Co., Ltd. Office building renovation	680,000	5,409	182,191	—	—	187,600	27.59	27.59	2,474	2,474	6.55	Loan from financial institutions
Duodar Lead-Zinc Project	1,070,448	536,992	220,428	—	—	757,420	70.76	70.76	—	—	—	self-raised funds
Zhenjiang Steel Environmental Protection BOO Project	1,245,000	15,203	104,892	—	—	120,095	9.66	9.66	—	—	—	self-raised funds
Large-scale multiple stamp work heavy equipment independent industrial base	527,449	85,325	7,968	(872)	—	92,421	71.51	71.51	—	—	—	self-raised funds
CSD heavy machinery	223,932	144,418	46,154	(114,395)	—	76,177	85.10	85.10	—	—	—	self-raised funds
Science and Technology Industrial Zone Project	569,000	12,672	51,287	—	—	63,959	25.41	25.41	—	—	—	self-raised funds
Junliang city base construction project	120,000	40,464	73,756	(59,393)	—	54,827	95.18	95.18	—	—	—	self-raised funds
Urban Environmental Protection Industrial Zone Project I	45,000	25,115	16,286	—	—	41,401	92.00	92.00	—	—	—	self-raised funds
The by-product recycling high technology industrialization project	1,171,403	112,487	52,308	(128,233)	(92)	36,470	72.82	72.82	—	—	—	self-raised funds
Total	29,498,032	1,776,206	811,960	(302,893)	2,943	2,288,216	/	/	2,474	2,474	/	/

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

20. Construction in progress (Continued)

- (3) Provision for impairment for construction in progress in the current year

All amounts in RMB'000

Item	Provision in the current year	Reasons
Duddar Lead-Zinc Project(a)	164,115	Decline in recoverable value
Total	164,115	/

- (a) 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 year ended 31 December 2014, the Group started the implementation of technological transformation of Duddar Lead-Zinc Project, the related historical cost RMB291,156,000, accumulated depreciation RMB130,324,000 and impairment provision of RMB97,309,000 were transferred from fixed assets to construction in progress. At the end of the current year, the Group has updated the assessment of impairment provision for construction-in-progress and fixed assets. The recoverable value is estimated by calculating the present value of the future cash flows generated by assets base on the financial forecast approved by management and a pre-tax discount rate of 21.92%. Based on the result of the re-assessment, the Group made an impairment provision for construction-in-progress amounting to RMB164,115,000.

As at 31 December 2014, the accumulated impairment provision of construction-in-progress of Duddar Lead-Zinc Project amounted to RMB603,202,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

21. Materials for construction of fixed assets

All amounts in RMB'000

Items	Closing balance	Opening balance
Materials	10,337	10,485
Equipment	36,527	37,122
Tools and instruments prepared for production	732	757
Others	21	22
Total	47,617	48,386

22. Intangible assets

(1) Intangible assets

All amounts in RMB'000

Items	Land use rights	Mining rights	The right to use the franchise	Software	Patent and proprietary technology	Trademark right	Total
I. Total historical cost:							
1. Opening balance	7,030,945	4,197,149	7,071,649	371,329	46,467	270	18,717,809
2. Increase	116,611	13,046	192,448	58,917	1,025	—	382,047
(1) Purchase	97,861	635	192,448	41,001	1,025	—	332,970
(2) Internally develop	—	—	—	4,043	—	—	4,043
(3) Transferred from investment properties\ construction in progress	10,438	—	—	13,873	—	—	24,311
(4) Others	8,312	12,411	—	—	—	—	20,723
3. Decrease	76,497	213,229	28,964	2,038	—	—	320,728
(1) Disposal	13,871	—	597	137	—	—	14,605
(2) Others	62,626	213,229	28,367	1,901	—	—	306,123
4. Closing balance	7,071,059	3,996,966	7,235,133	428,208	47,492	270	18,779,128

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

22. Intangible assets (Continued)

(1) Intangible assets (Continued)

All amounts in RMB'000

Items	Land use rights	Mining rights	The right to use the franchise	Software	Patent and proprietary technology	Trademark right	Total
II. Total accumulated amortization							
1. Opening balance	777,658	81,790	384,682	209,960	32,995	270	1,487,355
2. Increase	155,845	9,532	138,593	46,099	2,710	—	352,779
(1) Provision	151,187	9,061	138,593	46,099	2,710	—	347,650
(2) Transferred from investment properties\ construction in progress	4,233	—	—	—	—	—	4,233
(3) Others	425	471	—	—	—	—	896
3. Decrease	5,549	—	281	1,731	—	—	7,561
(1) Disposal	1,841	—	281	50	—	—	2,172
(2) Others	3,708	—	—	1,681	—	—	5,389
4. Closing balance	927,954	91,322	522,994	254,328	35,705	270	1,832,573
III. Total impairment provision							
1. Opening balance	—	1,951,722	—	—	—	—	1,951,722
2. Increase	—	176,973	—	—	—	—	176,973
(1) Provision	—	176,973	—	—	—	—	176,973
3. Decrease	—	149,700	—	—	—	—	149,700
(1) Others	—	149,700	—	—	—	—	149,700
4. Closing balance	—	1,978,995	—	—	—	—	1,978,995
IV. Carrying amount of intangible assets							
1. Closing balance	6,143,105	1,926,649	6,712,139	173,880	11,787	—	14,967,560
2. Opening balance	6,253,287	2,163,637	6,686,967	161,369	13,472	—	15,278,732

As at 31 December 2014, the internally developed intangible assets as a percentage of total intangible assets of the Group was 0.03% (as at 31 December 2013: 0.01%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

22. Intangible assets (Continued)

(2) The carrying amount of the land use rights of the Group are as follows:

All amounts in RMB'000

	2014.12.31	2013.12.31
Located in Mainland China		
— Land use rights within 10 years	—	—
— Land use rights between 10 and 50 years	4,268,201	4,272,390
— Land use rights over 50 years	1,874,904	1,980,897
Total	<u>6,143,105</u>	<u>6,253,287</u>

(3) 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 assets of Cape Lambert Iron Project ("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 Ltd., 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 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 31 December 2014, based on the impairment assessment performed by Jones Lang LaSalle Corporate Appraisal and Advisory Ltd., the Group reassessed the major factors which may affect the impairment assessment. Based on the result of this impairment assessment, the Group made an impairment provision amounting to RMB176,973,000 (2013: nil) for the current year. Other than that, the decrease of the impairment provision of RMB149,700,000 for the current year(2013: RMB398,323,000) is due to the change of the exchange rate between AUD and RMB.

(4) Intangible assets with title restriction as at 31 December 2014 are set out in NoteVII65.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

23. Goodwill

(1) Original historical amount:

All amounts in RMB'000

Company name	Opening balance	Increase		Decrease		Closing balance
		Business combinations	Others	Disposal	Others	
Beijing GuangYuanli Real Estate Development Co., Ltd.	170,886	—	—	—	—	170,886
MCC Finance Corporation Ltd.	105,032	—	—	—	—	105,032
MCC Minera Sierra Grande S.A	122,650	—	—	—	26,090	96,560
Beijing ShengPeng Real Estate Development Co., Ltd.	94,923	—	—	—	—	94,923
Chengde Tiangong Architectural Design Co., Ltd.	33,460	—	—	—	—	33,460
China Metallurgical Construction Engineering Group Chongqing Heyuan Concrete Co., Ltd.	—	18,533	—	—	—	18,533
Beijing XinAn Real Estate Development Co., Ltd.	11,830	—	—	—	—	11,830
Qingdao JinZe HuaDi Real Estate Co., Ltd.	9,779	—	—	—	—	9,779
Shanghai SanGang Transport Handling Co., Ltd.	9,676	—	—	—	—	9,676
Ningcheng County HongDa Mining Co., Ltd.	7,187	—	—	—	—	7,187
Beijing HaiKe Real Estate Development Co., Ltd.	6,477	—	—	—	—	6,477
Beijing Tianrun Construction Co., Ltd.	5,142	—	—	—	—	5,142
Shanghai WuGang Equipment Engineering Co., Ltd.	1,114	—	—	—	—	1,114
Wuhan Huaxia Jingchong Technology Co., Ltd.	837	—	—	—	—	837
Shanghai YiGang Electrical Co., Ltd.	448	—	—	—	—	448
Wuhan GaoSheng Construction Engineering Design Co., Ltd.	187	—	—	187	—	—
Total	579,628	18,533	—	187	26,090	571,884

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

23. Goodwill (Continued)

(2) Impairment provision

All amounts in RMB'000

Company name or matters resulting in goodwill	Opening balance	Increase provision	Others	Decrease Disposal	Others	Closing balance
Beijing GuangYuanli Real Estate Development Co., Ltd.	170,886	—	—	—	—	170,886
Beijing ShengPeng Real Estate Development Co., Ltd.	94,923	—	—	—	—	94,923
Beijing XinAn Real Estate Development Co., Ltd.	11,830	—	—	—	—	11,830
Shanghai SanGang Transport Handling Co., Ltd.	9,676	—	—	—	—	9,676
Qingdao JinZe HuaDi Real Estate Co., Ltd.	7,385	259	—	—	—	7,644
Beijing HaiKe Real Estate Development Co., Ltd.	6,477	—	—	—	—	6,477
Total	301,177	259	—	—	—	301,436

The recoverable value of the asset groups is calculated based on the present value of future cash flows which is approved by the management. MCC Finance Corporation Ltd. adopts a pre-tax discount rate of 17.33 %. Cash flow projections during the forecast period for the asset groups 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 31 December 2014, based on the impairment assessment to Qingdao JinZe HuaDi Real Estate Co., Ltd., the Group should make further impairment provision amounting to RMB259,000. 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 asset groups exceeding their recoverable amounts. Goodwill in connection with the acquisition of MCC Minera Sierra Grande S.A decreased by RMB26,090,000 is due to the change of the exchange rate between Argentina Peso and RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

24. Long-term prepayments

All amounts in RMB'000

Items	Opening balance	Increase	Amortization	Other decreases	Closing balance
Improvements of operating lease of fixed assets	35,435	2,958	9,799	—	28,594
Insurance expenditures	13,865	2,917	5,815	224	10,743
Rental expenditures	52,259	3,049	11,992	—	43,316
Repair expenditures	5,673	5,023	1,526	—	9,170
Others	69,649	34,284	27,073	916	75,944
Total	176,881	48,231	56,205	1,140	167,767

25. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets without taking into consideration of the offsetting of balances within the same tax jurisdiction are as follows:

All amounts in RMB'000

Items	Closing balance		Opening balance	
	Deductible temporary differences/ tax losses	Deferred tax assets	differences/ tax losses	Deferred tax assets
Impairment provision	10,506,613	2,104,036	7,764,232	1,638,703
Unrealized profit on inter-company transactions	1,229,966	262,874	1,127,550	267,050
Defined benefit plans	1,810,629	415,799	1,904,820	462,946
Deductible tax losses	641,128	151,646	755,545	185,781
Retirement benefits	631,730	140,115	524,332	116,803
Others	1,302,518	279,552	1,479,046	316,063
Total	16,122,584	3,354,022	13,555,525	2,987,346

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

25. Deferred tax assets and deferred tax liabilities (Continued)

- (2) Deferred tax liabilities without taking into consideration of the offsetting of balances within the same tax jurisdiction are as follows:

All amounts in RMB'000

Items	Closing balance		Opening balance	
	temporary differences	Deferred tax liabilities	temporary differences	Deferred tax liabilities
Fair value adjustments upon business combination not under common control	193,476	64,320	248,826	85,006
Changes in the fair value of available-for-sale financial assets	341,467	85,367	191,503	47,867
Others	1,497,806	370,082	1,740,666	429,218
Total	2,032,749	519,769	2,180,995	562,091

- (3) As at 31 December 2014, the following deferred tax assets and deferred tax liabilities were offset with each other and were presented on a net basis:

All amounts in RMB'000

Items	The offset amount of deferred tax assets and liabilities at the end of the year	Deferred tax assets or liabilities after offset at the end of the year	The offset amount of deferred tax assets and liabilities at the beginning of the year	Deferred tax assets or liabilities after offset at the beginning of the year
	Deferred tax assets	37,896	3,316,126	89,451
Deferred tax liabilities	37,896	481,873	89,451	472,640

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

25. Deferred tax assets and deferred tax liabilities (Continued)

(4) Details of the Group's unrecognized deferred tax assets

All amounts in RMB'000

Items	Closing balance	Opening balance
Deductible temporary differences	6,778,885	8,289,709
Deductible tax losses	20,436,884	26,232,303
Total	27,215,769	34,522,012

(5) Deductible tax losses that are not recognized as deferred tax assets will expire in the following years:

All amounts in RMB'000

Year	Closing balance	Opening balance
2014	—	1,571,027
2015	1,034,556	1,649,832
2016	3,626,636	3,721,942
2017	7,441,647	8,103,270
2018	4,984,160	11,186,232
2019	3,349,885	—
Total	20,436,884	26,232,303

26. Other non-current assets

All amounts in RMB'000

Items	Closing balance	Opening balance
Prepaid taxes	—	101,365
Deposits for acquisition of assets	98,342	98,301
Others	39,100	28,479
Total	137,442	228,145

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

27. Short-term borrowings

(1) Categories of short-term borrowings:

All amounts in RMB'000

Items	Closing balance	Opening balance
Pledged loans (a)	400,000	131,800
Mortgaged loans (b)	208,000	406,000
Guaranteed loans (c)	50,000	50,000
Credit loans	35,803,263	44,492,798
Total	36,461,263	45,080,598

(a) Pledged loans

As at 31 December 2014, certain borrowings of RMB400,000,000 (as at 31 December 2013: RMB131,800,000) were secured by the pledge of the Group's accounts receivable in an aggregate amount of RMB468,352,000 (as at 31 December 2013: RMB286,255,000).

(b) Mortgaged loans

As at 31 December 2014, certain borrowings of RMB208,000,000 (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 RMB249,756,000 (as at 31 December 2013: RMB690,106,000).

(c) Guaranteed loans

As at 31 December 2014, certain borrowings of RMB50,000,000 (as at 31 December 2013: RMB50,000,000) were guaranteed by independent third parties.

(2) As at 31 December 2014, the weighted average interest rate of short-term borrowings was 6.14 % per annum (as at 31 December 2013: 6.13% per annum).

28. Bills payable

All amounts in RMB'000

Category	Closing balance	Opening balance
Commercial acceptance bills	492,975	955,917
Bank acceptance bills	11,315,516	6,654,329
Total	11,808,491	7,610,246

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

29. Accounts payable

(1) Accounts payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Project fees	47,510,512	40,566,634
Purchases	18,271,806	16,739,165
Design fees	142,596	157,515
Labor fees	4,170,684	3,842,863
Accrued accounts payable	6,738,635	7,991,941
Retention money	392,229	403,679
Others	495,701	484,666
Total	77,722,163	70,186,463

(2) Aging analysis of accounts payable is set out below:

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	52,328,513	51,280,401
1 to 2 years	15,524,584	10,613,663
2 to 3 years	4,934,765	4,470,369
Over 3 years	4,934,301	3,822,030
Total	77,722,163	70,186,463

(3) Significant accounts payable aged over one year

All amounts in RMB'000

Items	Closing balance	Reasons
Project fees	15,246,603	Projects not yet settled
Purchases	5,421,698	Not yet due for payment
Service fees	1,079,560	Project not yet settled
Total	21,747,861	/

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

30. Receipts in advance

(1) Receipts in advance

All amounts in RMB'000

Items	Closing balance	Opening balance
Project fees	11,287,564	11,158,647
Sales proceeds	8,387,364	11,172,759
Design fees	1,000,162	989,321
Labor fees	32,831	47,571
Gross amounts due to contract customers	12,913,718	11,587,947
Others	357,211	354,924
	33,978,850	35,311,169

(2) Significant receipts in advance aged over one year

All amounts in RMB'000

Items	Closing balance	Reasons
Project fees	3,580,148	Projects not yet settled
Sales proceeds	2,107,260	Buildings/goods not yet delivered
Total	5,687,408	/

(3) Gross amounts due to contract customers of construction contracts as at 31 December 2014 was as follows:

All amounts in RMB'000

Items	Amount
Contract costs incurred to date	208,707,963
Recognized profits to date	18,867,156
Less: Estimated loss	20,596
Accumulated settlement	240,468,241
Gross amounts due to contract customers	(12,913,718)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

31. Employee benefits payable

(1) Employee benefits payable:

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
I. Short-term employee benefits	1,744,557	14,086,491	14,069,504	1,761,544
II. Post-employment benefits -defined contribution plan	165,862	2,502,873	2,485,924	182,811
III. Termination benefits	26,113	40,509	46,026	20,596
IV. Other benefits	23,759	133,478	134,417	22,820
Total	<u>1,960,291</u>	<u>16,763,351</u>	<u>16,735,871</u>	<u>1,987,771</u>

(2) Short-term employee benefits:

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
I. Salaries, bonuses, allowances and subsidies	1,068,445	11,305,184	11,371,944	1,001,685
II. Staff welfare	1,879	353,879	352,907	2,851
III. Social insurance premiums	51,669	914,012	912,400	53,281
Including: Medical insurance	49,651	800,658	798,206	52,103
Work-related injury insurance	865	58,379	58,395	849
Maternity insurance	1,153	54,975	55,799	329
IV. Housing provident funds	116,376	1,222,841	1,204,131	135,086
V. Labor union expenditures and employees' education expenses	506,188	290,575	228,122	568,641
Total	<u>1,744,557</u>	<u>14,086,491</u>	<u>14,069,504</u>	<u>1,761,544</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

31. Employee benefits payable (Continued)

(3) Defined contribution plan

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
1. Basic retirement insurance	109,026	1,939,179	1,921,441	126,764
2. Unemployment insurance	5,681	157,526	155,919	7,288
3. Supplementary pension	51,155	406,168	408,564	48,759
Total	<u>165,862</u>	<u>2,502,873</u>	<u>2,485,924</u>	<u>182,811</u>

The Group participated in the social insurance premiums plans set up by the government according to the regulations. According to the plan, the Group makes deposits into the plans according to the regulations. Other than the deposits mentioned above, the Group does not need to make any further payments. The corresponding expenses shall be charged to the profit or loss in the period as and when incurred.

The Group made deposits amounting to RMB2,520,873,000 (2013: RMB2,454,736,000) to the defined contribution plan for the current year. As at 31 December 2014, there was an overdue payable amount of RMB182,811,000 (31 December 2013: RMB165,862,000) to the plans. The Group paid up the payable subsequently.

32. Taxes payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Value added tax	(105,897)	226,609
Consumption tax	4,630	6,863
Business tax	3,970,374	4,222,100
Enterprise income tax	1,500,634	1,497,202
Individual income tax	358,693	318,983
City maintenance and construction tax	309,275	298,646
Education surcharges	210,520	202,315
Land appreciation tax	(54,663)	272,326
Others	205,900	259,693
Total	<u>6,399,466</u>	<u>7,304,737</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

33. Interest payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Interest payables on long-term borrowings	128,968	99,783
Interest payables on corporate bonds	626,069	748,473
Interest payables on short-term borrowings	164,073	102,569
Others	51,479	25,553
Total	970,589	976,378

As at 31 December 2014, the Group did not have any significant overdue interest.

34. Dividends payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Other dividends	504,931	798,649
Total	504,931	798,649

The dividends payable aged over one year is because relevant subsidiaries are negotiating with the relevant shareholders for the settlement plan.

35. Other payables

(1) Other payables disclosed by nature were as follows:

All amounts in RMB000

Items	Closing balance	Opening balance
Guarantees and deposits payable	9,060,477	12,553,182
Rental payable	307,780	286,944
Utilities payable	229,239	275,664
Repair and maintenance payable	249,905	249,482
Payables for land use rights	104,268	197,698
Others	5,936,829	6,230,139
Total	15,888,498	19,793,109

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

35. Other payables (Continued)

(2) Significant other payables aged over one year

All amounts in RMB'000

Items	Closing balance	Reasons
Guarantees and deposits payable	5,532,177	The settlement dates are not yet due.
Total	5,532,177	/

36. Non-current liabilities due within one year

All amounts in RMB'000

Items	Closing balance	Opening balance
Long-term borrowings due within one year (NoteVII38)	6,620,469	10,362,344
Long-term employee benefits payable due within one year (NoteVII41)	434,424	614,515
Long-term payables due within one year (NoteVII40)	98,206	112,530
Long-term provisions due within one year (NoteVII43)	466	6,618
Bonds payable due within one year (NoteVII39)	4,722,403	—
Total	11,875,968	11,096,007

37. Other current liabilities

All amounts in RMB'000

Items	Closing balance	Opening balance
Short term bonds (a)	19,900,000	18,900,000
Deferred income to be released to income statement within one year (NoteVII44)	66,195	27,212
Total	19,966,195	18,927,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

37. Other current liabilities (Continued)

(a) Movements of the short term bonds

All amounts in RMB'000

Name of bonds	Face value	Issue date	Term	Issue amount	Opening balance	Issued in the current year	Accrued interests at face value	Premium and discount amortization	Repaid in the current year	Closing balance
Short-term Debentures	2,000,000	2013-03-12	365	2,000,000	2,000,000	—	15,678	—	2,000,000	—
Short-term Debentures	3,000,000	2013-04-25	365	3,000,000	3,000,000	—	38,753	—	3,000,000	—
Short-term Debentures	3,900,000	2013-07-12	365	3,900,000	3,900,000	—	104,293	—	3,900,000	—
Short-term Debentures (i)	4,000,000	2014-07-17	365	4,000,000	—	4,000,000	98,236	—	—	4,000,000
Short-term Debentures (ii)	3,900,000	2014-08-13	365	3,900,000	—	3,900,000	75,745	—	—	3,900,000
Extra Short-term Debentures	4,000,000	2013-05-07	270	4,000,000	4,000,000	—	13,677	—	4,000,000	—
Extra Short-term Debentures	3,000,000	2013-05-22	270	3,000,000	3,000,000	—	14,873	—	3,000,000	—
Extra Short-term Debentures	3,000,000	2013-09-18	270	3,000,000	3,000,000	—	75,871	—	3,000,000	—
Extra Short-term Debentures	3,500,000	2014-02-11	180	3,500,000	—	3,500,000	103,562	—	3,500,000	—
Extra Short-term Debentures	3,500,000	2014-03-13	180	3,500,000	—	3,500,000	96,658	—	3,500,000	—
Extra Short-term Debentures (iii)	3,000,000	2014-07-14	270	3,000,000	—	3,000,000	69,452	—	—	3,000,000
Extra Short-term Debentures (iv)	3,000,000	2014-09-17	270	3,000,000	—	3,000,000	42,740	—	—	3,000,000
Extra Short-term Debentures (v)	3,000,000	2014-10-27	180	3,000,000	—	3,000,000	23,356	—	—	3,000,000
Extra Short-term Debentures (vi)	3,000,000	2014-11-19	180	3,000,000	—	3,000,000	14,659	—	—	3,000,000
Total	45,800,000	/	/	45,800,000	18,900,000	26,900,000	787,553	—	25,900,000	19,900,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

37. Other current liabilities *(Continued)*

(a) Movements of the short term bonds (Continued)

- (i) As approved by the acceptance notice for registration (Zhongshixiezhu [2012] CP340) from the National Association of Financial Market Institutional Investors, the Company issued its Tranche I Short-term Debentures on 17 July 2014 at face value of RMB4,000 million, with a term of one year from issuance. The debentures were unsecured and bear interests at a fixed rate of 5.40% per annum. Principal and interests are paid upon maturity date.
- (ii) As approved by the acceptance notice for registration (Zhongshixiezhu [2013] CP238) from the National Association of Financial Market Institutional Investors, the Company issued its Tranche II Short-term Debentures on 13 August 2014 at face 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 5.10% per annum. Principal and interests are paid upon maturity date.
- (iii) As approved by the acceptance notice for registration (Zhongshixiezhu [2014] SCP32) from the National Association of Financial Market Institutional Investors, the Company issued its Tranche III Extra Short-term Debentures on 14 July 2014 at face value of RMB3,000 million, with a term of 270 days from issuance. The debentures were unsecured and bear interests at a fixed rate of 5.00% per annum. Principal and interests are paid upon maturity date.
- (iv) As approved by the acceptance notice for registration (Zhongshixiezhu [2014] SCP59) from the National Association of Financial Market Institutional Investors, the Company issued its Tranche IV Short-term Debentures on 17 September 2014 at face value of RMB3,000 million, with a term of 270 days from issuance. The debentures were unsecured and bear interests at a fixed rate of 5.00% per annum. Principal and interests are paid upon maturity date.
- (v) As approved by the acceptance notice for registration (Zhongshixiezhu [2014] SCP59) from the National Association of Financial Market Institutional Investors, the Company issued its Tranche V Short-term Debentures on 27 October 2014 at face value of RMB3,000 million, with a term of 180 days from issuance. The debentures were unsecured and bear interests at a fixed rate of 4.44% per annum. Principal and interests are paid upon maturity date.
- (vi) As approved by the acceptance notice for registration (Zhongshixiezhu [2014] SCP59) from the National Association of Financial Market Institutional Investors, the Company issued its Tranche VI Short-term Debentures on 19 November 2014 at face value of RMB3,000 million, with a term of 180 days from issuance. The debentures were unsecured and bear interests at a fixed rate of 4.35% per annum. Principal and interests are paid upon maturity date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

38. Long-term borrowings

(1) Long-term borrowings disclosed by category were as follows:

All amounts in RMB'000

Items	Closing balance	Opening balance
Pledge loans (a)	609,671	1,361,297
Mortgage loans (b)	6,613,272	5,402,795
Guaranteed loans	—	266,000
Credit loans	20,727,410	24,950,297
Total	27,950,353	31,980,389
Less: Long-term borrowings due within one year (Note VII36):		
Including: Pledge loans	6,620,469	10,362,344
Mortgage loans	38,557	125,737
Guaranteed loans	480,316	830,800
Credit loans	—	231,000
Credit loans	6,101,596	9,174,807
Long-term borrowings due over one year	21,329,884	21,618,045

(a) Pledge loans

As at 31 December 2014, long-term borrowings of RMB609,671,000 (as at 31 December 2013: RMB1,361,297,000) were secured by the pledge of the Group's accounts receivable in an aggregate amount of RMB830,000,000 (as at 31 December 2013: RMB2,373,321,000).

(b) Mortgage loans

As at 31 December 2014, long-term borrowings of RMB6,613,272,000 (as at 31 December 2013: RMB5,402,795,000) were secured by the mortgage of the Group's intangible assets, fixed assets, investment properties, accounts receivable, long-term receivables and inventories in an aggregate amount of RMB9,445,993,000 (as at 31 December 2013: RMB5,904,660,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

38. Long-term borrowings (Continued)

(2) The maturity profile of long-term borrowings is as follows:

All amounts in RMB'000

	Closing balance	Opening balance
Within 1 year	6,620,469	10,362,344
1 to 2 years	7,817,612	9,415,171
2 to 5 years	8,816,342	7,581,962
Over 5 years	4,695,930	4,620,912
Total	<u>27,950,353</u>	<u>31,980,389</u>

(3) As at 31 December 2014, the weighted average interest rate of the above long-term borrowings was 6.09% (as at 31 December 2013: 6.26%) per annum.

(4) As at 31 December 2014, the Group did not have any significant overdue long-term borrowings.

39. Bonds payable

(1) Bonds payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Corporate debentures	2,704,000	2,704,000
Corporate medium-term notes	14,923,242	14,870,737
USD debentures	9,041,084	3,031,326
Total	<u>26,668,326</u>	<u>20,606,063</u>
Including: Bonds payable due within 1 year (Note VII 36)	4,722,403	—
Bonds payable due over 1 year	<u>21,945,923</u>	<u>20,606,063</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

39. Bonds payable (Continued)

(2) The increase and decrease of bonds payable

All amounts in RMB'000

Name of bonds	Face value	Issue date	Term	Issue amount	Opening balance	Issued in the current year	Accrued interests	Effect of change of exchange rate	Premium and discount amortization	Repaid in the current year	Closing balance
Corporate Debentures (a)	3,500,000	2008-07-23	10 years	3,500,000	2,704,000	—	164,944	—	—	—	2,704,000
Corporate											
Medium-term Notes (b)	10,000,000	2010-09-19	10 years	9,971,110	10,149,039	—	395,000	—	51,800	—	10,200,839
Corporate											
Medium-term Notes (c)	4,700,000	2010-11-15	5 years	4,686,400	4,721,698	—	221,840	—	705	—	4,722,403
USD debentures (d)	3,322,100	2011-07-29	5 years	3,188,432	3,031,326	—	136,166	10,988	21,990	—	3,064,304
USD debentures (e)	3,076,850	2014-06-16	3 years	2,953,930	—	2,953,930	52,468	(16,657)	17,677	—	2,954,950
USD debentures (f)	3,081,900	2014-08-28	3 years	3,050,434	—	3,050,434	25,783	(22,171)	(6,433)	—	3,021,830
Total	27,680,850	/	/	27,350,306	20,606,063	6,004,364	996,201	(27,840)	85,739	—	26,668,326

(a) As approved by the National Development and Reform Commission, the Group issued corporate debentures in July 2008 at face value of RMB3,500 million, with a term of ten years from issuance and interest rate of 6.10% per annum. On 24 July 2013, the Company redeemed bonds amounting to RMB796,000,000 from the bondholders.

(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 face 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 the fifth year from issuance. 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 face value of RMB4,700,000,000, a term of five years from issuance and interest rate of 4.72% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

39. Bonds payable (Continued)

(2) The increase and decrease of bonds payable (Continued)

- (d) MCC Holding (Hong Kong) Corporation Limited issued USD debentures on 29 July 2011 at a discounted price of USD497,025,000 with a face 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) Corporation Limited issued USD debentures on 16 June 2014 at a discounted price of USD480,025,000, with a face 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) MCC Holding (Hong Kong) Corporation Limited issued USD debentures on 28 August 2014 at a discounted price of USD494,895,000, with a face value of USD500,000,000, a term of three years from issuance. The debentures bear interests at a fixed rate of 2.500% per annum. Interest will be paid every quarter and principal will be paid upon maturity date. The debentures are guaranteed by headquarter of Agricultural Bank of China.

40. Long-term payables

(1) Long-term payables disclosed by nature were as follows:

All amounts in RMB'000

Items	Closing balance	Opening balance
Finance lease payables	482,876	100,000
Housing maintenance fee payables	50,362	49,263
Funds payable	215	215
Others	429,571	229,345
Total	963,024	378,823
Including: Long-term payables due within		
1 year (Note VII36)	98,206	112,530
long-term payables due over 1 year	864,818	266,293

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

40. Long-term payables (Continued)

(2) Long-term payables due over one year categorised by maturity is as follows:

All amounts in RMB'000

Maturity in	Closing balance	Opening balance
1 to 2 years	165,861	77,333
2 to 5 years	680,292	169,965
Over 5 years	18,665	18,995
Total	864,818	266,293

(3) Details of finance lease payables:

All amounts in RMB'000

	Closing balance	Opening balance
The first year after balance sheet	134,400	22,000
The second year after balance sheet	144,800	24,400
The third year after balance sheet	137,600	28,800
Subsequent years	187,000	55,200
Minimum lease payments	603,800	130,400
Less: Unrecognized finance costs	120,924	30,400
Finance lease payables	482,876	100,000
Including: Amount due for settlement		
within 12 months	89,820	12,306
Amount due for settlement		
after 12 months	393,056	87,694

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

41. Long-term employee benefits payable

(1) Long-term employee benefits payable

All amounts in RMB'000

Items	Closing balance	Opening balance
I. Post-employment benefits -Net liability arising from defined benefit plan	<u>4,379,117</u>	4,566,826
Total	<u><u>4,379,117</u></u>	<u>4,566,826</u>
Include: Long-term employee benefits payable due within one year (Note VII 26)	434,424	614,515
Long-term employee benefits payable due over one year	<u><u>3,944,693</u></u>	<u>3,952,311</u>

(a) Movements in the defined benefit plan in the current year were as follows:

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
I. Opening balance	4,566,826	5,279,845
II. Defined benefit costs recognized in profit or loss	210,320	193,425
1. Current service cost	—	—
2. Past service cost	24,553	16,435
3. Gain (losses) from settlements	—	(4,057)
4. Net interest expense	185,767	181,047
III. Defined benefit costs recognized in other comprehensive income	148,047	(333,007)
1. Actuarial gains (losses)	148,047	(333,007)
IV. Other movements	(546,076)	(573,437)
1. Liabilities extinguished on settlements	—	—
2. Benefits paid	(546,076)	(573,437)
V. Closing balance	<u><u>4,379,117</u></u>	<u>4,566,826</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

41. Long-term employee benefits payable (Continued)

- (2) Details of the defined benefit plan and its corresponding risk, effect on further cash flows, maturity and uncertainty of the Group
- (a) Defined benefit plan was for the staff retired before 31 December 2007. The retirement benefits received are depending on the retirement position, seniority and salary of the staff etc. The Group's supplementary-retirement benefits obligation at the balance sheet date was calculated by an external independent actuary "Towers Watson" using projected unit credit actuarial cost method.
- (b) The Group weighted average period of the present value for supplementary-retirement benefits obligation is 5.5 years.
- (c) Expected maturity analysis of undiscounted post-employment benefits:

All amounts in RMB'000

	within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Post-employment benefits	433,514	410,100	1,180,168	2,710,490	4,734,272

- (d) Defined benefits plan exposes the Group in various risks, mainly including the risk of change of interest rate of treasury bonds, inflation rate risk, and risk of the increase in life expectancy. The drop of the interest rate of treasury bonds will increase the defined benefit plan obligations. The Group is of the view that the interest rate of treasury bonds will not have significant fluctuations in the future. The changes of inflation rate will have impact on the significant assumptions of the living costs of the underlying staff and survivors, and the growth rate of the staff medical expense reimbursements. The Group believes this risk is not significant. The life expectancy increase will increase the defined benefit plan obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

41. Long-term employee benefits payable (Continued)

(3) The principal assumptions used for the purposes of the actuarial valuations and sensitivity analyses were as follows

(a) The major actuarial assumptions used for calculating the present value of the defined benefit obligations of the Group were as follows:

	31 December 2014	31 December 2013
Discount rate	3.60%	4.50%
Mortality rate	CLA 2000-03 up 2	CLA 2000-03 up 2
Annual growth rate of living cost for retirement staff and survivors	4.50%	4.50%
Annual growth rate of various employee medical expense reimbursement	8.00%	8.00%

(b) The sensitivity analysis of the major actuarial assumptions used for calculating the present value of the defined benefit obligations of the Group were as follows:

	Assumed changes	Impact on present value of the defined benefit obligations	
		Assumed increase	Assumed decrease
Discount rate	0.25%	Decrease by 1.60%	Increase by 1.60%
Annual growth rate of living cost for retirement staff and survivors	1.00%	Increase by 1.60%	Decrease by 1.40%
Annual growth rate of employee medical expense reimbursement	1.00%	Increase by 2.20%	Decrease by 1.90%

The sensitivity analysis above was prepared based on the change of one assumption but all other variables were held constant. However, the assumptions above are usually inter-related. The calculation of the present value of the defined benefit obligation in the sensitivity analysis above is also adopted the projected unit credit actuarial cost method.

Method and type of significant assumptions used in the sensitivity analysis for the current year remained unchanged comparing with the previous year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

42. Special payables

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance	Reasons
Housing allowance payables	725	—	118	607	Housing allowance
Special housing maintenance fee payables	43	—	—	43	Special housing maintenance fund
Special demolition compensation payables	38,705	51,572	75,777	14,500	Special remove compensation
Others	3,247	7,005	2,901	7,351	Others
Total	42,720	58,577	78,796	22,501	/

43. Provisions

All amounts in RMB'000

Items	Closing balance	Opening balance	Reasons
Pending litigations	50,284	25,458	Pending litigations
Product quality warranties	252	5,483	Product quality warranties
Restoration, rehabilitation and environmental provision	136,806	38,438	Environmental provision
Others	21,278	34,698	Others
Total	208,620	104,077	/
Including: Provision due within 1 year (Note VII 36)	466	6,618	
Provision due over 1 year	208,154	97,459	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

44. Deferred income

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance	Reasons
Government grants (a)	1,504,494	340,282	411,934	1,432,842	government grants
Others	123,618	79,792	17,217	186,193	Others
Total	1,628,112	420,074	429,151	1,619,035	/
Including: Deferred income to be released to profit and loss within 1 year (Note VII 37)	27,212	/	/	66,195	/
Deferred income to be released to profit and loss over 1 year	1,600,900	/	/	1,552,840	/

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

44. Deferred income (Continued)

(a) Deferred income relating to government grants are as follows:

All amounts in RMB'000

Government grants	Opening balance	Increased in the current year	Recognized in non-operating income in the current year	Other movements	Closing balance	Related to assets or incomes
Subsidy for rural reconstruction in Chongqing Dadukou district	161,855	28,157	7,892	—	182,120	Related to assets
The return of land leasing from the construction village	114,457	—	4,292	—	110,165	Related to assets
Building integrated photovoltaic demonstration power station	86,647	9,209	13,357	—	82,499	Related to assets
Allowance from the bureau of finance	76,800	—	3,200	—	73,600	Related to assets
R&D of technology and equipment of large gas purification (large-scaling of gas purification facilities)	78,946	—	6,418	—	72,528	Related to assets
Financial support for the new industrial park	73,000	—	10,072	—	62,928	Related to income
Subsidy for redevelopment project in Chongqing Jiulongpo district	63,566	—	2,787	—	60,779	Related to assets
NDRC (Large-scale industry base construction of multiform stamp forgings)	58,500	—	—	—	58,500	Related to assets
Shuangbei tunnel state-owned land on the housing levy project	—	46,473	—	—	46,473	Related to assets
Large-scale multiple stamp work heavy equipment independent industrial base	20,000	—	—	—	20,000	Related to assets
Others	770,723	256,443	363,916	—	663,250	Related to assets or incomes
Total	1,504,494	340,282	411,934	—	1,432,842	/

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

45. Share capital

All amounts in RMB'000

	Opening balance	Issue of new shares	Movements during the current year			Subtotal	Closing balance
			Bonus issue	Shares converted from capital reserve	Others		
Total shares	19,110,000	—	—	—	—	19,110,000	

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.

46. Capital reserve

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
Share premium	17,947,320	—	—	17,947,320
Other capital reserve	(207)	1,421	122,316	(121,102)
Total	17,947,113	1,421	122,316	17,826,218

The main reason for the reduction of capital reserve for the current year is the transaction between the Company and the non-controlling interests of MCC-JJJ Mining Development Company Limited which resulted in a decrease in RMB112,809,000 (Note IX 2).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

47. Other comprehensive income

All amounts in RMB'000

Items	Opening balance	Other comprehensive income before tax for the period	Movements during the current year		Attributable to owners of the Company, net of income tax	Attributable to non-controlling interests, net of income tax	Closing balance
			Less: Amount included in other comprehensive income in the prior periods that is transferred to profit or loss for current year	Less: Income tax expenses			
1. Other comprehensive income that will not be reclassified to profit or loss subsequently	576,819	(148,047)	—	(7,266)	(136,289)	(4,492)	440,530
Including: Re-measurement of defined benefit obligations	576,819	(148,047)	—	(7,266)	(136,289)	(4,492)	440,530
2. Other comprehensive income that may be reclassified subsequently to profit or loss:	(111,022)	288,835	13,905	26,085	253,913	(5,068)	142,891
Net (loss) gain on revaluation of available-for-sale financial assets	89,550	186,980	14,825	41,879	133,790	(3,514)	223,340
Exchange differences on translating foreign operations	(200,572)	101,855	(920)	(15,794)	120,123	(1,554)	(80,449)
Total comprehensive income	465,797	140,788	13,905	18,819	117,624	(9,560)	583,421

48. Special reserve

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
Production safety fee	12,550	2,173,227	2,173,227	12,550
Production maintenance fee	—	9,878	9,878	—
Total	12,550	2,183,105	2,183,105	12,550

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

49. Surplus reserve

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve(a)	420,659	108,890	—	529,549
Discretionary surplus reserve	—	—	—	—
Total	420,659	108,890	—	529,549

(a) In accordance with the "Company Law of the PRC" and the Company's Articles of Association, the Company appropriated 10% of the net profit to the statutory surplus reserve. When the accumulated amount of statutory surplus reserve reaches 50% of the Company's registered capital, further appropriation will not be needed. Upon the approval of the board, the statutory surplus reserve can be used to offset previous years' losses or increase the share capital. The Company appropriated 10% of the net profit, amounting to RMB108,890,000 for the year ended 31 December 2014 (for the year ended 31 December 2013: RMB131,293,000), to the statutory surplus reserve.

50. Retained earnings

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Opening balance	6,585,181	3,735,610
Add: Net profit attributable to shareholders of the Company for the current year	3,964,938	2,980,864
Less: Appropriation to statutory surplus reserve (Note VII49(a))	108,890	131,293
Appropriation to discretionary surplus reserve	—	—
Declaration of dividends on ordinary shares (a)	1,165,710	—
Conversion of ordinary shares' dividends into share capital	—	—
Closing balance (b)	9,275,519	6,585,181

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

50. Retained earnings (Continued)

(a) 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 2014.

(b) As at 31 December 2014, retained earnings of the Group contained statutory surplus reserve of subsidiaries of the Company amounting to RMB7,899,262,000 (as at 31 December 2013: RMB7,078,500,000).

51. Operating income and operating costs

All amounts in RMB'000

Items	Amount for the current year		Amount for the prior year	
	Operating income	Operating costs	Operating income	Operating costs
Principal business	214,333,710	186,839,536	201,579,422	174,186,504
Other business	1,452,062	1,045,020	1,110,819	925,757
Total	<u>215,785,772</u>	<u>187,884,556</u>	<u>202,690,241</u>	<u>175,112,261</u>

(1) Classified by industries:

All amounts in RMB'000

Items	Amount for the current year		Amount for the prior year	
	Principal operating income	Principal operating costs	Principal operating income	Principal operating costs
Engineering and construction	175,480,435	153,731,723	161,407,304	140,846,141
Property development	22,677,768	18,703,391	26,303,074	21,169,430
Equipment manufacturing	9,707,680	8,537,234	8,198,029	7,164,306
Resources development	3,942,800	3,602,730	3,096,259	2,649,587
Others	2,525,027	2,264,458	2,574,756	2,357,040
Total	<u>214,333,710</u>	<u>186,839,536</u>	<u>201,579,422</u>	<u>174,186,504</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

51. Operating income and operating costs (Continued)

(2) Classified by geographic locations:

All amounts in RMB'000

Items	Amount for the current year		Amount for the prior year	
	Principal operating income	Principal operating costs	Principal operating income	Principal operating costs
China	202,227,870	175,557,705	189,731,025	163,265,466
Other countries/regions	12,105,840	11,281,831	11,848,397	10,921,038
Total	<u>214,333,710</u>	<u>186,839,536</u>	<u>201,579,422</u>	<u>174,186,504</u>

(3) 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 RMB11,621,422,000 (for the year ended 31 December 2013: RMB12,966,323,000), accounting for 5.38% of the total operating income of the Group (for the year ended 31 December 2013: 6.39%), further details are set out below:

All amounts in RMB'000

Customers	Operating income	As a percentage of total operating income of the Group (%)
Party 1	2,522,871	1.17
Party 2	2,380,511	1.10
Party 3	2,355,013	1.09
Party 4	2,349,224	1.09
Party 5	2,013,803	0.93
Total	<u>11,621,422</u>	<u>5.38</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

52. Business taxes and levies

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Business tax	4,511,021	4,410,435
City construction and maintenance tax	409,527	367,771
Education surcharges	220,843	203,953
Land appreciation tax	288,816	472,232
Others	282,437	268,982
Total	5,712,644	5,723,373

53. Selling expenses

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Packing charges	2,743	4,009
Employee compensation costs	528,609	474,315
Depreciation expenses	14,707	19,367
Travelling expenses	138,429	130,808
Office expenses	204,119	219,960
Transportation expenses	229,156	274,229
Advertising expenses	218,978	240,947
Others	163,490	253,835
Total	1,500,231	1,617,470

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

54. Administrative expenses

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Employee compensation costs	3,963,644	3,783,898
Depreciation expenses	593,328	821,393
Travelling expenses	314,662	313,397
Office expenses	555,658	647,466
Lease rentals	97,297	84,163
Research and development expenses	2,216,847	2,012,765
Repairs and maintenance expenses	105,053	94,071
Amortization of intangible assets	175,854	166,289
Consulting expenses	196,200	254,755
Tax charges	365,865	360,285
Others	523,859	910,824
	9,108,267	9,449,306

55. Financial expenses

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Interest expenses	7,558,595	8,198,592
Including: Interest of bank borrowings and other borrowings wholly repayable within five years	5,731,522	6,248,784
Interest of bank borrowings and other borrowings wholly repayable over five years	1,085,285	992,957
Interest on finance leases	20,876	477
Others	720,912	956,374
Less: Capitalized interests	2,858,314	3,188,503
Less: Interest income	1,427,750	2,052,491
Exchange (gains) losses	290,438	892,193
Bank charges	257,737	190,584
Others	201,931	419,396
	4,022,637	4,459,771

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

56. Impairment losses on assets

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
1. Bad debt provision	2,014,143	1,322,485
2. Impairment of inventories (NoteVII10(2))	815,459	874,254
3. Impairment of available-for-sale financial assets (NoteVII14(4))	49,109	14,158
4. Impairment of long-term equity investments (NoteVII17)	53,323	—
5. Impairment of fixed assets (NoteVII19(1))	47,743	68,430
6. Impairment of construction in progress (NoteVII20(3))	164,115	—
7. Impairment of intangible assets (NoteVII22(3))	176,973	—
8. Others	(22,481)	9,455
Total	3,298,384	2,288,782

57. Gains from changes in fair values

All amounts in RMB'000

Sources	Amount for the current year	Amount for the prior year
Gain/(loss) arising on changes in fair value of financial assets designated as at FVTPL	(36)	(1,614)
Gain/(loss) arising on changes in fair value of derivative financial assets	(22,437)	40,969
Total	(22,473)	39,355

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

58. Investment income

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Income from long-term equity investments under equity method	(138,664)	(136,932)
Investment income on disposal of long-term equity investments	989,446	287,153
Investment income from holding financial assets at FVTPL	3	3
Investment income on disposal of financial assets at FVTPL	37,752	22,240
Investment income from holding available-for-sale financial assets	123,272	47,590
Investment income on disposal of available-for-sale financial assets	16,855	109,364
Others	25,003	13,394
Total	1,053,667	342,812

The investment income for the current year included income generated from listed securities of RMB67,221,000 (year ended 31 December 2013: RMB33,330,000) and income generated from unlisted securities of RMB986,446,000 (year ended 31 December 2013: RMB309,482,000).

59. Non-operating income

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year	Recognized in non-recurring profit or loss for the current year
Total gains on disposal of non-current assets	123,154	288,747	123,154
Including: Gains on disposal of fixed assets	62,127	251,223	62,127
Gains on disposal of intangible assets	60,373	36,795	60,373
Income from penalty	25,971	34,900	25,971
Gains on inventory taking	1,346	135	1,346
Government grants (a)	1,066,485	613,922	1,066,485
Approved unpayable balances	207,288	30,849	207,288
Others	274,890	77,947	274,890
Total	1,699,134	1,046,500	1,699,134

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

59. Non-operating income (Continued)

(a) Government grants recognized in profit or loss

All amounts in RMB'000

Government grants	Amount for the current year	Amount for the prior year	Related to assets or income
Relocation subsidy of low-lying shanty town on self-owned land	163,563	—	Related to income
Financial loan interest premiums	74,490	2,000	Related to income
Local development subsidy	40,000	30,000	Related to income
Self-owned land demolition and relocation compensation	33,000	—	Related to income
Loan of abroad economic cooperation interest premiums	30,940	—	Related to income
Expenses allocated from the Ministry of Finance	25,790	25,380	Related to income
Investment subsidy of Beijing Industry Promotion Bureau	25,380	—	Related to income
Baoshan Shipping Development District subsidy	23,730	—	Related to income
Baoshan investment promotion tax privilege	22,563	21,627	Related to income
Software product VAT refund	16,502	11,212	Related to income
Others	610,527	523,703	Related to assets/income
Total	1,066,485	613,922	/

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

60. Non-operating expenses

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year	Recognized in non-recurring profit or loss for the current year
Losses on disposal of non-current assets	36,318	48,108	36,318
Including: Losses on disposal of fixed assets	30,237	41,895	30,237
Losses on disposal of intangible assets	5,333	5,504	5,333
Non-recurring losses	116,549	18,138	116,549
Fines and surcharges for overdue payments	50,295	26,583	50,295
Compensation and default payments	35,067	16,185	35,067
Losses on written-off of fixed assets	88	314	88
Others	45,759	62,104	45,759
Total	<u>284,076</u>	<u>171,432</u>	<u>284,076</u>

61. Income tax expense

(1) Income tax expense

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Current year tax expense	2,797,715	2,439,702
Deferred tax	(433,765)	(220,985)
Total	<u>2,363,950</u>	<u>2,218,717</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

61. Income tax expense (Continued)

(2) Reconciliation of income tax expenses to the accounting profit is as follows:

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Total profit	6,705,305	5,296,513
Income tax expenses calculated at the statutory tax rate (25%)	1,676,327	1,324,128
Effect of difference between applicable tax rate and statutory tax rate	(269,786)	(375,658)
Income not subject to tax	(117,561)	(49,277)
Expenses not deductible for tax purposes	249,863	411,014
Utilization of previously unrecognized tax losses and other temporary differences for which no deferred income tax assets were recognized	(100,779)	(1,610,305)
Tax losses and other temporary differences for which no deferred income tax assets were recognized	1,042,024	2,775,244
Others	(116,138)	(256,429)
Income tax expense	2,363,950	2,218,717

(3) No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits in Hong Kong for the current year.

Most of the companies now comprising the Group are subject to PRC enterprise income tax, which have been provided based on the statutory income tax rate of 25% on the assessable income of each of these companies during the current year 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 subsidiaries within the Group has been calculated on the estimated assessable profit of these subsidiaries for the current year at the rates of taxation prevailing in the countries or jurisdictions in which these companies operate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

62. Other comprehensive income

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
(I) Items that will not be reclassified subsequently to profit or loss		
1. Re-measurement of defined benefit obligations	(148,047)	333,007
Less: Income tax effects on re-measurement of defined benefit obligations	(7,266)	24,541
Subtotal	(140,781)	308,466
(II) Items that may be reclassified subsequently to profit or loss:		
1. Changes in fair value of available-for-sale financial assets	186,980	(54,646)
Amount included in other comprehensive income in prior periods that is transferred to profit or loss for the current year	14,825	—
Less: Income tax effects on available-for-sale financial assets	41,879	(13,678)
Subtotal	130,276	(40,968)
2. Share of other comprehensive income of the investees accounted for using the equity method	—	99
Amount included in other comprehensive income in prior periods that is transferred to profit or loss for the current year	—	—
Less: Income tax effects on the share of other comprehensive income of the investees accounted for using the equity method	—	—
Subtotal	—	99

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

62. Other comprehensive income (Continued)

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
3. Exchange differences on translating foreign operations	101,855	37,629
Net amount transferred to profit or loss for the current year on disposal of foreign operations	(920)	—
Less: Income tax effects on the exchange differences on translating foreign operations	(15,794)	—
Subtotal	118,569	37,629
Total	108,064	305,226

63. Notes to items in the cash flow statements

(1) Other cash receipts relating to operating activities:

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Receipts of guarantee funds	—	6,243,989
Interest income	423,111	568,266
Recovery of receivables	2,695,669	349,033
Government grants received	522,958	639,465
Receipts of withholding payments	1,243,468	101,355
Recovery of deposits	—	389,880
Petty cash funds returned by employees	16,240	25,407
Others	138,811	—
Total	5,040,257	8,317,395

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

63. Notes to items in the cash flow statements (Continued)

(2) Other cash payments relating to operating activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Payments of deposits and guarantee funds	8,353,053	239,753
Research and development expenses	1,150,124	1,610,658
Payments for retirement benefits	546,076	566,479
Travelling expenses	453,090	1,421,812
Office expenses	663,817	1,070,989
Utility expenses	142,386	1,501,927
Repairment and maintenance expenses	107,899	214,261
Advertising and media services expenses	218,978	174,055
Settlements for payables	96,725	910,975
Conference expenses and association fees	14,879	34,636
Others	1,333,394	1,058,811
Total	13,080,421	8,804,356

(3) Other cash receipts relating to investing activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Cash receipts on interest incomes of receivables and financial investments	169,377	—
Cash receipts from asset-related government grants	109,894	53,246
Cash receipts from acquisition of subsidiaries (Note VII 64(2))	65,706	45,665
Receipts of loans to related parties and third parties	—	890,988
Total	344,977	989,899

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

63. Notes to items in the cash flow statements (Continued)

(4) Other cash payments relating to investing activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Providing loans to related parties and third parties	1,126,752	—
Others	—	120
Total	1,126,752	120

(5) Other cash receipts relating to financing activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Reduction of restricted deposits	—	258,071
Total	—	258,071

(6) Other cash payments relating to financing activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Increase in restricted deposits	684,251	—
Settlements of finance lease obligations	58,000	9,825
Transactions with non-controlling interests	—	149,199
Total	742,251	159,024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

64. Supplementary information of the cash flow statements

(1) Supplementary information of the cash flow statements

All amounts in RMB'000

Supplementary information	Amount for the current year	Amount for the prior year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	4,341,355	3,077,796
Add: Provision for impairment losses of assets	3,298,384	2,288,782
Depreciation of fixed assets and amortization of investment properties	2,891,718	2,738,649
Amortization of intangible assets	346,000	372,634
Amortization of long-term prepayments	53,945	50,926
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets	(86,836)	(240,639)
Losses (gains) on written-off of fixed assets	88	314
Losses (gains) on changes in fair values	22,473	(39,355)
Financial expenses (gains)	4,923,746	4,713,945
Losses (gains) arising from investments	(78,779)	(342,812)
Decrease (increase) in deferred tax assets	(372,192)	(352,750)
Increase (decrease) in deferred tax liabilities	(61,573)	131,765
Decrease (increase) in inventories	(582,741)	(2,145,008)
Decrease (increase) in receivables from operating activities	(6,313,907)	(7,321,928)
Increase (decrease) in payables from operating activities	6,587,346	17,089,827
Others	—	—
Net cash flows from operating activities	14,969,027	20,022,146

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

64. Supplementary information of the cash flow statements (Continued)

(1) Supplementary information of the cash flow statements (Continued)

All amounts in RMB'000

Supplementary information	Amount for the current year	Amount for the prior year
2. Significant non-cash investing and financing activities:		
Conversion of liabilities into capital	—	856,463
3. Net changes in cash and cash equivalents:		
Closing balance of cash	28,571,177	31,242,554
Less: Opening balance of cash	31,242,554	32,084,175
Add: Closing balance of cash equivalents	—	—
Less: Opening balance of cash equivalents	—	—
Net decrease in cash and cash equivalents	(2,671,377)	(841,621)

(2) Net cash payments to acquire subsidiaries

All amounts in RMB'000

	Amount
Cash and cash equivalents paid for business combination in the current year	24,629
Including: China Metallurgical Construction Engineering Group Chongqing Heyuan Concrete Co., Ltd.	24,629
Less: Cash and cash equivalents held by subsidiaries at the acquisition date	90,335
Including: China Metallurgical Construction Engineering Group Chongqing Heyuan Concrete Co., Ltd.	90,335
Add: Cash and cash equivalents paid in the current year for business combination in prior years	—
Net cash payments to acquire subsidiaries (Note VII 63(3))	(65,706)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

64. Supplementary information of the cash flow statements (Continued)

(3) Net cash receipts from disposal of subsidiaries

All amounts in RMB'000

	Amount
Cash and cash equivalents received from disposal of subsidiaries in the current year	12,600
Including: Gansu Enfi new energy Co., Ltd.	12,600
Less: Cash and cash equivalents held by subsidiaries at the disposal date	3,749
Including: Gansu Enfi new energy Co., Ltd.	3,749
Add: Cash and cash equivalents received in the current year from disposal of subsidiaries in prior years	—
Net cash receipts from disposal of subsidiaries	<u>8,851</u>

(4) The composition of cash and cash equivalents

All amounts in RMB'000

Items	Closing balance	Opening balance
I. Cash	28,571,177	31,242,554
Including: Cash on hand	23,660	31,553
Bank deposits without restriction	26,732,332	30,099,247
Other monetary funds without restriction	1,815,185	1,111,754
II. Cash equivalents	—	—
Including: Investments in debt securities due within three months	—	—
III. Closing balance of cash and cash equivalents	28,571,177	31,242,554
Including: Cash and cash equivalents of the Company or within the Group with restriction	<u>—</u>	<u>—</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

65. Assets with title restrictions

All amounts in RMB'000

Items	Closing book value	Reasons
Cash and bank balances	4,838,303	Pledge/frozen/overseas regulatory control
Bills receivable	744,585	Pledge
Accounts receivable	1,767,201	Pledge/mortgage/others
Inventories	7,942,153	Mortgage
Investment properties	384,719	Mortgage
Fixed assets	537,351	Mortgage
Intangible assets	433,305	Pledge/mortgage/others
Long-term receivables	174,172	Mortgage
Total	16,821,789	/

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

66. Foreign currencies denominated items

(1) *Foreign currencies denominated items*

All amounts in RMB'000

Items	Foreign currency at the end of the year	Exchange rate	RMB at the end of the year
Cash and bank balances			2,775,806
Including: USD	248,168	6.1190	1,518,538
EUR	4,948	7.4556	36,890
AUD	36,500	5.0174	183,136
RMB	134,933	1.0000	134,933
Others	/	/	902,309
Accounts receivable			1,126,022
Including: USD	78,623	6.1190	481,093
EUR	1,800	7.4556	13,420
Others	/	/	631,509
Other receivables			921,808
Including: USD	6,116	6.1190	37,424
EUR	546	7.4556	4,067
AUD	50,000	5.0174	250,870
Others	/	/	629,447
Long-term receivables			150,522
Including: USD	30,000	5.0174	150,522
Short-term borrowings			990,626
Including: USD	109,948	6.1190	672,769
Others			317,857
Accounts payable			1,407,828
Including: USD	30,667	6.1190	187,650
EUR	12,907	7.4556	96,229
AUD	566	5.0174	2,838
Others	/	/	1,121,111
Other payables			769,058
Including: USD	29,003	6.1190	177,468
Others	/	/	591,590
Long-term borrowings			7,001,344
Including: USD	514,338	6.1190	3,147,235
Others	/	/	3,854,109

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

66. Foreign currencies denominated items (Continued)

(2) Notes for the foreign operations

Full name of the major foreign operations	Place of business	Reporting currency	The basis of selecting functional currency
MCC Minera Sierra Grande S.A	Argentina	Argentine Peso	The functional currency of the overseas subsidiaries is selected based on the primary economic environment where they operate.
MCC Mining (Western Australia) Pty Ltd.	Australia	US Dollar	
MCC Australia Holding Pty Ltd.	Australia	Australian Dollar	
MCC Tongsin Resources Ltd.	Pakistan	US Dollar	
MCC Holding (Hong Kong) Corporation Limited	Hong Kong	US Dollar	
MCC Ramu NiCo Ltd.	Papua New Guinea	US Dollar	

The functional currencies of the Group's major foreign operations have not changed during the reporting year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VIII. CHANGES OF THE SCOPE OF CONSOLIDATION

1. Business combination other than involving entity under common control

- (1) Business combination other than involving entity under common control in the current year was as follows:

All amounts in RMB'000

Name of the acquiree	Date of shares acquired	Cost of shares acquired	Proportion of shares acquired (%)	Method of shares acquired	Date of acquisition	The basis of determining the date of acquisition	Post-acquisition revenue in the current year	Post-acquisition profit in the current year
China Metallurgical Construction Engineering Group Chongqing Heyuan Concrete Co., Ltd.	2014-07-08	43,916	70.00	Negotiating transfer	2014-07-08	Actual control date by management	109,920	2,048

- (2) *The cost of the combination and goodwill arising on acquisition*

All amounts in RMB'000

**China Metallurgical
Construction
Engineering Group
Chongqing Heyuan
Concrete Co., Ltd.**

The cost of the combination	
— Cash	24,629
— Fair value of non-cash assets	19,287
Total cost of the combination	43,916
Less: Fair value of identifiable net assets acquired	25,383
Goodwill	18,533

The carrying value and the fair value of the cost of the combination was the same, there was no contingent consideration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VIII. CHANGES OF THE SCOPE OF CONSOLIDATION *(Continued)*

1. **Business combination other than involving entity under common control** *(Continued)*

(3) *Identifiable assets and liabilities at the date of acquisition*

All amounts in RMB'000

	China Metallurgical Construction Engineering Group Chongqing Heyuan Concrete Co., Ltd.	
	Fair value at the date of acquisition	Carrying value at the date of acquisition
Assets:	394,171	394,171
Cash and bank balances	90,335	90,335
Receivables	275,930	275,930
Inventories	11,945	11,945
Fixed assets	15,495	15,495
Long-term prepayments	69	69
Deferred tax assets	397	397
Liabilities:	357,910	357,910
Borrowings	100,000	100,000
Payables	257,910	257,910
Net assets	36,261	36,261
Less: Non-controlling interests	10,878	10,878
Net assets acquired	25,383	25,383

The Group did not assume any contingent liabilities of the acquiree upon business combination. As at the acquisition date, the carrying values and the fair values of identifiable assets and liabilities were the same.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VIII. CHANGES OF THE SCOPE OF CONSOLIDATION (Continued)

2. Disposal of subsidiaries

All amounts in RMB'000

Name of the subsidiary	Sales proceeds	Percentage of equity interest disposed (%)	Method of disposal	Disposal date	The basis of determining disposal date	The difference between disposal consideration and shares of net assets of the corresponding subsidiaries at the date of disposal	Proportion of the retained interests on disposal date	Carrying amount of the retained interests on disposal date	Fair value of the retained interests on disposal date	Amounts recognized in profit or loss from re-measuring retained interests in accord with its fair value	Key factors and assumptions used in determining the fair value on disposal date	Cumulative gain reclassified from other comprehensive income to profit or loss on disposal
Nanjing Gangning Real Estate Co., Ltd.	1,946,711	100.00	Negotiating transfer	2014-03-10	Actual date of losing control	53,442	—	—	—	—	Not Applicable	—
Nanjing Longjiangwan Real Estate Co., Ltd.	1,500,021	100.00	Negotiating transfer	2014-03-10	Actual date of losing control	119,869	—	—	—	—	Not Applicable	—
Nanjing Lifang Real Estate Co., Ltd.	902,300	100.00	Negotiating transfer	2014-03-10	Actual date of losing control	399,282	—	—	—	—	Not Applicable	—
Wuhan Aoxin Real Estate Co., Ltd.	3,601	70.00	Negotiating transfer	2014-05-20	Actual date of losing control	30	—	—	—	—	Not Applicable	—
Nanjing Jinmingcheng Real Estate Co., Ltd.	336,900	100.00	Negotiating transfer	2014-06-05	Actual date of losing control	21,692	—	—	—	—	Not Applicable	—
Maanshan MCC Binjiang Urban Construction Co., Ltd.	171,412	80.00	Negotiating transfer	2014-09-30	Actual date of losing control	—	—	—	—	—	Not Applicable	—
Gansu Enfi New Energy Co., Ltd.	12,600	70.00	Negotiating transfer	2014-10-10	Actual date of losing control	9,100	—	—	—	—	Not Applicable	—
Nanjing Wudaokou Real Estate Co., Ltd.	347,800	100.00	Negotiating transfer	2014-11-19	Actual date of losing control	118,990	—	—	—	—	Not Applicable	—
Xinyang MCC Baorun Real Estate Co., Ltd.	109,863	60.00	Negotiating transfer	2014-11-30	Actual date of losing control	35,042	—	—	—	—	Not Applicable	—
Tianjin MCC Heyuan Real Estate Co., Ltd.	60,232	81.00	Negotiating transfer	2014-11-30	Actual date of losing control	5,427	19.00	12,855	14,128	1,273	Fair value computed on a proportional basis by reference to sales proceeds	—
North Sea MCC Haitian Real Estate Co., Ltd.	33,500	100.00	Negotiating transfer	2014-12-10	Actual date of losing control	5,777	—	—	—	—	Not Applicable	—
Fangchenggang MCC Jinhaidu Real Estate Co., Ltd.	33,623	100.00	Negotiating transfer	2014-12-16	Actual date of losing control	14,861	—	—	—	—	Not Applicable	—
Nanjing Ganghong Real Estate Co., Ltd.	318,609	100.00	Negotiating transfer	2014-12-26	Actual date of losing control	199,203	—	—	—	—	Not Applicable	—

3. Other reasons of the change for scope of consolidation

Except for the establishment of MCC Financial Leasing Co., Ltd., MCC Northeast Construction Development Co., Ltd., Qianhai MCC (Shenzhen) International Trading Co., Ltd. and MCC International Investment Development Co., Ltd., there were no significant changes of the scope of consolidation for the current year compared with prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IX. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) *The constitution of the Group*

Details of subsidiaries of the Group were as follows:

Name of subsidiary	Place of business	Place of establishment/ incorporation	Business scope	Proportion of ownership interest (%)		Method of getting the subsidiary
				Direct	Indirect	
Anshan Coking and Refractory Engineering Consulting Corporation	China	Anshan	Design, service	100.00	—	Invested by shareholders
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	China	Anshan	EPC	86.83	—	Invested by shareholders
Northern Engineering & Technology Corporation, MCC	China	Anshan	EPC	90.76	—	Invested by shareholders
Anshan Engineering & Research Incorporation of Metallurgical Industry	China	Anshan	Design, service	100.00	—	Invested by shareholders
China MCC 3 Group Co., Ltd.	China	Anshan	Project contracting	100.00	—	Invested by shareholders
Shenyang Institute of Geotechnical Investigation Corporation, MCC	China	Shenyang	Investigation, design	100.00	—	Invested by shareholders
Shen Kan Engineering & Technology Corporation, MCC	China	Shenyang	Investigation, design	100.00	—	Invested by shareholders
MCC Overseas Ltd.	China	Beijing	Project contracting	100.00	—	Invested by shareholders
MCC Communication Engineering Technology Co., Ltd.	China	Beijing	Infrastructure contractor	100.00	—	Invested by shareholders
MCC International Incorporation Ltd.	China	Beijing	Project contracting	100.00	—	Invested by shareholders
Ramu NiCo Management (MCC) Limited	Papua New Guinea	Papua New Guinea	Nickel cobalt ore mining and smelting	100.00	—	Invested by shareholders
MCC Finance Corporation Ltd.	China	Beijing	Finance	86.13	13.56	Invested by shareholders
MCC Tongsin Resources Ltd.	Pakistan	British Virgin Islands	Resource development	100.00	—	Invested by shareholders

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IX. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

Name of subsidiary	Place of business	Place of establishment/ incorporation	Business scope	Proportion of ownership interest (%)		Method of getting the subsidiary
				Direct	Indirect	
MCC-JJJ Mining Development Company Limited	China	Beijing	Resource development	67.02	—	Invested by shareholders
MCC Capital Engineering & Research Incorporation Limited	China	Beijing	EPC	87.00	—	Invested by shareholders
Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd.	China	Beijing	Design, service	100.00	—	Invested by shareholders
MCC Real Estate Group Co., Ltd.	China	Beijing	Real estate development	100.00	—	Invested by shareholders
China 13th Metallurgical Construction Corporation	China	Taiyuan	Project contracting	100.00	—	Invested by shareholders
MCC TianGong Group Corporation Ltd.	China	Tianjin	Project contracting	98.53	—	Invested by shareholders
China 22MCC Group Co., Ltd.	China	Tangshan	Project contracting	100.00	—	Invested by shareholders
Beris Group Corporation	China	Baotou	Design, service	100.00	—	Invested by shareholders
China ENFI Engineering Co., Ltd.	China	Beijing	EPC	100.00	—	Invested by shareholders
China Second Metallurgical Group Corporation Ltd.	China	Baotou	Project contracting	100.00	—	Invested by shareholders
Central Research Institute of Building and Construction Co., Ltd., MCC Group	China	Beijing	EPC	100.00	—	Invested by shareholders
MCC Hi-Tech Engineering Co., Ltd.	China	Beijing	Project contracting	100.00	—	Invested by shareholders
China Huaye Group Co., Ltd.	China	Beijing	Project contracting	100.00	—	Invested by shareholders
Beijing MCC Equipment Research & Design Corporation Ltd.	China	Beijing	EPC	100.00	—	Invested by shareholders
CISDI Group Corp. Ltd.	China	Chongqing	Design, service	100.00	—	Invested by shareholders
China MCC 5 Group Co., Ltd.	China	Chengdu	Project contracting	98.58	—	Invested by shareholders
China Metallurgical Construction Engineering Group Co., Ltd.	China	Chongqing	Project contracting	100.00	—	Invested by shareholders
China MCC 19 Group Co., Ltd.	China	Panzhuhua	Project contracting	100.00	—	Invested by shareholders
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	China	Wuzhou	Infrastructure investment	100.00	—	Invested by shareholders

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IX. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

Name of subsidiary	Place of business	Place of establishment/ incorporation	Business scope	Proportion of ownership interest (%)		Method of getting the subsidiary
				Direct	Indirect	
MCC Baosteel Technology Services Co., Ltd.	China	Shanghai	Repair work	59.65	20.89	Invested by shareholders
China MCC 20 Group Co., Ltd.	China	Shanghai	Project contracting	69.00	—	Invested by shareholders
Shanghai Baoye Group Corp., Ltd.	China	Shanghai	Project contracting	97.93	0.80	Invested by shareholders
MCC Maanshan I&S Design and Research Institute Co., Ltd.	China	Maanshan	Design, service	100.00	—	Invested by shareholders
Huatian Engineering & Technology Corporation, MCC	China	Maanshan	EPC	84.68	—	Invested by shareholders
China MCC 17 Group Co., Ltd.	China	Maanshan	Project contracting	66.70	—	Invested by shareholders
China MCC International Economic and Trade Co., Ltd.	China	Shanghai	Trading	54.58	40.34	Invested by shareholders
Wuhan Iron and Steel Design & Research Incorporation Limited	China	Wuhan	Design, service	100.00	—	Invested by shareholders
WISDRI Engineering & Research Incorporation Ltd.	China	Wuhan	EPC	82.56	—	Invested by shareholders
China First Metallurgical Group Co., Ltd.	China	Wuhan	Project contracting	93.07	—	Invested by shareholders
Zhong Ye Chang Tian International Engineering Co., Ltd.	China	Changsha	EPC	91.66	—	Invested by shareholders
Changsha Metallurgical Design & Research Institute Co., Ltd.	China	Changsha	Design, service	100.00	—	Invested by shareholders
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	China	Wuhan	Investigation, design	100.00	—	Invested by shareholders
MCC-SFRE Heavy Industry Equipment Co., Ltd.	China	Xian	Metallurgy equipment manufacturing	71.47	—	Invested by shareholders
MCC Holding (Hong Kong) Corporation Limited	China	Hong Kong	Others	100.00	—	Established through investments
MCC Mining (Western Australia) Pty Ltd.	Australia	Australia	Resource development	100.00	—	Invested by shareholders

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IX. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

Name of subsidiary	Place of business	Place of establishment/ incorporation	Business scope	Proportion of ownership interest (%)		Method of getting the subsidiary
				Direct	Indirect	
MCC Australia Holding Pty Ltd.	Australia	Australia	Resource development	100.00	—	Invested by shareholders
MCC Financial Leasing Co., Ltd. (Note VIII3)	China	Zhuhai	Finance lease	51.00	49.00	Established through investments
MCC Northeast Construction Development Co., Ltd. (Note VIII3)	China	Shenyang	Project contracting	100.00	—	Established through investments
Qianhai MCC (Shenzhen) International Trading Co., Ltd. (Note VIII3)	China	Shenzhen	Trading	75.00	25.00	Established through investments
MCC International Investment Development Co., Ltd., (Note VIII3)	China	Zhuhai	Real estate development project contracting	90.00	10.00	Established through investments

Note: Except for the Company and MCC Holding (Hong Kong) Corporation Limited, other subsidiaries have not issued any bonds.

(a) There is no difference between proportion of ownership interest and proportion of voting power in subsidiaries in the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IX. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

(b) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights, and the grounds for not controlling the investees of which the Group is holding more than half of the voting rights:

(i) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights:

Name of investee	The proportion of equity interest (%)	The reason for forming part of consolidation scope
Beijing Jinwei Soldering Material Co., Ltd.	45.00	According to the articles of association, the Group can control the board of directors.
Beijing Enfi Environmental Protection Co., Ltd.	49.15	The equity interest of other shareholders is scattered and of small proportion.
Wuhan Zhongyi Communication Construction Co., Ltd.	25.10	According to the agreement of shareholding entrustment, the Group can control the investee.
Qingdao Jinze Huadi Real Estate Co., Ltd.	50.00	According to the agreement among shareholders, the Group can control the investee.

(ii) The grounds for not controlling the investees of which the Group is holding more than half of the voting rights:

Name of investee	The proportion of equity interest (%)	The reason for not forming part of consolidation scope
Sichuan Xinyejieda Air-conditioning Technology Co., Ltd.	60.00	Under liquidation procedure
Beijing New Century Hotel Co., Ltd.	60.00	Each shareholder has a veto right

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IX. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(2) Material non-controlling interests

All amounts in RMB'000

Company name	Proportion of equity interest held by non-controlling interests (%)	Profit or loss attributable to non-controlling interests in the current year	Declaration of cash dividends to non-controlling interests	Non-controlling interests at the end of the year
China MCC 20 Group Co., Ltd.	31.00	134,893	63,782	1,611,273
China First Metallurgical Group Co., Ltd.	6.93	47,688	11,587	1,470,842
WISDRI Engineering & Research Incorporation Ltd.	17.44	101,335	17,759	1,236,915
MCC Capital Engineering & Research Incorporation Limited	13.00	15,012	41,457	823,889
China MCC 17 Group Co., Ltd.	33.30	103,449	29,551	656,427

(a) There is no difference between proportion of equity interest percentage held by non-controlling interest and proportion of non-controlling voting power in subsidiaries in the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IX. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(3) Summarized financial information of subsidiaries with material non-controlling interests

All amounts in RMB'000

Company name	Closing balance						Opening balance					
	Non-		Total	Non-		Total	Non-		Total	Non-		Total
	Current	current		Current	current		Current	current		Current	current	
assets	assets	assets	liabilities	liabilities	liabilities	assets	assets	assets	liabilities	liabilities	liabilities	
China MCC 20 Group Co., Ltd.	21,491,407	7,161,681	28,653,088	21,775,989	2,781,953	24,557,942	17,999,059	7,056,430	25,055,489	18,917,297	2,478,571	21,395,868
China First Metallurgical Group Co., Ltd.	16,937,339	3,106,152	20,043,491	14,948,971	1,540,861	16,489,832	13,485,099	5,277,124	18,762,223	12,200,081	3,113,293	15,313,374
WISDRI Engineering & Research Incorporation Ltd.	10,079,665	2,572,559	12,652,224	7,661,642	91,046	7,752,688	9,371,629	2,825,339	12,196,968	7,442,554	151,566	7,594,120
MCC Capital Engineering & Research Incorporation Limited	12,139,461	4,098,387	16,237,848	11,194,505	904,765	12,099,270	12,548,994	4,655,719	17,204,713	12,169,103	975,727	13,144,830
China MCC 17 Group Co., Ltd.	8,097,437	1,090,813	9,188,250	6,706,204	518,939	7,225,143	7,311,581	1,279,638	8,591,219	6,384,723	462,062	6,846,785

All amounts in RMB'000

Company name	Amount for the current year				Amount for the prior year			
	Operating income	Net profit	Total comprehensive income	Cash	Operating income	Net profit	Total comprehensive income	Cash
				flows from operating activities				flows from operating activities
China MCC 20 Group Co., Ltd.	22,053,468	535,198	530,993	3,478,185	23,090,531	584,549	594,081	5,669,726
China First Metallurgical Group Co., Ltd.	15,133,432	178,452	184,041	3,270,270	13,396,883	302,902	337,107	637,058
WISDRI Engineering & Research Incorporation Ltd.	7,253,225	438,493	438,465	821,794	6,963,522	392,400	392,411	510,915
MCC Capital Engineering & Research Incorporation Limited	8,779,041	162,308	162,197	1,447,971	8,730,449	110,526	110,621	1,337,335
China MCC 17 Group Co., Ltd.	11,030,265	310,590	307,415	730,054	9,304,969	288,219	298,798	243,210

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IX. INTERESTS IN OTHER ENTITIES (Continued)

2. Transactions causing the changes of the equity of the subsidiaries attributable to the owners of the Company but the control of the subsidiaries is still retained by the Group

(1) Details of the transactions:

For the current year, the Group increased capital contribution in MCC-JJJ Mining Development Company Limited. This transaction is a disproportional capital increase. Hence, after the capital raise, the percentage of equity interest in the above subsidiary by the Group increased from 61% to 67.02%.

For the current year, one of the subsidiaries of the Group MCC Capital Engineering & Research Incorporation Limited acquired the non-controlling interest of its subsidiary, Beijing Jingcheng Dingyu Management System Co., Ltd. After the transaction, the equity interest in Beijing Jingcheng Dingyu Management System Co., Ltd. held by MCC Capital Engineering & Research Incorporation Limited increased from 66.6% to 100.00%.

(2) Impact of the transactions on the non-controlling interests and the equity attributable to owners of the Company:

All amounts in RMB'000

	MCC-JJJ Mining Development Company Limited	Beijing Jingcheng Dingyu Management System Co., Ltd.
Cost of acquisition/disposal consideration	186,382	4,018
— Cash	186,382	4,018
Total of cost of acquisition/disposal consideration	186,382	4,018
Less: Share of subsidiaries' net assets calculated with reference to the proportion of the share attained/disposed	73,573	4,143
The difference	112,809	(125)
Including: Adjustment to capital reserve	112,809	(125)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IX. INTERESTS IN OTHER ENTITIES (Continued)

3. Interests in joint ventures and associates

(1) Details of the Group's material joint ventures and associates

All amounts in RMB'000

Name of joint ventures and associates	Principal place of operation	Place of establishment	Principal activities	Proportion of ownership interest held by the Group (%)		Accounting method
				Direct	Indirect	
Tianjin Zhongji Equipment Manufacture Co., Ltd.	China	Tianjin	Equipment manufacturing and installation	50.00	—	Equity method
Beijing New Century Hotel Co., Ltd.	China	Beijing	Hotel service	60.00	—	Equity method
CERI Yingkou Equipment Technology Co., Ltd.	China	Yingkou	Equipment design and manufacturing	48.96	—	Equity method
Tianjin SERI Machinery Equipment Corporation Ltd.	China	Tianjin	Manufacturing	50.00	—	Equity method
Nanjing Ming's Culture Co., Ltd.	China	Nanjing	Cultural communication	49.18	—	Equity method
Baotou MCC Real Estate Co., Ltd.	China	Baotou	Real estate development	36.00	—	Equity method
Tianjin Tuanbo Urban Development Co., Ltd.	China	Tianjin	Real estate development	30.00	—	Equity method
WISDRI (Xinyu) Cold Processing Engineering Co., Ltd.	China	Xinyu	Equipment manufacturing	30.00	—	Equity method
Tianjin MCC Xinhua Real Estate Co., Ltd.	China	Tianjin	Real estate development	49.00	—	Equity method
Shanghai Zhong Ye Xiangteng Investment Company Ltd.	China	Shanghai	Real estate development	33.00	—	Equity method

(a) The grounds for holding less than 20% of the voting rights in the investees but the Group has significant influence over these investees, and the grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence:

(i) The grounds for holding less than 20% of the voting rights in the investees but the Group has significant influence over these investees:

Name of investee	The proportion of equity interest (%)	Reason for having significant influence
Tianjin MCC Heyuan Real Estate Co., Ltd.	19.00	Assigned director to the board of directors of the entity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IX. INTERESTS IN OTHER ENTITIES *(Continued)*

3. Interests in joint ventures and associates *(Continued)*

(1) *Details of the Group's material joint ventures and associates (Continued)*

(a) The grounds for holding less than 20% of the voting rights in the investees but the Group has significant influence over these investees, and the grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence: *(Continued)*

(ii) The grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence:

Name of investee	The proportion of equity interest (%)	Reason for not having significant influence
Shanghai Xinpu Transportation Co., Ltd.	40.00	The Company did not assign director into the board of directors of the investee, nor involved in the financial and operating decisions or normal operating activities of the investee in any other forms.
Tangshan Stainless Steel Co., Ltd.	23.89	
Harbin Shuangqi Environmental Resources Co., Ltd.	20.00	
Shanxi Sanjin Mining Holdings Co., Ltd.	20.00	
Beris Engineering And Research Corporation Jiangsu Heavy Industry Co., Ltd.	20.00	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IX. INTERESTS IN OTHER ENTITIES (Continued)

3. Interests in joint ventures and associates (Continued)

(2) Summarized financial information of material joint ventures and associates

All amounts in RMB'000

	Closing balance/ amount recognized in the current year	Opening balance/ amount recognized in the prior year
Joint ventures:		
Total carrying amount	602,971	607,126
The Group's share of the following items:		
— Net profit	7,167	(27,942)
— Other comprehensive income	—	—
— Total comprehensive income	7,167	(27,942)
Associates:		
Total carrying amount	3,336,240	3,526,296
The Group's share of the following items:		
— Net profit	(166,914)	(67,324)
— Other comprehensive income	—	—
— Total comprehensive income	(166,914)	(67,324)

(3) In the reporting period, there are no significant restrictions on the realization of long-term equity investments, or on the remittance of cash arising from the investment income in joint ventures and associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

X. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's operating activities expose to a variety of financial risks: market risk (mainly 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

(1) 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 currencies 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. However, management continuously monitors foreign exchange exposure and will prudently consider hedging significant foreign exchange exposure should the need arising. The management is of the view that the reasonable fluctuation of the exchange rate in the near future will not have a significant impact on the operating results of the Group. The Group currently does not have a foreign exchange hedging policy.

Details of the Group's foreign currencies denominated financial assets and financial liabilities (amount translated into RMB) as at 31 December 2014 are set out in Note VII 66.

As at 31 December 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 year ended 31 December 2014 would have been approximately RMB186,318,000 higher/lower (as at 31 December 2013: RMB304,940,000 higher/lower).

(2) Interest rate risk

(a) The interest bearing debts at fixed rates expose the Group to fair value interest-rate risk, relating to bank borrowings at fixed rates and bonds payable at fixed rates, etc. The differences between the fair value and the carrying amount of the above fixed rate financial instruments are set out in Note XI 6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

X. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

1. Market risk *(Continued)*

(2) Interest rate risk *(Continued)*

- (b) The interest bearing debts at floating rates expose the Group to cash flow 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 31 December 2014, short-term borrowings of the Group were amounting to RMB36,461,263,000 (as at 31 December 2013: RMB45,080,598,000). Long-term interest bearing debts at floating rates due within one year were amounting to RMB5,300,330,000 (as at 31 December 2013: RMB5,021,184,000); long-term interest bearing debts at floating rates due over one year were amounting to RMB17,783,516,000 (as at 31 December 2013: RMB18,705,473,000). Long-term interest bearing debts at fixed rates due within one year were amounting to RMB6,024,542,000 (as at 31 December 2013: RMB5,341,160,000); long-term interest bearing debts at fixed rates due over one year were amounting to RMB25,871,271,000 (as at 31 December 2013: RMB23,518,635,000) (Notes VII27, 36, 38, 39, 40).

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 borrowings 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. For the current reporting year and the 2013 financial year, the Group has not involved in any interest rate swap arrangements.

During the current year, if the respective interest rates on RMB-denominated floating-rate borrowings had been 100 basis points higher/lower with all other variables held constant, profit after income tax of the Group for the year ended 31 December 2014 would have been RMB329,848,000 lower/higher (for the year ended 31 December 2013: approximately RMB111,737,000).

During the current year, if the interest rates on USD and other currency-denominated floating-rate borrowings had been 100 basis points higher/lower with all other variables held constant, profit after income tax of the Group for the year ended 31 December 2014 would have been RMB44,438,000 lower/higher (for the year ended 31 December 2013: approximately RMB28,554,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

X. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

2. Credit risk

The Group classifies and manages the credit risk based on portfolios. The Group's credit risk primarily related to the Group's cash and bank balances, accounts receivable, other receivables, bills receivable and long-term receivables, etc.

A majority 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 hold 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, bills receivable and long-term receivables. 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.

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 treasury department at the headquarters continuously monitors both short-term and long-term financing needs on the Group level in order to obtain adequate cash reserve and quoted securities. Meanwhile, the treasury department will constantly monitor and see any non-compliance of borrowings and obtain sufficient loan facilities from major financial institutions to meet both short-term and long-term financing needs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

X. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

3. Liquidity risk (Continued)

- (1) Analysis of the maturity profile of financial assets and financial liabilities of the Group based on the undiscounted remaining contractual obligations as at 31 December 2014 were as follows:

All amounts in RMB'000

Items	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets					
Cash and bank balances	33,409,480	—	—	—	33,409,480
Bills receivable	9,977,574	—	—	—	9,977,574
Accounts receivable	55,799,282	—	—	—	55,799,282
Interest receivables	11,505	—	—	—	11,505
Dividends receivable	119,234	—	—	—	119,234
Other receivables	19,426,858	—	—	—	19,426,858
Available-for-sale financial assets	—	—	—	1,643,092	1,643,092
Held-to-maturity investments	—	—	—	20	20
Long-term receivables	7,584,223	5,834,464	7,219,174	2,094,406	22,732,267
Total	126,328,156	5,834,464	7,219,174	3,737,518	143,119,312
Financial liabilities					
Short-term borrowings	37,557,247	—	—	—	37,557,247
Bills payable	11,808,491	—	—	—	11,808,491
Accounts payable	77,722,163	—	—	—	77,722,163
Employee benefits payable	1,987,771	—	—	—	1,987,771
Interest payables	970,589	—	—	—	970,589
Dividends payable	504,931	—	—	—	504,931
Other payables	15,888,498	—	—	—	15,888,498
Other current liabilities	20,337,312	—	—	—	20,337,312
Long-term borrowings	8,479,154	12,078,055	7,493,826	6,222,613	34,273,648
Bonds payable	5,885,412	4,117,950	11,760,522	10,509,000	32,272,884
Long-term payables	164,103	299,928	655,799	18,665	1,138,495
External guarantee (excluding real estate bank mortgage guarantee)	612,531	—	—	—	612,531
Total	181,918,202	16,495,933	19,910,147	16,750,278	235,074,560

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

X. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

4. Transfer of financial assets

As at 31 December 2014, the Group endorsed bills receivables amounting to RMB6,988,178,000 (as at 31 December 2013: RMB4,117,803,000) to its suppliers for settlements of payables to these suppliers. The Group also discounted bills receivable amounting to RMB1,151,293,000 (As at 31 December 2013: RMB867,067,000) to banks for the purpose of obtaining funding. As the Group is of the view that substantially all the risks and rewards of ownership of the above endorsed bills receivable and discounted bills receivable have been transferred to suppliers and banks, the Group derecognized these bills receivable from the financial statements. Should the parties issuing these bills be unable to honor these bills upon maturity, according to the prevailing rules and regulations in the PRC, the Group should bear limited liability. The Group is of the view that the risk of not honoring the bills by the issuers upon maturity is remote if the issuers have good credibility.

As at 31 December 2014, should the issuers of the bills be unable to honor the aforesaid bills upon maturity, the maximum exposure of the Group is the total amount of the bills endorsed to suppliers or discounted to banks.

The maturity dates of all endorsed bills and discounted bills are within six months from the end of the reporting period.

As at 31 December 2014, the Group transferred accounts receivable amounting to RMB1,002,279,000 (as at 31 December 2013: RMB550,000,000), and long-term receivables amounting to RMB5,024,000,000 (as at 31 December 2013: RMB5,500,000,000) to financial institutions, including banks, for the purpose of obtaining funding. As the Group is of the view that substantially all the risks and rewards of ownership of the above accounts receivable and long-term receivables have been transferred to those financial institutions, the Group derecognized these accounts receivable and long-term receivables from the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XI. FAIR VALUE MEASUREMENTS

1. Fair value of the Group's financial assets and financial liabilities that are measured at fair value at the end of the year

All amounts in RMB'000

Items	Fair value at the end of the year			Total
	Level 1 of the fair value hierarchy	Level 2 of the fair value hierarchy	Level 3 of the fair value hierarchy	
I. Measured at fair value on a recurring basis				
(I) Financial assets at fair value through profit or loss	555	—	—	555
1. Held-for-trading financial assets	555	—	—	555
(1) Equity instruments	555	—	—	555
(II) Derivative financial assets	—	18,532	—	18,532
(III) Available-for-sale financial assets	450,109	136,550	—	586,659
(1) Equity instruments	450,109	—	—	450,109
(2) Others	—	136,550	—	136,550
Total assets that are measured at fair value on a recurring basis	<u>450,664</u>	<u>155,082</u>	<u>—</u>	<u>605,746</u>

2. The basis of market prices determined on level 1 of the fair value hierarchy was as follows:

The fair value of equity instruments is based on their closing prices quoted by the respective stock exchanges at the last trading day of the reporting period.

3. Qualitative and quantitative information of valuation techniques and key inputs on level 2 of the fair value hierarchy were as follows:

	Valuation techniques	Key inputs
Derivatives — forward contracts	Comparison to similar derivatives for which quoted bid prices exist	Not applicable
Available-for-sale financial assets — trust products	Discounted cash flow	Average yield rate of similar products of the same term

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XI. FAIR VALUE MEASUREMENTS (Continued)

4. There was no transfer between any level of the fair value hierarchy in the reporting period.
5. There was no change in the valuation techniques in the reporting period.
6. Fair value of financial assets and financial liabilities that are not measured at fair value

Accounts receivable, long-term receivables, other receivables, held-to-maturity investments, short-term borrowings, accounts payable, other payables, long-term borrowings, bonds payable and long-term payables included in the financial assets/liabilities are not measured 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 the range of reasonable fair value estimates is so significant. Therefore the Group measures the investments at cost less impairment method.

Except for the items listed in the table below, the Group considers that the fair values of the financial assets and liabilities measured at amortized cost method are approximate to their carrying amounts.

All amounts in RMB'000

	Carrying amount as at 31 December 2014	Fair value as at 31 December 2014			Total
		Level 1 of the fair value hierarchy	Level 2 of the fair value hierarchy	Level 3 of the fair value hierarchy	
Financial liabilities measured at amortized cost:	25,871,271	—	26,653,635	—	26,653,635
1. Long-term borrowings at fixed interest rate	3,925,348	—	3,836,469	—	3,836,469
2. Bonds payable	21,945,923	—	22,817,166	—	22,817,166

All amounts in RMB'000

	Carrying amount as at 31 December 2013	Fair value as at 31 December 2013			Total
		Level 1 of the fair value hierarchy	Level 2 of the fair value hierarchy	Level 3 of the fair value hierarchy	
Financial liabilities measured at amortized cost:	23,518,635	—	24,060,827	—	24,060,827
1. Long-term borrowings at fixed interest rate	2,912,572	—	2,872,749	—	2,872,749
2. Bonds payable	20,606,063	—	21,188,078	—	21,188,078

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XI. FAIR VALUE MEASUREMENTS (Continued)

6. Fair value of financial assets and financial liabilities that are not measured at fair value (Continued)

Quantitative information determined in accordance with the level 2:

	Valuation techniques	Key inputs
Long-term borrowings at fixed interest rate	Discounted cash flow method	Benchmark lending rate with corresponding maturity released by the People's Bank of China
Bonds payable	Discounted cash flow method	Floating rates based on benchmark lending rate with corresponding maturity released by the People's Bank of China

XII. RELATED PARTIES AND TRANSACTIONS

1. Details of the parent company of the Company

All amounts in RMB'000

Name of company	Place of registration	Principal activities	Registered capital	Percentage of ownership interest in the Company (%)	Percentage of voting rights in the Company (%)
China Metallurgical Group Corporation	Beijing	Engineering and construction, property development, equipment manufacturing, resources development and others	8,538,556	64.18%	64.18%

SASAC is the ultimate controlling party of the Group.

2. Subsidiaries of the Company

Details of the subsidiaries of the Company are set out in Note IX1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

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 IX3.

Joint ventures and associates entered into transactions with the Group during the year, or during the prior year with remaining closing balance were as follows:

Name of joint ventures and associates	Relationship with the Group
Zhuhai Kaduhaijun Real Estate Development Co., Ltd.	Joint ventures
Tianjin Zhongji Equipment Manufacture Co., Ltd.	Joint ventures
Beijing Tiancheng GUYUN Property Management Co., Ltd.	Joint ventures
CERI Yingkou Equipment Technology Co., Ltd.	Associates
Tianjin SERI Machinery Equipment Corporation Ltd.	Associates
Shanghai Tongji Baoye Construction Robot Co., Ltd.	Associates
Shanghai Yuepu South Concrete Co., Ltd. (formerly known as Shanghai Baosteel MCC 13 Qianfan Construction Material Co., Ltd.)	Associates
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Associates
Wuhan Zhonghe Engineering Technique Co., Ltd.	Associates
Wuhan Zhong Yi Investment Construction Company Ltd.	Associates
MCC Suzhou SUMA Construction Development Co., Ltd.	Associates
Maanshan MCC Economic Development Company Ltd.	Associates
Baotou MCC Real Estate Co., Ltd.	Associates
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Associates
Shanghai Zhong Ye Xiangteng Investment Company Ltd.	Associates
MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	Associates
Tianjin Tuanbo Urban Development Co., Ltd.	Associates
Beijing Xinghua Zhiben Investment Co., Ltd.	Associates
Mudanjiang MCC Real Estate Co., Ltd.	Associates
Tangshan 22 MCC Wanzhu Real Estate Development Co., Ltd.	Associates
Sichuan HangYe Industrial Co., Ltd.	Associates
Tianjin MCC Xinhua Real Estate Co., Ltd.	Associates
Shanghai United Automobile Road Construction Development Co., Ltd.	Associates
Tianjin MCC Heyuan Real Estate Co., Ltd.	Associates
Beijing Times Antai Real Estate Co., Ltd.	Associates
Inner Mongolia Zhongye DeBang Real Estate Co., Ltd.	Associates
Shanghai MCC Xiangqi Investment Co., Ltd.	Associates
Beijing Zhongye HengSheng Real Estate Co., Ltd.	Associates

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

4. Other related parties of the Company

Other related parties entered into transactions with the Group during the year, or during the prior year with remaining closing balance were as follows:

<u>Name of other related parties</u>	<u>Relationship with the Group</u>
MCC Huludao Nonferrous Metals Group Co., Ltd.	Fellow subsidiary
MCC Asset Management Co., Ltd.	Fellow subsidiary
Shanghai MCC Workers' Hospital	Fellow subsidiary
Subsidiaries of MCC Asset Management Co., Ltd.:	
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Under common control
Beijing China Metallurgical Construction Taxi Company	Under common control
Subsidiaries of Beijing Dongxing Metallurgical New-Tech & Development Corp.:	
Handan Huaye Property Services Co., Ltd.	Under common control
Handan Huaye New Type Building Material Co., Ltd.	Under common control
Handan equipment Leasing Co., Ltd.	Under common control
Chengdu MCC 5 Rongshen Real Estate Development Co., Ltd.	Under common control
Shahe Huagang Leasing Co., Ltd.	Under common control

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions

(1) Purchase or sales of goods, provision or receipt of services

(a) Purchase of goods and receipt of services

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
With companies under common control (note):		4,206	4,441
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Purchase of goods and receiving services	3,908	4,187
Beijing China Metallurgical Construction Taxi Company	Receiving services	298	254
With joint ventures and associates:		174,408	38,673
Shanghai Zhong Ye Xiangteng Investment Company Ltd.	Purchase of fixed assets	99,110	—
Tianjin Zhongji Equipment Manufacture Co., Ltd.	Purchase of goods and receiving services	38,034	6,330
CERI Yingkou Equipment Technology Co., Ltd.	Purchase of goods	31,683	—
Shanghai Tongji Baoye Construction Robot Co., Ltd.	Purchase of goods and receiving services	2,565	50
Tianjin SERI Machinery Equipment Corporation Ltd.	Purchase of goods and receiving services	2,374	830
Shanghai Yuepu South Concrete Co., Ltd. (formerly known as Shanghai Baosteel MCC 13 Qianfan Construction Material Co., Ltd.)	Purchase of goods and receiving services	642	9,466
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Purchase of goods and receiving services	—	21,348
Wuhan Zhonghe Engineering Technique Co., Ltd.	Purchase of goods and receiving services	—	649
Total		178,614	43,114

Note: These related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of Listing Rules.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(1) Purchase or sales of goods, provision or receipt of services (Continued)

(b) Sales of goods and provision of services

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
With companies under common control (note):		15,388	8,068
Shanghai MCC Workers' Hospital	Providing services	14,376	4,488
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Providing services	1,012	908
MCC Huludao Nonferrous Metals Group Co., Ltd.	Providing services	—	2,672
With the parent company of the Group:		—	51,522
China Metallurgical Group Corporation	providing services	—	51,522
With the joint ventures and associates:		2,218,873	1,090,298
Wuhan Zhong Yi Investment Construction Company Ltd.	providing services	1,297,909	—
MCC Suzhou SUMA Construction Development Co., Ltd.	Providing services	489,929	202,985
Baotou MCC Real Estate Co., Ltd.	Providing services	117,635	—
Maanshan MCC Economic Development Company Ltd.	Providing services	111,890	284,786
Tianjin Tuanbo Urban Development Co., Ltd.	Providing services	77,581	—
CERI Yingkou Equipment Technology Co., Ltd.	Selling goods and providing services	62,935	—
Beijing Xinghua Zhiben Investment Co., Ltd.	Providing services	49,840	—
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Providing services	11,154	—
Zhuhai Kaduhaijun Real Estate Development Co., Ltd.	Providing services	—	412,426

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(1) Purchase or sales of goods, provision or receipt of services (Continued)

(b) Sales of goods and provision of services (Continued)

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	Providing services	—	73,703
Shanghai ZhiHu Real Estate Development Co., Ltd.	Providing services	—	61,838
Shanghai Zhong Ye Xiangteng Investment Company Ltd.	Providing services	—	53,719
Tianjin Zhongji Equipment Manufacture Co., Ltd.	Providing services	—	841
Total		<u>2,234,261</u>	<u>1,149,888</u>

Note: These related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of Listing Rules.

(2) Lease

(a) As lessor:

All amounts in RMB'000

Name of lessee	Type of leased assets	Leasing income recognized in the current year	Leasing income recognized in the prior year
Beijing China Metallurgical Construction Taxi Company	Buildings and structures	105	—
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Equipment	—	2,217
Total		<u>105</u>	<u>2,217</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(2) Lease (Continued)

(b) As lessee:

All amounts in RMB'000

Name of lessor	Type of leased assets	Leasing expense recognized in the current year	Leasing expense recognized in the prior year
China Metallurgical Group Corporation (note)	Buildings and structures	42,295	45,380
Beijing Dongxing Metallurgical New-Tech & Development Corp. (note)	Buildings, structures and equipment	9,560	10,846
Total		<u>51,855</u>	<u>56,226</u>

Note: These related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of Listing Rules.

(3) Guarantee

(a) Grant guarantees

All amounts in RMB'000

Guaranteed party	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
CERI Yingkou Equipment Technology Co., Ltd.	266,000	2009-06-18	2017-12-02	No
CERI Yingkou Equipment Technology Co., Ltd.	186,200	2010-02-02	2017-12-02	No
CERI Yingkou Equipment Technology Co., Ltd.	110,990	2009-01-14	2015-07-14	No

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(4) Loans from/to related parties

All amounts in RMB'000

Related party	Amount	Inception date	Expiration date	Notes
Loans from related parties				
China Metallurgical Group Corporation	300,000	2014-10-17	2017-10-16	Entrusted loans
Total	<u>300,000</u>			
Loans to related parties				
Wuhan Zhong Yi Investment Construction Company Ltd.	500,000	2014-04-22	2015-04-22	Loans
Tianjin Tuanbo Urban Development Co., Ltd.	260,000	2014-01-10	2015-12-31	Loans
Tianjin MCC Heyuan Real Estate Co., Ltd.	121,173	2014-09-03	2015-12-31	Loans
Sichuan HangYe Industrial Co., Ltd.	100,050	2014-12-04	2015-12-03	Entrusted loans
Beijing Xinghua Zhiben Investment Co., Ltd.	47,000	2014-01-06	2015-01-14	Loans
Tianjin MCC Xinhua Real Estate Co., Ltd	11,500	2014-05-24	2015-10-15	Loans
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	5,085	2014-05-29	No fixed date	Loans
Zhuhai Kaduhaijun Real Estate Development Co., Ltd.	340	2014-01-10	No fixed date	Loans
Shanghai United Automobile Road Construction Development Co., Ltd.	304	2014-01-01	No fixed date	Loans
MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	20	2014-01-06	2015-04-10	Loans
Total	<u>1,045,472</u>			

Certain of the loans from/to related parties mentioned above are interest bearing. The interest rates ranged from 6% to 15%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(5) Compensation of key management personnel

Key managements include director (executive director and non-executive director), supervisor, president, vice president, board secretary and chief accountant. Compensation as employee services paid or to be paid to key management personnel is as follows:

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Salaries, housing benefits, other allowances and benefits in kind	4,415	3,445
Pension scheme contributions	436	442
Discretionary bonus	1,905	2,777
Total	6,756	6,664

(a) Directors' and supervisors' remunerations

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Salaries, housing benefits, other allowances and benefits in kind	3,024	2,219
Pension scheme contributions	242	222
Discretionary bonus	1,207	1,548
Total	4,473	3,989

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(5) Compensation of key management personnel (Continued)

(a) Directors' and supervisors' remunerations (Continued)

Compensations for directors and supervisors respectively for the year ended 31 December 2014 were as follows:

All amounts in RMB'000

	Salaries, housing benefits, other allowances and benefits in kind	Pension scheme contributions	Discretionary bonus	Total
Directors				
Guo Wen Qing	324	39	158	521
Jing Tian Liang	107	—	—	107
Shen He Ting (up to 01/04/2014)	20	14	160	194
Zhang Zhao Xiang (from 27/06/2014) (i)	309	39	160	508
Jiang Long Sheng (up to 13/11/2014)	181	—	—	181
Wen Ke Qin (up to 13/11/2014)	177	—	—	177
Liu Li (up to 13/11/2014)	178	—	—	178
Chen Yong Kuan (up to 13/11/2014)	102	—	—	102
Zhang Yu Ming (up to 13/11/2014)	148	—	—	148
Yu Hai Long (from 13/11/2014)	16	—	—	16
Ren Xu Dong (from 13/11/2014)	16	—	—	16
Chen Jia Qiang (from 13/11/2014)	15	—	—	15
Lin Jin Zhen	440	39	266	745
Supervisors				
Shan Zhong Li (up to 13/11/2014)	232	33	114	379
Xu Xiang Chun (from 13/11/2014)	—	—	—	—
Peng Hai Qing	336	39	138	513
Shao Bo	423	39	211	673
Total	3,024	242	1,207	4,473

(i) Mr. Zhang Zhao Xiang is also the chief executive of the Group, and his compensations disclosed above have contained the compensation as the chief executive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(5) Compensation of key management personnel (Continued)

(a) Directors' and supervisors' remunerations (Continued)

Compensations for directors and supervisors respectively for the year ended 31 December 2013 were as follows:

All amounts in RMB'000

	Salaries, housing benefits, other allowances and benefits in kind	Pension scheme contributions	Discretionary bonus	Total
Directors				
Guo Wen Qing	216	37	229	482
Jing Tian Liang	212	—	—	212
Shen He Ting	238	37	229	504
Jiang Long Sheng	190	—	—	190
Wen Ke Qin	189	—	—	189
Liu Li	196	—	—	196
Chen Yong Kuan	180	—	—	180
Zhang Yu Ming	151	—	—	151
Lin Jin Zhen	187	37	368	592
Supervisors				
Shan Zhong Li	105	37	85	227
Peng Hai Qing	172	37	269	478
Shao Bo	183	37	368	588
Total	2,219	222	1,548	3,989

During both years, none of the directors, chief executives or supervisors of the Company had waived any emoluments and no emoluments had been paid by the Group to any of the directors, chief executives or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(5) Compensation of key management personnel (Continued)

(b) Five highest paid individuals' remunerations

None of the Directors and Supervisors as disclosed in the note above was included in the five highest paid individuals of the Group. The five individuals whose remunerations were the highest in the Group during the year are as follows:

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Salaries, housing benefits, other allowances and benefits in kind	657	770
Pension scheme contributions	191	114
Discretionary bonus	7,873	11,789
Total	8,721	12,673

Items	Number of individuals for the current year	Number of individuals for the prior year
Nil to HK\$1,000,000	—	—
HK\$1,000,001 to HK\$1,500,000	—	—
HK\$1,500,001 to HK\$2,000,000	2	—
HK\$2,000,001 to HK\$2,500,000	2	3
HK\$2,500,001 to HK\$3,000,000	1	1
HK\$3,000,001 to HK\$3,500,000	—	1
Total	5	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(6) Other related party transactions

All amounts in RMB'000

Related party transactions	Related party	Amount for the current year	Amount for the prior year
Interest income	Zhuhai Kaduhaijun Real Estate Development Co., Ltd.	83,401	142,829
Interest income	Tianjin Tuanbo Urban Development Co., Ltd.	36,256	—
Interest income	Baotou MCC Real Estate Co., Ltd.	24,898	36,543
Interest income	Shanghai United Automobile Road Construction Development Co., Ltd.	11,468	—
Interest income	CERI Yingkou Equipment Technology Co., Ltd.	11,106	—
Interest income	Wuhan Zhong Yi Investment Construction Company Ltd.	9,807	—
Interest income	Mudanjiang MCC Real Estate Co., Ltd.	7,998	5,353
Interest income	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	5,913	8,086
Interest income	Beijing Xinghua Zhiben Investment Co., Ltd.	2,160	—
Interest income	MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	2,018	5,244
Interest income	Tianjin MCC Heyuan Real Estate Co., Ltd.	1,774	—
Interest income	Zhong Ye(Fujian) Real Estate Development Co., Ltd.	—	12,846
Interest income	Tangshan 22 MCC Wanzhu Real Estate Development Co., Ltd.	—	3,789
Interest income	Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	—	206
Total interest income		<u>196,799</u>	<u>214,896</u>
Interest expense	China Metallurgical Group Corporation	<u>6,697</u>	<u>2,540</u>
Total interest expense		<u>6,697</u>	<u>2,540</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties

(1) Receivables

All amounts in RMB'000

Items	Related parties	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Accounts receivable	CERI Yingkou Equipment Technology Co., Ltd.	310,070	77,958	273,010	45,896
Accounts receivable	Tianjin MCC Heyuan Real Estate Co., Ltd.	149,155	202	—	—
Accounts receivable	Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	155,668	55,955	148,496	20,810
Accounts receivable	Wuhan Zhong Yi Investment Construction Company Ltd.	118,989	—	116,000	580
Accounts receivable	Tianjin Tuanbo Urban Development Co., Ltd.	99,385	—	29,325	—
Accounts receivable	Baotou MCC Real Estate Co., Ltd.	73,119	—	—	—
Accounts receivable	MCC Suzhou SUMA Construction Development Co., Ltd.	72,912	—	56,915	—
Accounts receivable	MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	42,094	1,716	52,068	464
Accounts receivable	Beijing Xinghua Zhiben Investment Co., Ltd.	39,920	1,996	—	—
Accounts receivable	Tianjin MCC Xinhua Real Estate Co., Ltd.	31,767	1,634	92,595	4,773
Accounts receivable	Shanghai United Automobile Road Construction Development Co., Ltd.	22,735	5,108	15,885	1,589
Accounts receivable	Shanghai MCC Xiangqi Investment Co., Ltd.	4,414	—	8,564	—
Accounts receivable	MCC Huludao Nonferrous Metals Group Co., Ltd.	3,504	3,504	61,723	61,504
Accounts receivable	Tianjin SERI Machinery Equipment Corporation Ltd.	1	—	—	—
Accounts receivable	Zhuhai Kaduhaijun Real Estate Development Co., Ltd.	—	—	215,130	4,802
Accounts receivable	WISDRI(Xinyu) Cold Processing Engineering Co., Ltd.	—	—	145,310	43,107
Accounts receivable	Maanshan MCC Economic Development Company Ltd.	—	—	128,869	—
Accounts receivable	Tibet Huaxia Mining Co., Ltd.	—	—	48,812	48,812
Accounts receivable	Tianjin Zhongji Equipment Manufacture Co., Ltd.	—	—	23,397	1,147
Accounts receivable	Shanghai MCC Workers' Hospital	—	—	14,946	—
Accounts receivable	MCC East Gangneng Heavy Industry(Zhuhai) Co., Ltd.	—	—	13,657	13,657
Accounts receivable	Huludao Zinc Industry Co., Ltd.	—	—	7,810	—
Accounts receivable	Shanghai Zhong Ye Xiangteng Investment Company Ltd.	—	—	2,668	133
Total		<u>1,123,733</u>	<u>148,073</u>	<u>1,455,180</u>	<u>247,274</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties (Continued)

(1) Receivables (Continued)

All amounts in RMB'000

Items	Related parties	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Other receivables	Zhuhai Kaduhajun Real Estate Development Co., Ltd.	860,676	—	926,935	—
Other receivables	Wuhan Zhong Yi Investment Construction Company Ltd.	509,807	—	—	—
Other receivables	Tianjin Tuanbo Urban Development Co., Ltd.	435,859	—	388,955	—
Other receivables	Baotou MCC Real Estate Co., Ltd.	415,581	40,222	406,655	20,340
Other receivables	CERI Yingkou Equipment Technology Co., Ltd.	250,428	26,097	151,322	12,100
Other receivables	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	188,873	9,444	177,875	—
Other receivables	Tianjin MCC Heyuan Real Estate Co., Ltd.	104,511	—	—	—
Other receivables	Sichuan HangYe Industrial Co., Ltd.	100,050	—	—	—
Other receivables	Shanghai United Automobile Road Construction Development Co., Ltd.	91,472	672	78,380	63,037
Other receivables	Mudanjiang MCC Real Estate Co., Ltd.	84,537	—	87,444	—
Other receivables	Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	83,920	2	83,798	581
Other receivables	Shanghai Yuepu South Concrete Co., Ltd. (formerly known as Shanghai Baosteel MCC 13 Qianfan Construction Material Co., Ltd.)	81,841	31,667	81,841	15,299
Other receivables	Tangshan Caofeidian 22nd Metallurgical Wanzhu Real Estate Development Co., Ltd.	56,484	—	83,484	—
Other receivables	Beijing Xinghua Zhiben Investment Co., Ltd.	48,843	—	—	—
Other receivables	Beijing Times Antai Real Estate Co., Ltd.	45,668	—	—	—
Other receivables	Tianjin MCC Xinhua Real Estate Co., Ltd.	43,591	3,784	46,195	2,310
Other receivables	MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	42,470	—	40,432	—
Other receivables	Inner Mongolia Zhongye DeBang Real Estate Co., Ltd.	12,475	4,928	24,829	2,433
Other receivables	MCC Suzhou SUMA Construction Development Co., Ltd.	1,260	—	—	—
Other receivables	Beijing Zhongye HengSheng Real Estate Co., Ltd.	67	—	—	—
Other receivables	Zhong Ye(Fujian) Real Estate Development Co., Ltd.	—	—	170,297	30,577

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties (Continued)

(1) Receivables (Continued)

All amounts in RMB'000

Items	Related parties	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Other receivables	MCC East Gangneng Heavy Industry(Zhuhai) Co., Ltd.	—	—	56,398	56,398
Other receivables	Tianjin Zhongji Equipment Manufacture Co., Ltd.	—	—	438	22
Other receivables	Shanghai Jinhai Real Estate Development Co., Ltd.	—	—	219	—
Other receivables	Shanghai MCC Workers' Hospital	—	—	10	—
Total		<u>3,458,413</u>	<u>116,816</u>	<u>2,805,507</u>	<u>203,097</u>
Prepayments	CERI Yingkou Equipment Technology Co., Ltd.	217,711	—	15,639	—
Prepayments	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	27,125	—	—	—
Prepayments	Tianjin SERI Machinery Equipment Corporation Ltd.	102	—	102	—
Total		<u>244,938</u>	<u>—</u>	<u>15,741</u>	<u>—</u>
Dividends receivable	Tianjin MCC Heyuan Real Estate Co., Ltd.	17,097	—	—	—
Dividends receivable	Wuhan Zhonghe Engineering Technique Co., Ltd.	720	—	361	—
Total		<u>17,817</u>	<u>—</u>	<u>361</u>	<u>—</u>
Long-term accounts receivable	CERI Yingkou Equipment Technology Co., Ltd.	—	—	410,236	—
Total		<u>—</u>	<u>—</u>	<u>410,236</u>	<u>—</u>
Non-current assets due within one year	CERI Yingkou Equipment Technology Co., Ltd.	791,509	—	438,207	—
Total		<u>791,509</u>	<u>—</u>	<u>438,207</u>	<u>—</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties (Continued)

(2) Payables

All amounts in RMB'000

Items	Related parties	Closing book value	Opening book value
Accounts payable	CERI Yingkou Equipment Technology Co., Ltd.	18,599	18,789
Accounts payable	Tianjin SERI Machinery Equipment Corporation Ltd.	12,926	46,364
Accounts payable	Shanghai Yuepu South Concrete Co., Ltd. (formerly known as Shanghai Baosteel MCC 13 Qianfan Construction Material Co., Ltd.)	12,639	12,303
Accounts payable	Handan equipment leasing Co., Ltd.	5,626	6,134
Accounts payable	Tianjin Zhongji Equipment Manufacture Co., Ltd.	5,089	8,688
Accounts payable	Shahe Huagang leasing Co., Ltd.	2,961	2,540
Accounts payable	Handan Huaye property services Co., Ltd.	1,561	1,713
Accounts payable	Handan Huaye New Type Building Material Co., Ltd.	1,039	1,116
Accounts payable	Wuhan Zhonghe Engineering Technique Co., Ltd.	765	765
Accounts payable	Shanghai Tongji Baoye Construction Robot Co., Ltd.	760	—
Accounts payable	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	37	37
Accounts payable	Shanghai MCC Workers' Hospital	—	419
Total		62,002	98,868

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties (Continued)

(2) Payables (Continued)

All amounts in RMB'000

Items	Related parties	Closing book value	Opening book value
Other payables	MCC Huludao Nonferrous Metals Group Co., Ltd.	368,471	368,471
Other payables	Tianjin MCC Heyuan Real Estate Co., Ltd.	196,810	—
Other payables	China Metallurgical Group Corporation	117,380	87,676
Other payables	Shanghai Zhong Ye Xiangteng Investment Company Ltd.	117,292	17,225
Other payables	Beijing Dongxing Metallurgical New-Tech & Development Corp.	59,436	50,516
Other payables	MCC Suzhou SUMA Construction Development Co., Ltd.	50,175	—
Other payables	Shanghai MCC Xiangqi Investment Co., Ltd.	20,853	20,721
Other payables	Chengdu MCC 5 Rongshen Real Estate Development Co., Ltd.	5,891	5,891
Other payables	Beijing Xinghua Zhiben Investment Co., Ltd.	5,000	—
Other payables	CERI Yingkou Equipment Technology Co., Ltd.	3,190	3,190
Other payables	Handan Huaye property services Co., Ltd.	2,226	1,492
Other payables	Maanshan MCC Economic Development Company Ltd.	900	900
Other payables	MCC Asset Management Co., Ltd.	367	—
Other payables	Handan Huaye New Type Building Material Co., Ltd.	234	844
Other payables	Shahe Huagang leasing Co., Ltd.	68	254
Other payables	Beijing Tiancheng GUYUN Property Management Co., Ltd.	5	—
Other payables	Hainan Luda Real Estate Development Co., Ltd.	—	5,172
Other payables	Beijing China Metallurgical Construction Taxi Company	—	102
Total		<u>948,298</u>	<u>562,454</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties (Continued)

(2) Payables (Continued)

Items	Related parties	Closing book value	Opening book value
Receipts in advance	CERI Yingkou Equipment Technology Co., Ltd.	15,689	—
Receipts in advance	Tianjin Tuanbo Urban Development Co., Ltd.	15,500	—
Receipts in advance	Handan Huaye property services Co., Ltd.	1,800	1,800
Receipts in advance	Tianjin MCC Heyuan Real Estate Co., Ltd.	243	—
Receipts in advance	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	72	72
Total		<u>33,304</u>	<u>1,872</u>
Dividends payable	Beijing China Metallurgical Construction Taxi Company	7	165
Total		<u>7</u>	<u>165</u>
Long-term payable	China Metallurgical Group Corporation	378,980	78,980
Total		<u>378,980</u>	<u>78,980</u>

7. Commitments with related parties

At the balance sheet date, the Group had the following commitments with related parties:

Lease:

All amounts in RMB'000

Items	Related parties	Closing balance	Opening balance
Leases from	China Metallurgical Group Corporation	18,170	57,542
Leases from	Beijing Dongxing Metallurgical New-Tech & Development Corp.	5,097	20
Total		<u>23,267</u>	<u>57,562</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XIII.COMMITMENTS AND CONTINGENCIES

1. Significant Commitments

(1) Capital commitments

As at the balance sheet date, the Group had capital commitments contracted but not provided for in the balance sheet were as follows:

All amounts in RMB'000

Items	Closing balance	Opening balance
Buildings, structures and equipment	25,047,770	25,897,796
Intangible assets	4,453,130	4,507,669
Total	29,500,900	30,405,465

(2) Operating lease commitments

Minimum lease payments under non-cancellable operating leases:

All amounts in RMB'000

Items	Closing balance	Opening balance
Within 1 year	25,767	23,270
1 to 2 years	5,903	31,149
2 to 3 years	4,972	16,988
Over 3 years	33,137	35,171
Total	69,779	106,578

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XIII.COMMITMENTS AND CONTINGENCIES (Continued)

2. Contingencies

(1) Significant contingencies at the balance sheet date were as follows:

(a) Pending litigation or arbitration

As at 31 December 2014, objects of pending litigation or arbitration in which the Group acts as defendant were amounting to RMB1,188,912,000.

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 will be made for the above pending lawsuits if management determines the outflow of resources is not probable. As at 31 December 2014, management has made provision for pending lawsuits of RMB50,284,000, details of which are set out in NoteVII43.

(b) Financial guarantees given to banks

All amounts in RMB'000

Guarantor	Party being guaranteed	Type of guarantee	Type of responsibility	Guaranteed items	Guaranteed amount
MCC Capital Engineering & Research Incorporation Limited	CERI Yingkou Equipment Technology Co., Ltd.	Guarantee	Joint Liability	Borrowing guarantees	563,190
China Huaye Group Co., Ltd.	Handan Iron and Steel Group Co., Ltd.	Guarantee	Joint Liability	Borrowing guarantees	28,761
China 22MCC Group Co., Ltd.	HBIS Sijaying Iron Ore Mine Co., Ltd.	Guarantee	Joint Liability	Borrowing guarantees	20,580
Mortgage guarantees (note)					3,132,522

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XIII. COMMITMENTS AND CONTINGENCIES (Continued)

2. Contingencies (Continued)

(1) Significant contingencies at the balance sheet date were as follows: (Continued)

(c) Others

In 2012, due to extreme adverse weather condition, including typhoon, the progress of the Sino Iron Project was behind the original planned schedule giving rise to the substantial project cost overrun. The management is of the view that the Group has implemented appropriate procedures to control project costs, shorten project delay and minimize the loss resulted from the project schedule delay. In respect of the compensation clause set out in the construction contract entered into between the Group and the customer regarding the loss to customer resulted from the project delay due to the contractor own reason, the Group has sufficient communications with CITIC Group who is the customer of the Sino Iron Project. Both the Group and CITIC Group believe that the project delay is due to various reasons. A consensus has been reached between the Group and CITIC Group that the second main process production line of the Sino Iron Project should be completed and available for trial run by 15 April 2013.

In 2013, due to the technical issue of cyclo electric motors, the trial run of the second main process production line of the Sino Iron Project was further delayed. The cyclo electric motors were purchased by a subsidiary of CITIC Group from an overseas supplier. The Group is of the view that the Group has appropriately performed its duty and fulfilled its responsibility in constructing the second main process production line according to the consensus reached with CITIC Group before. The reason for the delay in trial run of the second main process production line of the Sino Iron Project is principally due to quality issue of cyclo electronic motors which were not purchased by the Group.

As of the date of approving these financial statements, the customer has not lodged any compensation claims against the Group in respect of the project delay. The Group has already taken measures in shortening the project delay and has sufficient communications with the customer of this project. The Group is of the view that the risk of being claimed by the customer of this project is remote. Therefore, no provision for loss is made in these financial statements.

XIV. EVENTS AFTER THE BALANCE SHEET DATE

1. Appropriation of profit after the balance sheet date

According to the decision of the fourth meeting of the second term of the board of directors of the Company, the Company proposed to distribute cash dividend of RMB0.50 (tax included) for every 10 shares owned by the shareholders. The total number of shares of the Company is 19,110,000,000, and the total dividend is RMB955,500,000. The dividend distribution is subject to the approval by the shareholders in the upcoming annual shareholders meeting.

2. Other events after the balance sheet date

As of the approval date of these financial statements, no significant events took place subsequent to 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XV. OTHER SIGNIFICANT ITEMS

1. Segment information

(1) *Accounting policies of the segment:*

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

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

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

The management of the Group has performed assessments of the operating results of engineering and construction, properties development, equipment manufacturing, and resources development. The management also evaluates the operating results of the above segments generated in different geographical locations.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XV. OTHER SIGNIFICANT ITEMS (Continued)

1. Segment information (Continued)

(2) Summarized financial information of reporting segment

(a) Segment information for the year ended 31 December 2014 and as at 31 December 2014 were as follows:

All amounts in RMB'000

Items	Engineering and construction	Property development	Equipment manufacturing	Resources development	Others	Unallocated amounts	Elimination between segments	Total
Operating income	178,416,066	22,852,664	10,234,645	4,264,231	3,099,213	—	3,081,047	215,785,772
Including: Revenue from								
external customers	176,260,680	22,776,449	10,204,842	4,016,115	2,527,686	—	—	215,785,772
Revenue from inter-segments	2,155,386	76,215	29,803	248,116	571,527	—	3,081,047	—
Operating costs	156,709,625	18,761,768	8,985,863	3,898,858	2,804,249	—	3,275,807	187,884,556
Including: External costs	154,251,641	18,759,026	8,943,433	3,665,729	2,264,727	—	—	187,884,556
Costs between segments	2,457,984	2,742	42,430	233,129	539,522	—	3,275,807	—
Operating profit/(loss)	4,142,552	2,571,648	(96,388)	(1,645,094)	210,180	(208,280)	(315,629)	5,290,247
Including: Interest income	1,027,287	136,806	84,486	46,913	787,517	—	655,259	1,427,750
Interest expense	3,610,981	229,268	248,300	583,616	683,375	—	655,259	4,700,281
Investment income/(loss) from associates and joint ventures	(93,300)	(5,515)	—	—	2,577	—	—	(96,238)
Non-operating income	920,305	288,743	118,705	357,822	13,559	—	—	1,699,134
Non-operating expenses	208,400	21,478	23,070	27,958	3,170	—	—	284,076
Total profit/(loss)	4,854,457	2,838,913	(753)	(1,315,230)	220,569	(208,280)	(315,629)	6,705,305
Income tax expense	1,413,532	810,233	61,270	(278)	79,193	—	—	2,363,950
Net profit/(loss)	3,440,925	2,028,680	(62,023)	(1,314,952)	141,376	(208,280)	(315,629)	4,341,355
Segment assets	202,812,438	95,974,079	18,461,505	21,661,756	36,578,109	3,316,126	52,825,534	325,978,479
Including: Long-term equity investments in associates and joint ventures	3,274,750	660,069	—	—	4,392	—	—	3,939,211
Non-current assets	24,564,376	3,373,398	6,302,625	17,203,933	11,642,299	—	6,537,239	56,549,392
Liabilities	190,046,768	74,668,995	11,390,317	20,148,482	29,155,190	481,873	57,937,654	267,953,971
Depreciation and amortization expenses	1,624,619	76,863	358,016	1,141,582	90,583	—	—	3,291,663
Assets impairment losses	2,708,986	122,634	88,162	425,960	(47,358)	—	—	3,298,384
Increase in other non-current assets other than long-term equity investments	1,727,932	199,869	140,829	488,478	75,913	—	—	2,633,021
Increase/(decrease) in long-term equity investments of associates and joint ventures by equity method	(184,827)	(13,776)	—	—	4,392	—	—	(194,211)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XV. OTHER SIGNIFICANT ITEMS (Continued)

1. Segment information (Continued)

(2) Summarized financial information of reporting segment (Continued)

(b) Segment information for the year ended 31 December 2013 and as at 31 December 2013 were as follows:

All amounts in RMB'000

Items	Engineering and construction	Property development	Equipment manufacturing	Resources development	Others	Unallocated amounts	Elimination between segments	Total
Operating income	165,181,857	26,377,758	9,539,339	3,335,707	2,672,831	—	4,417,251	202,690,241
Including: Revenue from								
external customers	161,817,331	26,377,758	8,781,006	3,136,872	2,577,274	—	—	202,690,241
Revenue from inter-segments	3,364,526	—	758,333	198,835	95,557	—	4,417,251	—
Operating costs	144,337,274	21,260,883	8,444,402	2,875,368	2,453,125	—	4,258,791	175,112,261
Including: External costs	141,132,062	21,260,883	7,685,315	2,676,533	2,357,468	—	—	175,112,261
Costs between segments	3,205,212	—	759,087	198,835	95,657	—	4,258,791	—
Operating profit/(loss)	4,475,748	3,051,492	(545,398)	(2,401,275)	206,245	(206,906)	158,461	4,421,445
Including: Interest income	1,214,762	555,574	56,523	19,458	689,797	—	483,623	2,052,491
Interest expense	3,797,272	323,266	247,847	588,881	536,446	—	483,623	5,010,089
Investment income/(loss) from associates and joint ventures	(124,930)	(6,321)	4,719	—	—	—	—	(126,532)
Non-operating income	717,913	36,207	191,606	80,607	20,167	—	—	1,046,500
Non-operating expenses	131,676	22,052	10,345	7,242	117	—	—	171,432
Total profit/(loss)	5,061,985	3,065,647	(364,137)	(2,327,910)	226,295	(206,906)	158,461	5,296,513
Income tax expense	1,344,593	739,665	60,739	12,206	61,514	—	—	2,218,717
Net profit/(loss)	3,717,392	2,325,982	(424,876)	(2,340,116)	164,781	(206,906)	158,461	3,077,796
Segment assets	214,730,992	103,759,707	17,676,890	22,572,370	21,043,452	2,987,346	59,886,318	322,884,439
Including: Long-term equity investments in associates and joint ventures	3,459,577	673,845	—	—	—	—	—	4,133,422
Non-current assets	26,346,803	2,399,096	6,749,335	18,971,826	10,137,957	—	6,405,206	58,199,811
Segment liabilities	190,910,548	86,376,357	10,965,104	19,924,157	17,843,577	562,091	58,762,614	267,819,220
Depreciation and amortization expenses	1,593,838	64,419	439,758	1,014,419	49,775	—	—	3,162,209
Assets impairment losses	1,589,840	(41,675)	206,688	560,043	(26,114)	—	—	2,288,782
Increase in other non-current assets other than long-term equity investments	2,255,534	98,927	678,423	1,837,579	48,239	—	—	4,918,702
Increase/(decrease) in long-term equity investments of associates and joint ventures by equity method	1,620,330	9,390	(5,991)	—	—	—	—	1,623,729

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XV. OTHER SIGNIFICANT ITEMS (Continued)

1. Segment information (Continued)

(3) Other notes:

(a) Revenue from external customers classified by industries:

All amounts in RMB'000

Items	Amount recognized in the current year	Amount recognized in the prior year
Engineering and construction	176,260,680	161,817,331
Property development	22,776,449	26,377,758
Equipment manufacturing	10,204,842	8,781,006
Resources development	4,016,115	3,136,872
Others	2,527,686	2,577,274
Total	215,785,772	202,690,241

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

All amounts in RMB'000

Operating income	Amount recognized in the current year	Amount recognized in the prior year
China	203,594,019	190,776,700
Other countries/regions	12,191,753	11,913,541
Total	215,785,772	202,690,241

All amounts in RMB'000

Non-current assets	Amount recognized in the current year	Amount recognized in t he prior year
China	41,974,828	43,319,174
Other countries/regions	14,574,564	14,880,637
Total	56,549,392	58,199,811

(c) The dependency on major customers

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XV. OTHER SIGNIFICANT ITEMS (Continued)

2. Net current assets and total assets less current liabilities

(1) Net current assets:

All amounts in RMB'000

	Closing balance	Opening balance
Current assets	247,086,564	239,954,194
Less: Current liabilities	217,564,185	219,044,859
Net current assets	<u>29,522,379</u>	<u>20,909,335</u>

(2) Total assets less current liabilities:

All amounts in RMB'000

	Closing balance	Opening balance
Total Assets	325,978,479	322,884,439
Less: Current liabilities	217,564,185	219,044,859
Total assets less current liabilities	<u>108,414,294</u>	<u>103,839,580</u>

3. Earnings per share

(1) When calculating earnings per share, net profit for the current year attributable to ordinary shareholders was as follow:

All amounts in RMB'000

	Amount for the current year	Amount for the prior year
Net profit for the current year attributable to ordinary shareholders:	3,964,938	2,980,864
Including: Net profit from continuing operations	<u>3,964,938</u>	<u>2,980,864</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XV. OTHER SIGNIFICANT ITEMS (Continued)

3. Earnings per share (Continued)

- (2) For the purpose of calculating basic earnings per share, the denominator is the weighted average number of outstanding ordinary shares and its calculation process is as follows:

All amounts in '000

	Amount for the current year	Amount for the prior year
Number of ordinary shares outstanding at the beginning of the year	19,110,000	19,110,000
Add: Weighted average number of ordinary shares issued during the year	—	—
Less: Weighted average number of ordinary shares repurchased during the year	—	—
Number of ordinary shares outstanding at the end of the year	<u>19,110,000</u>	<u>19,110,000</u>

- (3) Earnings per share

All amounts in RMB'000

	Amount for the current year	Amount for the prior year
Calculated based on net profit attributable to shareholders of the Company:		
Basic earnings per share	0.21	0.16
Diluted earnings per share	Not applicable	Not applicable
Calculated based on net profit from continuing operations attributable to shareholders of the Company:		
Basic earnings per share	0.21	0.16
Diluted earnings per share	Not applicable	Not applicable
Calculated based on net profit from discontinued operations attributable to shareholders of the Company:		
Basic earnings per share	Not applicable	Not applicable
Diluted earnings per share	<u>Not applicable</u>	<u>Not applicable</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Cash and bank balances

All amounts in RMB'000

Items	Closing balance			Opening balance		
	Original currency	Exchange rate	Functional currency	Original currency	Exchange rate	Functional currency
Cash:	—	—	227	—	—	239
RMB	—	—	157	—	—	197
USD	9	6.1190	56	6	6.0969	37
Others	—	—	14	—	—	5
Bank deposits:	—	—	7,025,723	—	—	6,494,365
RMB	—	—	6,964,181	—	—	6,459,703
USD	8,303	6.1190	50,804	214	6.0969	1,302
Others	—	—	10,738	—	—	33,360
Other cash and bank:	—	—	—	—	—	437,012
USD	—	—	—	427	6.0969	2,604
AUD	—	—	—	80,000	5.4301	434,408
Total	—	—	7,025,950	—	—	6,931,616

2. Accounts receivable

(1) Aging analysis of accounts receivable:

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	63,691	96,067
1 to 2 years	51,774	349,101
2 to 3 years	34,127	94,238
3 to 4 years	87,239	66,328
4 to 5 years	65,604	138,693
Over 5 years	211,334	73,445
Total	513,769	817,872

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Accounts receivable (Continued)

(2) Accounts receivable disclosed by category were as follows:

All amounts in RMB'000

Category	Book value		Closing balance Provision for bad debts		Carrying amount	Book value		Opening balance Provision for bad debts		Carrying amount
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Individually significant and subject to provision individually	—	—	—	—	—	—	—	—	—	—
Subject to provision by groups with credit risk	506,971	/	117,909	/	389,062	811,074	/	109,001	/	702,073
Group1(a)	118,382	23.04	117,909	99.60	473	118,377	14.47	109,001	92.08	9,376
Group2	388,589	75.64	—	—	388,589	692,697	84.70	—	—	692,697
Accounts receivable which are individually insignificant but subject to provision individually	6,798	1.32	6,798	100.00	—	6,798	0.83	6,798	100.00	—
Total	513,769	/	124,707	/	389,062	817,872	/	115,799	/	702,073

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

All amounts in RMB'000

Aging	Book value	Closing balance		Book value	Opening balance	
		Provision for bad debts	Proportion of provision (%)		Provision for bad debts	Proportion of provision (%)
Within 1 year	—	—	—	520	26	5.00
1 to 2 years	525	52	10.00	—	—	—
2 to 3 years	—	—	—	—	—	—
3 to 4 years	—	—	—	—	—	—
4 to 5 years	—	—	—	44,412	35,530	80.00
Over 5 years	117,857	117,857	100.00	73,445	73,445	100.00
Total	118,382	117,909		118,377	109,001	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Accounts receivable (Continued)

- (3) Provision for bad debts for the current year is RMB8,909,000. There was no bad debts recovery or reversal of bad debts for the current year.
- (4) There was no accounts receivable written off during the current year.
- (5) At the end of the year, the top 5 largest accounts receivable were as follows:

All amounts in RMB'000

Name of entity	Relationship with the Company	Closing balance	As a percentage of total accounts receivable (%)	Provision for bad debts at the end of the year
Party 1	Subsidiary	260,150	50.64	—
Party 2	Third party	118,382	23.04	117,909
Party 3	Third party	63,691	12.40	—
Party 4	Third party	46,454	9.04	—
Party 5	Subsidiary	18,294	3.56	—
Total		506,971	98.68	117,909

- (6) There was no accounts receivable which meets the derecognition criteria due to the transferring of financial assets in the current year.

3. Interest receivable

All amounts in RMB'000

Items	Closing balance	Opening balance
Subsidiaries of the Company	1,269,588	4,960,764
Less: provision for bad debts	314,027	313,344
Total	955,561	4,647,420

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Dividends receivable

(1) Dividends receivable:

All amounts in RMB'000

Items (or the name of investee)	Closing balance	Opening balance
China 22MCC Group Co., Ltd.	286,166	175,539
CISDI Group Co., Ltd.	236,656	936,656
MCC Finance Corporation Ltd.	232,181	232,181
MCC Hi-Tech Engineering Co., Ltd.	182,141	132,471
WISDRI Engineering & Research Incorporation Ltd.	93,069	93,067
Beris Group Corporation	92,167	216,843
China ENFI Engineering Co., Ltd.	60,076	82,750
China MCC 17 Group Co., Ltd.	55,983	—
Northern Engineering & Technology Corporation, MCC	13,876	13,876
MCC Overseas Ltd.	6,705	26,705
MCC-SFRE Heavy Industry Equipment Co., Ltd.	5,797	5,797
Zhong Ye Chang Tian International Engineering Co., Ltd.	—	85,956
Total	1,264,817	2,001,841

(2) Dividends receivable aged over 1 year:

All amounts in RMB'000

Items (or the name of investee)	Closing balance	Aging	Reasons for not yet received	Impairment required
CISDI Group Co., Ltd.	236,656	1-2 years	Announced but not paid	No
MCC Finance Corporation Ltd.	232,181	1-2 years	Announced but not paid	No
China 22MCC Group Co., Ltd.	136,376	1-2 years	Announced but not paid	No
MCC Hi-Tech Engineering Co., Ltd.	132,471	1-2 years	Announced but not paid	No
WISDRI Engineering & Research Incorporation Ltd.	93,069	1-2 years	Announced but not paid	No
Beris Group Corporation	69,567	1-2 years	Announced but not paid	No
Northern Engineering & Technology Corporation, MCC	13,876	1-2 years	Announced but not paid	No
China ENFI Engineering Co., Ltd.	8,026	1-2 years	Announced but not paid	No
MCC Overseas Ltd.	6,705	1-2 years	Announced but not paid	No
MCC-SFRE Heavy Industry Equipment Co., Ltd.	5,797	2-3 years	Announced but not paid	No
Total	934,724	/	/	/

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

5. Other receivables

(1) Aging analysis of other receivables was as follows:

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	18,347,429	11,683,344
1 to 2 years	4,006,292	4,675,640
2 to 3 years	4,033,985	12,065,033
3 to 4 years	5,505,921	2,587,234
4 to 5 years	305,423	428,396
Over 5 years	51,895	51,895
Total	32,250,945	31,491,542

(2) Other receivables disclosed by category were as follows:

All amounts in RMB'000

Category	Closing balance					Opening balance				
	Book value		Provision for bad debts		Carrying amount	Book value		Provision for bad debts		Carrying amount
	Amount	Ratio (%)	Amount	Ratio (%)	amount	Amount	Ratio (%)	Amount	Ratio (%)	amount
Individually significant and subject to provision individually(a)	9,078,998	28.15	5,802,287	63.91	3,276,711	8,389,190	26.64	5,784,326	68.95	2,604,864
Subject to provision by groups with credit risk	23,120,052	/	—	/	23,120,052	23,050,457	/	—	/	23,050,457
Group1	—	—	—	—	—	—	—	—	—	—
Group2	23,120,052	71.69	—	—	23,120,052	23,050,457	73.20	—	—	23,050,457
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	—
Total	32,250,945	/	5,854,182	/	26,396,763	31,491,542	/	5,836,221	/	25,655,321

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

(2) Other receivables disclosed by category were as follows: (Continued)

(a) At the end of the year, analysis of other receivables which are individually significant and subject to provision for bad debts individually was as follows:

All amounts in RMB'000

Other receivables (per entity)	Book value	Closing balance		Reasons
		Provision for bad debts	Proportion of provision (%)	
MCC Mining (Western Australia) Pty Ltd.	6,754,053	3,719,055	55.06	(i)
MCC Australia Holding Pty Ltd.	2,324,945	2,083,232	89.60	(ii)
Total	9,078,998	5,802,287	/	/

(i) As at 31 December 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. (year ended 31 December 2013: RMB209,420,000).

(ii) As at 31 December 2014, based on the estimated recoverable amount of the receivables from MCC Australia Holding Pty Ltd., the Company has made provision for bad debt amounting to RMB13,332,000 on the receivables from MCC Australia Holding Pty Ltd. (year ended 31 December 2013: RMB23,250,000). In addition, due to change of exchange rate, the carrying amount of other receivables from MCC Australia Holding Pty Ltd. and the provision for bad debt increased by RMB4,629,000 (year ended 31 December 2013: decreased by RMB39,504,000).

(3) Provision for bad debts for the current year was RMB13,332,000. There was no bad debts recovery or reversal of bad debts for the current year.

(4) There was no other receivables written off during the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

(5) Other receivables classified by nature were as follows:

All amounts in RMB'000

Nature of other receivables	Closing book value	Opening book value
Subsidiaries of the Company	32,185,521	31,001,122
Guarantees and deposits	52,811	52,830
Receivables on disposal of investments	—	427,390
Others	12,613	10,200
Total	32,250,945	31,491,542

(6) At the end of the year, the top 5 largest other receivables were as follows:

All amounts in RMB'000

Name of entity	Relationship with the Company	Nature of other receivables	Closing balance	Aging	As a percentage of total other receivables (%)	Provision for bad debts at the end of the year
Party 1	Subsidiary	Others	16,532,932	Within 4 years	51.26	—
Party 2	Subsidiary	Others/ disbursements	6,754,053	Within 3 years	20.94	3,719,055
Party 3	Subsidiary	Others	2,324,945	Within 4 years	7.21	2,083,232
Party 4	Subsidiary	Others	2,253,965	Within 2 years	6.99	—
Party 5	Subsidiary	Others	808,969	Within 2 years	2.51	—
Total	/	/	28,674,864	/	88.91	5,802,287

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

6. Long-term receivables

All amounts in RMB'000

Items	Closing balance			Opening balance			Discount rate interval
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount	
Receivables from related parties and third parties	11,494,098	150,522	11,343,576	11,108,614	162,903	10,945,711	/
Others	10,040	—	10,040	83,317	—	83,317	/
Total	<u>11,504,138</u>	<u>150,522</u>	<u>11,353,616</u>	<u>11,191,931</u>	<u>162,903</u>	<u>11,029,028</u>	/
Less: Long term receivables due within one year	6,780,040	—	6,780,040	2,163,317	—	2,163,317	/
Long term receivables due after one year	<u>4,724,098</u>	<u>150,522</u>	<u>4,573,576</u>	<u>9,028,614</u>	<u>162,903</u>	<u>8,865,711</u>	/

As of 31 December 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 RMB12,381,000 (as at 31 December 2013: decreased by RMB33,186,000).

7. Long-term equity investments

All amounts in RMB'000

Items	Closing balance			Opening balance (Restated)		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Subsidiaries	72,724,372	175,034	72,549,338	68,203,394	175,034	68,028,360
Joint ventures and associates	113,146	113,146	—	113,186	98,560	14,626
Total	<u>72,837,518</u>	<u>288,180</u>	<u>72,549,338</u>	<u>68,316,580</u>	<u>273,594</u>	<u>68,042,986</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

7. Long-term equity investments (Continued)

(1) Subsidiary

All amounts in RMB'000

Company name	Opening balance	Increase	Decrease	Closing balance	Provision for impairment losses for the current year	Impairment provision at the end of the year
Anshan Coking and Refractory Engineering Consulting Corporation	96,608	—	—	96,608	—	—
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	1,801,938	—	—	1,801,938	—	—
Northern Engineering & Technology Corporation, MCC	756,885	—	—	756,885	—	—
Anshan Engineering & Research Incorporation of Metallurgical Industry	69,386	—	—	69,386	—	—
China MCC 3 Group Co., Ltd.	900,096	—	—	900,096	—	—
Shenyang Institute of Geotechnical Investigation Corporation, MCC	102,914	—	—	102,914	—	—
Shen Kan Engineering & Technology Corporation, MCC	67,058	—	—	67,058	—	—
MCC Overseas Ltd.	126,518	20,000	—	146,518	—	—
MCC Communication Engineering Technology Co., Ltd.	677,711	2,000,000	—	2,677,711	—	—
MCC International Incorporation Ltd.	110,804	—	—	110,804	—	—
Ramu NiCo Management (MCC) Limited	3	—	—	3	—	—
MCC Finance Corporation Ltd.	1,351,790	—	—	1,351,790	—	—
MCC Tongsin Resources Ltd.	3,360,379	102,520	—	3,462,899	—	—
MCC-JJJ Mining Development Company Limited	2,849,805	—	—	2,849,805	—	—
MCC Capital Engineering & Research Incorporation Limited	6,799,653	—	—	6,799,653	—	—
Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd.	370,541	—	—	370,541	—	—
MCC Real Estate Group Co., Ltd.	2,955,317	959,200	—	3,914,517	—	—
China 13th Metallurgical Construction Corporation	372,399	—	—	372,399	—	—
MCC TianGong Group Co., Ltd.	2,015,650	—	—	2,015,650	—	—
China 22MCC Group Co., Ltd.	3,407,199	—	—	3,407,199	—	—
Beris Group Corporation	628,425	145,802	—	774,227	—	—
China ENFI Engineering Co., Ltd.	4,310,884	—	—	4,310,884	—	—
China Second Metallurgical Group Co., Ltd.	662,835	—	—	662,835	—	—
Central Research Institute of Building and Construction Co., Ltd., MCC Group (b)	2,053,939	50,000	—	2,103,939	—	—
MCC Hi-Tech Engineering Co., Ltd.	916,644	—	—	916,644	—	—
China Huaye Group Co., Ltd. (a)	1,160,113	1,097,024	—	2,257,137	—	—
Beijing MCC Equipment Research & Design Corporation Ltd.	473,303	—	—	473,303	—	—
CISDI Group Co., Ltd.	3,668,886	700,000	—	4,368,886	—	—
China MCC 5 Group Co., Ltd.	1,601,842	—	—	1,601,842	—	—
China Metallurgical Construction Engineering Group Co., Ltd.	1,185,910	—	—	1,185,910	—	—
China MCC 19 Group Co., Ltd.	2,304,357	—	—	2,304,357	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

7. Long-term equity investments (Continued)

(1) Subsidiary (Continued)

Company name	Opening balance	Increase	Decrease	Closing balance	Provision for impairment losses for the current year	Impairment provision at the end of the year
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	1,591,180	—	—	1,591,180	—	—
MCC Baosteel Technology Services Co., Ltd.	1,091,924	—	—	1,091,924	—	—
China MCC 20 Group Co., Ltd.	1,680,279	—	—	1,680,279	—	—
Shanghai Baoye Group Corp., Ltd.	3,787,511	—	—	3,787,511	—	—
MCC Maanshan I&S Design and Research Institute Co., Ltd.	61,421	—	—	61,421	—	—
Huatian Engineering & Technology Corporation, MCC	1,321,000	—	—	1,321,000	—	—
China MCC 17 Group Co., Ltd.	1,013,593	—	—	1,013,593	—	—
China MCC International Economic and Trade Co., Ltd.	69,392	—	—	69,392	—	—
Wuhan Iron and Steel Design & Research Incorporation Limited	234,734	—	—	234,734	—	—
WISDRI Engineering & Research Incorporation Ltd.	5,158,678	—	—	5,158,678	—	—
China First Metallurgical Group Co., Ltd.	1,845,761	—	—	1,845,761	—	—
Zhong Ye Chang Tian International Engineering Co., Ltd.	738,054	85,956	—	824,010	—	—
Changsha Metallurgical Design & Research Institute Co., Ltd.	167,120	—	—	167,120	—	—
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	223,777	—	—	223,777	—	—
MCC-SFRE Heavy Industry Equipment Co., Ltd.	1,110,635	—	—	1,110,635	—	—
MCC Holding (Hong Kong) Corporation Limited	6,485	—	—	6,485	—	—
MCC Mining (Western Australia) Pty Ltd.	126,807	—	—	126,807	—	126,807
MCC Australia Holding Pty Ltd.	48,227	—	—	48,227	—	48,227
MCC Financial Leasing Co., Ltd. (c)	—	127,500	—	127,500	—	—
MCC Minera Sierra Grande S.A (a)	717,024	—	717,024	—	—	—
MCC Seawater Desalination Investment Co., Ltd.(b)	50,000	—	50,000	—	—	—
Total	68,203,394	5,288,002	767,024	72,724,372	—	175,034

(a) For the current year, the Company transferred its equity interest in MCC Minera Sierra Grande S.A to China Huaye Group Co., Ltd., both of these two companies are subsidiaries of the Company.

(b) For the current year, the Company used its equity interest in MCC Seawater Desalination Investment Co., Ltd. as capital injection into Central Research Institute of Building and Construction Co., Ltd., MCC Group, both of these two companies are subsidiaries of the Company.

(c) The subsidiaries newly established in the current year are set out in Note VIII.3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

7. Long-term equity investments (Continued)

(2) Joint ventures and associates

All amounts in RMB'000

Name of joint ventures and associates	Opening balance	Increasing investments	Decreasing investments	Movements during the current year					Provision for impairment for the current year	Other	Closing balance	Impairment Provision at the end of the year
				Share of (losses)/ profits	Other comprehensive income	Other equity movements	Declaration of cash dividends					
MCC Xiangxi Mining Industry Co., Ltd.	14,626	—	—	(40)	—	—	—	14,586	—	—	113,146	
Total	14,626	—	—	(40)	—	—	—	14,586	—	—	113,146	

Based on the result of impairment assessment, the Company has made impairment provision for equity investment in MCC Xiangxi Mining Industry Co., Ltd. of RMB14,586,000. As at 31 December 2014, the book value of the long-term investment in MCC Xiangxi Mining Industry Co., Ltd. is zero.

In the reporting period, there are no significant restrictions on the ability of the long-term equity investment to declare dividends to its shareholders.

8. Short-term borrowings

(1) Categories of short-term borrowings:

All amounts in RMB'000

Items	Closing balance	Opening balance
Credit loans	8,378,860	15,995,038
RMB	7,769,855	15,469,515
USD	293,712	457,268
Other currency	315,293	68,255
Total	8,378,860	15,995,038

(2) As the end of the year, there were no significant short-term borrowings overdue but not yet paid.

(3) As at 31 December 2014, the weighted average interest rate of short-term borrowings was 5.47% per annum (as at 31 December 2013: 5.67% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

9. Other payables

(1) Other payables disclosed by nature were as follows:

All amounts in RMB'000

Items	Closing balance	Opening balance
Subsidiaries	10,246,963	6,294,224
Other related parties	368,471	368,916
Others	82,214	92,643
Total	10,697,648	6,755,783

(2) At the end of the year, the Company had no significant other payables aged over 1 year.

10. Non-current liabilities due within one year

All amounts in RMB'000

Items	Closing balance	Opening balance
Long-term borrowings due within one year (NoteXVI11)	2,399,520	560,000
Bonds payable due within one year (NoteVII39)	4,722,403	—
Long-term employee benefits due within one year	2,580	4,154
Total	7,124,503	564,154

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

11. Long-term borrowings

All amounts in RMB'000

Items	Closing balance	Opening balance
Guaranteed loans:	240,000	300,000
RMB	240,000	300,000
Credit loans:	7,563,454	3,855,956
RMB	5,292,460	2,550,000
USD	2,270,994	1,305,956
Total	7,803,454	4,155,956
Less: Long-term borrowings due within one year (NoteXVI9):	2,399,520	560,000
Including: Guaranteed loans	60,000	60,000
Credit loans	2,339,520	500,000
Long-term borrowings due over one year	5,403,934	3,595,956

- (a) As at 31 December 2014, certain guaranteed loans of RMB240,000,000 (as at 31 December 2013: RMB300,000,000) were guaranteed by a subsidiary of the Company, MCC Finance Corporation Ltd.
- (b) As at 31 December 2014, the weighted average interest rate of long-term loans were 5.34% per annum (as at 31 December 2013: 4.90% per annum).

12. Operating income and operating costs

All amounts in RMB'000

Items	Amount for the current year		Amount for the prior year	
	Operating income	Operating costs	Operating income	Operating costs
Principal business	1,455,431	1,452,440	1,735,267	1,654,128
Other business	—	—	51,282	52,093
Total	1,455,431	1,452,440	1,786,549	1,706,221

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

12. Operating income and operating costs (Continued)

(a) Classified by industries:

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Engineering and construction	1,448,336	1,729,007
Others	7,095	6,260
Total	1,455,431	1,735,267

(b) Classified by geographic locations:

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
China	—	11,250
Other countries/regions	1,455,431	1,724,017
Total	1,455,431	1,735,267

(c) Information of major customers from which revenue generated accounted for more than 10% of the total revenue:

All amounts in RMB'000

	Operating income	As a percentage of total operating income of the Company (%)
Party 1	1,422,257	97.72

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS *(Continued)*

13. Impairment losses on assets

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
I. Provision for bad debts	15,173	267,507
II. Impairment loss on long-term equity investments <i>(NoteXVI7)</i>	14,586	98,560
Total	29,759	366,067

14. Investment Income

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Investment incomes under cost method	2,143,291	16,413,783
Investment incomes under equity method	(40)	(5,587)
Total	2,143,251	16,408,196

There is no major restriction of investment income repatriation to the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

15. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

All amounts in RMB'000

Supplementary information	Amount for the current year	Amount for the prior year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	1,088,903	14,786,589
Add: Provision for impairment losses of assets	29,759	366,067
Depreciation of fixed assets and amortization of investment properties	12,397	13,633
Amortization of intangible assets	2,636	2,807
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets	33	—
Losses (gains) on written-off of fixed assets	7	178
Financial expenses (income)	868,945	1,120,824
Losses (gains) arising from investments	(2,143,251)	(16,408,196)
Decrease (increase) in inventories	(580,010)	261,502
Decrease (increase) in receivables from operating activities	374,026	(302,223)
Increase (decrease) in payables from operating activities	237,293	79,634
Others	186,141	(437,012)
	76,879	(516,197)
2. Net changes in cash and cash equivalents:		
Closing balance of cash	7,025,950	6,494,604
Less: Opening balance of cash	6,494,604	9,211,104
	531,346	(2,716,500)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

15. Supplementary information to the cash flow statement (Continued)

(2) Cash and cash equivalents

All amounts in RMB'000

Items	Closing balance	Opening balance
I. Cash	7,025,950	6,494,604
Including: Cash on hand	227	238
Bank deposits		
without restriction	7,025,723	6,494,366
Other monetary funds		
without restriction	—	—
II. Cash equivalents	—	—
Including: Investments in debt securities		
due within three months	—	—
III. Closing balance of cash		
and cash equivalents	7,025,950	6,494,604

16. Related party relationships and transactions

(1) The basic information of the parent and the ultimate controlling party, see Note XII 1.

(2) The basic information of the subsidiaries, see Note IX 1.

(3) Associates and joint ventures

Associates and joint ventures	Place of operating	Place of establishment	Nature of business	Proportion of ownership interest held by the Company (%)		Accounting method
				Direct	Indirect	
MCC Xiangxi Mining Industry Co., Ltd.	Hunan	Hunan	Mineral products processing and sales	50.00	—	Equity method

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(4) Related party transactions

(a) Pricing policy

The pricing policy of related party transactions of the Company is based on market price.

(b) Sales and purchase of goods, provision and receipt of services

(i) Purchase of goods/receipt of services

All amounts in RMB'000

Related party	Details of related party transaction	Amount for the current year	Amount for the prior year
China MCC 17 Group Co., Ltd.	Subcontracting expenses	1,422,257	898,764
Beris Group Corporation	Subcontracting expenses	4,609	—
Beijing MCC Equipment Research & Design Corporation Ltd.	Subcontracting expenses	924	—
Zhong Ye Chang Tian International Engineering Co., Ltd.	Subcontracting expenses	—	30,719
China MCC 20 Group Co., Ltd.	Subcontracting expenses	—	22,054
China MCC International Economic and Trade Co., Ltd.	Subcontracting expenses	—	17,439
MCC Capital Engineering & Research Incorporation Ltd.	Subcontracting expenses	—	17,317
China 22MCC Group Co., Ltd.	Subcontracting expenses	—	9,517
		1,427,790	995,810
Total		1,427,790	995,810

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(4) Related party transactions (Continued)

(b) Sales and purchase of goods, provision and receipt of services (Continued)

(ii) Sales of goods/provision of services

All amounts in RMB'000

Related party	Details of related party transaction	Amount for the current year	Amount for the prior year
Metallurgical Group Corporation	Sale of goods	—	51,282
MCC Mining (Western Australia) Pty Ltd.	Construction contract income	—	784,877
		—	784,877

(c) Borrowings/loans with related parties

All amounts in RMB'000

Related Party	Amount for the current year	Amount for the prior year
Borrowed from:		
MCC Finance Corporation Ltd.	8,150,000	6,000,000
MCC Holding (Hong Kong) Corporation Limited	845,310	771,044
Metallurgical Group Corporation	300,000	78,980
	9,295,310	6,850,024
Total		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(4) Related party transactions (Continued)

(c) Borrowings/loans with related parties (Continued)

Related Party	Amount for the current year	Amount for the prior year
Lent to:		
MCC Real Estate Group Co., Ltd.	7,847,377	1,500,000
China MCC 17 Group Co., Ltd.	1,800,930	5,798,775
China 22MCC Group Co., Ltd.	1,322,460	2,059,175
Central Research Institute of Building and Construction Co., Ltd., MCC Group	800,918	796,385
China MCC 3 Group Co., Ltd.	748,952	30,000
MCC Capital Engineering & Research Incorporation Ltd.	725,484	—
MCC-JJJ Mining Development Company Limited	686,543	365,450
MCC Hi-Tech Engineering Co., Ltd.	580,000	210,000
MCC-SFRE Heavy Industry Equipment Co., Ltd.	474,000	40,470
Beris Group Corporation	420,297	30,000
MCC Mining (Western Australia) Pty Ltd.	416,105	141,461
MCC Australia Holding Pty Ltd.	259,674	(39,505)
MCC Overseas Ltd.	170,000	182,699
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	120,850	—
MCC Northeast Construction Development Co., Ltd.	100,000	—
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	30,000	—
China Huaye Group Co., Ltd.	824	143,242
China MCC 20 Group Co., Ltd.	—	7,264,000
China ENFI Engineering Co., Ltd.	—	386,730
China MCC International Economic and Trade Co., Ltd.	—	376,300
CISDI Group Co., Ltd.	—	200,000
MCC TianGong Group Co., Ltd.	—	200,000
Shanghai Baoye Group Corp., Ltd.	—	200,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(4) Related party transactions (Continued)

(c) Borrowings/loans with related parties (Continued)

Related Party	Amount for the current year	Amount for the prior year
Lent to: (Continued)		
China Metallurgical Construction Engineering Group Co., Ltd.	—	150,000
WISDRI Engineering & Research Incorporation Ltd.	—	70,000
MCC Communication Engineering Technology Co., Ltd.	—	40,000
Huatian Engineering & Technology Corporation, MCC	—	40,000
Zhong Ye Chang Tian International Engineering Co., Ltd.	—	40,000
Beijing MCC Equipment Research & Design Corporation Ltd.	—	31,670
China MCC 19 Group Co., Ltd.	—	30,000
China Second Metallurgical Group Corporation Ltd.	—	30,000
Shen Kan Engineering & Technology Corporation, MCC	—	10,000
Total	16,504,414	20,326,852

(d) Leases with related parties

All amounts in RMB'000

Related Party	Amount for the current year	Amount for the prior year
China Metallurgical Group Corporation	16,158	16,150

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(4) Related party transactions (Continued)

(e) Guarantees with related parties

All amounts in RMB'000

Guaranteed party	Guaranteed item	Guaranteed amount	Guaranteed period	Whether execution of guarantee has been completed	Inception date of guarantee	Expiration date of guarantee
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	Borrowings	2,368,000	24 years	No	2008-01-08	2032-01-07
MCC-JJJ Mining Development Company Limited	Borrowings	600,000	9 years	No	2008-03-26	2017-04-12
MCC Ramu NiCo Ltd.	Borrowings	876,241	9 years	No	2008-03-26	2017-04-12
MCC-SFRE Heavy Industry Equipment Co., Ltd.	Borrowings	100,000	5 years	No	2012-07-12	2017-03-30
MCC-SFRE Heavy Industry Equipment Co., Ltd.	Borrowings	60,000	7 years	No	2009-05-11	2016-05-11
MCC Holding (Hong Kong) Corporation Limited	Borrowings	3,059,500	3 years	No	2014-08-28	2017-08-28
Total		<u>7,063,741</u>				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(4) Related party transactions (Continued)

(f) Other related party transactions

(i) Interest income

All amounts in RMB'000

Related Party	Amount for the current year	Amount for the prior year
MCC Real Estate Group Co., Ltd.	1,447,024	908,510
MCC-JJJ Mining Development Company Limited	156,148	289,730
China 22MCC Group Co., Ltd.	144,231	105,030
China MCC 20 Group Co., Ltd.	97,387	167,748
China Huaye Group Co., Ltd.	43,365	45,504
China ENFI Engineering Co., Ltd.	42,948	42,645
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	40,525	34,456
Huatian Engineering & Technology Corporation, MCC	27,433	27,912
MCC Hi-Tech Engineering Co., Ltd.	26,954	20,017
China First Metallurgical Group Co., Ltd.	18,792	20,646
Beris Group Corporation	16,437	13,119
China MCC International Economic and Trade Co., Ltd.	14,109	10,726
China MCC 3 Group Co., Ltd.	14,097	58,857
MCC TianGong Group Corporation Ltd.	13,574	15,967
MCC-SFRE Heavy Industry Equipment Co., Ltd.	13,509	302
Central Research Institute of Building and Construction Co., Ltd., MCC Group	13,490	10,824

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(4) Related party transactions (Continued)

(f) Other related party transactions (Continued)

(i) Interest income (Continued)

Related Party	Amount for the current year	Amount for the prior year
MCC Capital Engineering & Research Incorporation Ltd.	12,731	20,266
China MCC 5 Group Co., Ltd.	11,760	18,342
China Metallurgical Construction Engineering Group Co., Ltd.	11,319	13,250
China MCC 19 Group Co., Ltd.	9,851	10,210
China MCC 17 Group Co., Ltd.	6,367	9,010
China Second China Metallurgical Group Co., Ltd.	4,761	5,120
MCC Communication Engineering Technology Co., Ltd.	4,589	5,417
WISDRI Engineering & Research Incorporation Ltd.	3,116	3,953
MCC Finance Corporation Ltd.	3,104	2,972
Shanghai Baoye Group Corp., Ltd.	2,675	5,067
Beijing MCC Equipment Research & Design Corporation Ltd.	777	881
Zhong Ye Chang Tian International Engineering Co., Ltd.	514	1,014
MCC Tongsin Resources Ltd.	233	—
Shen Kan Engineering & Technology Corporation, MCC	134	253
MCC Northeast Construction Development Co., Ltd.	17	—
Northern Engineering & Technology Corporation, MCC	—	1,553
MCC Overseas Ltd.	—	1,336
Total	2,201,971	1,870,637

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(4) Related party transactions (Continued)

(f) Other related party transactions (Continued)

(ii) Interest expense

All amounts in RMB'000

Related Party	Amount for the current year	Amount for the prior year
MCC Finance Corporation Ltd.	175,543	101,851
MCC Holding (Hong Kong) Corporation Limited	20,858	112,645
China Metallurgical Group Corporation	6,697	2,541
Total	203,098	217,037

(5) Payables and receivables of related party

(a) Receivables

All amounts in RMB'000

Items	Related party	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Accounts receivable	MCC Mining (Western Australia) Pty Ltd.	260,150	—	668,312	—
Accounts receivable	China MCC International Economic and Trade Co., Ltd.	18,294	—	18,294	—
Total		278,444	—	686,606	—
Other receivables	MCC Real Estate Group Co., Ltd.	16,532,932	—	11,866,938	—
Other receivables	MCC Mining (Western Australia) Pty Ltd.	6,754,053	3,719,055	6,323,919	3,719,055
Other receivables	MCC Australia Holding Pty Ltd.	2,324,945	2,083,232	2,065,271	2,065,271
Other receivables	China 22MCC Group Co., Ltd.	2,253,965	—	1,141,505	—
Other receivables	MCC Hi-Tech Engineering Co., Ltd.	808,969	—	228,968	—
Other receivables	MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	741,802	—	620,952	—
Other receivables	Beris Group Corporation	644,968	—	254,671	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(5) Payables and receivables of related party (Continued)

(a) Receivables (Continued)

Items	Related party	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Other receivables	MCC-SFRE Heavy Industry Equipment Co., Ltd.	454,000	—	35,000	—
Other receivables	China MCC 3 Group Co., Ltd.	249,874	—	30,977	—
Other receivables	China Huaye Group Co., Ltd.	241,863	—	784,629	—
Other receivables	China MCC International Economic and Trade Co., Ltd.	240,831	—	298,831	—
Other receivables	CISDI Group Corp. Ltd.	200,000	—	200,000	—
Other receivables	China First Metallurgical Group Co., Ltd.	146,050	—	300,866	—
Other receivables	Beijing MCC Equipment Research & Design Corporation Ltd.	144,562	—	164,561	—
Other receivables	MCC-JJJ Mining Development Company Limited	80,000	—	3,144,619	—
Other receivables	MCC Overseas Ltd.	71,874	—	75,881	—
Other receivables	MCC Tongsin Resources Ltd.	66,187	—	66,176	—
Other receivables	Shanghai Baoye Group Corp., Ltd.	56,602	—	256,540	—
Other receivables	MCC Communication Engineering Technology Co., Ltd.	35,767	—	75,749	—
Other receivables	MCC Baosteel Technology Services Co., Ltd.	32,476	—	32,477	—
Other receivables	China MCC 20 Group Co., Ltd.	34,428	—	1,714,445	—
Other receivables	MCC International Incorporation Ltd.	25,469	—	25,424	—
Other receivables	MCC Capital Engineering & Research Incorporation Ltd.	20,000	—	180,000	—
Other receivables	Northern Engineering & Technology Corporation, MCC	6,306	—	6,300	—
Other receivables	Huatian Engineering & Technology Corporation, MCC	5,000	—	45,000	—
Other receivables	China MCC 17 Group Co., Ltd.	3,541	—	151,953	—
Other receivables	Shen Kan Engineering & Technology Corporation, MCC	2,000	—	12,000	—
Other receivables	China Metallurgical Construction Engineering Group Co., Ltd.	2,000	—	152,000	—
Other receivables	China MCC 19 Group Co., Ltd.	1,936	—	31,849	—
Other receivables	MCC TianGong Group Corporation Ltd.	1,248	—	201,248	—
Other receivables	Central Research Institute of Building and Construction Co., Ltd., MCC Group	918	—	150,000	—
Other receivables	Shenyang Institute of Geotechnical Investigation Corporation, MCC	600	—	600	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(5) Payables and receivables of related party (Continued)

(a) Receivables (Continued)

Items	Related party	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Other receivables	Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	310	—	310	—
Other receivables	China MCC 5 Group Co., Ltd.	45	—	200,000	—
Other receivables	WISDRI Engineering & Research Incorporation Ltd.	—	—	70,000	—
Other receivables	Zhong Ye Chang Tian International Engineering Co., Ltd.	—	—	41,207	—
Other receivables	China Second China Metallurgical Group Corporation Ltd.	—	—	30,256	—
Other receivables	China ENFI Engineering Co., Ltd.	—	—	20,000	—
Total		32,185,521	5,802,287	31,001,122	5,784,326
Prepayments	China MCC International Economic and Trade Co., Ltd.	5,120	—	—	—
Prepayments	Beris Group Corporation	4,693	—	4,693	—
Prepayments	China MCC 17 Group Co., Ltd.	—	—	197,935	—
Prepayments	WISDRI Engineering & Research Incorporation Ltd.	—	—	600	—
Total		9,813	—	203,228	—
Interest receivable	MCC Mining (Western Australia) Pty Ltd.	380,334	—	381,730	—
Interest receivable	MCC Australia Holding Pty Ltd.	314,027	314,027	313,344	313,344
Interest receivable	China Huaye Group Co., Ltd.	155,858	—	121,461	—
Interest receivable	China 22MCC Group Co., Ltd.	155,270	—	253,156	—
Interest receivable	MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	86,068	—	45,543	—
Interest receivable	MCC Tongsin Resources Ltd.	65,239	—	65,006	—
Interest receivable	MCC Real Estate Group Co., Ltd.	47,408	—	2,826,801	—
Interest receivable	MCC Communication Engineering Technology Co., Ltd.	25,994	—	23,053	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(5) Payables and receivables of related party (Continued)

(a) Receivables (Continued)

Items	Related party	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Interest receivable	China MCC International Economic and Trade Co., Ltd.	14,109	—	7,588	—
Interest receivable	Central Research Institute of Building and Construction Co., Ltd., MCC Group	13,038	—	13,965	—
Interest receivable	China MCC 20 Group Co., Ltd.	2,184	—	176	—
Interest receivable	China MCC 3 Group Co., Ltd.	1,680	—	—	—
Interest receivable	MCC Hi-Tech Engineering Co., Ltd.	1,543	—	165,532	—
Interest receivable	China ENFI Engineering Co., Ltd.	1,225	—	—	—
Interest receivable	MCC Overseas Ltd.	1,136	—	1,136	—
Interest receivable	MCC-SFRE Heavy Industry Equipment Co., Ltd.	839	—	—	—
Interest receivable	Huatian Engineering & Technology Corporation, MCC	811	—	—	—
Interest receivable	Beris Group Corporation	778	—	—	—
Interest receivable	China First Metallurgical Group Co., Ltd	504	—	60	—
Interest receivable	MCC Capital Engineering & Research Incorporation Ltd.	328	—	—	—
Interest receivable	MCC TianGong Group Corporation Ltd.	328	—	—	—
Interest receivable	China Metallurgical Construction Engineering Group Co., Ltd.	285	—	—	—
Interest receivable	China MCC 5 Group Co., Ltd.	274	—	—	—
Interest receivable	China Second China Metallurgical Group Corporation Ltd.	131	—	7,162	—
Interest receivable	China MCC 17 Group Co., Ltd.	131	—	—	—
Interest receivable	WISDRI Engineering & Research Incorporation Ltd.	66	—	—	—
Interest receivable	MCC-JJJ Mining Development Company Limited	—	—	735,051	—
Total		1,269,588	314,027	4,960,764	313,344
Long-term receivables	MCC-JJJ Mining Development Company Limited	2,114,596	—	2,016,731	—
Long-term receivables	MCC Real Estate Group Co., Ltd.	2,000,000	—	675,000	—
Long-term receivables	Central Research Institute of Building and Construction Co., Ltd., MCC Group	315,110	—	165,110	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(5) Payables and receivables of related party (Continued)

(a) Receivables (Continued)

Items	Related party	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Long-term receivables	MCC Mining (Western Australia) Pty Ltd.	150,522	150,522	162,903	162,903
Long-term receivables	China MCC International Economic and Trade Co., Ltd.	80,000	—	—	—
Long-term receivables	China ENFI Engineering Co., Ltd.	46,730	—	866,730	—
Long-term receivables	Beijing MCC Equipment Research & Design Corporation Ltd.	11,670	—	11,670	—
Long-term receivables	MCC-SFRE Heavy Industry Equipment Co., Ltd.	5,470	—	5,470	—
Long-term receivables	China 22MCC Group Co., Ltd.	—	—	1,275,000	—
Long-term receivables	China MCC 20 Group Co., Ltd.	—	—	1,250,000	—
Long-term receivables	Huatian Engineering & Technology Corporation, MCC	—	—	550,000	—
Long-term receivables	China First Metallurgical Group Co., Ltd	—	—	350,000	—
Long-term receivables	MCC Capital Engineering & Research Incorporation Ltd.	—	—	250,000	—
Long-term receivables	MCC TianGong Group Corporation Ltd.	—	—	250,000	—
Long-term receivables	China MCC 5 Group Co., Ltd.	—	—	200,000	—
Long-term receivables	China MCC 19 Group Co., Ltd.	—	—	200,000	—
Long-term receivables	China Metallurgical Construction Engineering Group Co., Ltd.	—	—	200,000	—
Long-term receivables	China MCC 3 Group Co., Ltd.	—	—	100,000	—
Long-term receivables	China Second China Metallurgical Group Corporation Ltd.	—	—	100,000	—
Long-term receivables	China MCC 17 Group Co., Ltd.	—	—	100,000	—
Long-term receivables	China Huaye Group Co., Ltd.	—	—	100,000	—
Long-term receivables	Beris Group Corporation	—	—	50,000	—
Long-term receivables	MCC Hi-Tech Engineering Co., Ltd.	—	—	50,000	—
Long-term receivables	MCC Communication Engineering Technology Co., Ltd.	—	—	50,000	—
Long-term receivables	WISDRI Engineering & Research Incorporation Ltd.	—	—	50,000	—
Total		4,724,098	150,522	9,028,614	162,903

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(5) Payables and receivables of related party (Continued)

(a) Receivables (Continued)

Items	Related party	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Non-current assets due in one year	China 22MCC Group Co., Ltd.	1,275,000	—	—	—
Non-current assets due in one year	China MCC 20 Group Co., Ltd.	1,250,000	—	—	—
Non-current assets due in one year	China ENFI Engineering Co., Ltd.	820,000	—	—	—
Non-current assets due in one year	MCC Real Estate Group Co., Ltd.	675,000	—	2,000,000	—
Non-current assets due in one year	Huatian Engineering & Technology Corporation, MCC	550,000	—	—	—
Non-current assets due in one year	China First Metallurgical Group Co., Ltd	350,000	—	—	—
Non-current assets due in one year	MCC Capital Engineering & Research Incorporation Ltd.	250,000	—	—	—
Non-current assets due in one year	MCC TianGong Group Corporation Ltd.	250,000	—	—	—
Non-current assets due in one year	China MCC 5 Group Co., Ltd.	200,000	—	—	—
Non-current assets due in one year	China MCC 19 Group Co., Ltd.	200,000	—	—	—
Non-current assets due in one year	China Metallurgical Construction Engineering Group Co., Ltd.	200,000	—	—	—
Non-current assets due in one year	Central Research Institute of Building and Construction Co., Ltd., MCC Group	150,000	—	—	—
Non-current assets due in one year	China Second China Metallurgical Group Corporation Ltd.	100,000	—	—	—
Non-current assets due in one year	China MCC 3 Group Co., Ltd.	100,000	—	—	—
Non-current assets due in one year	China MCC 17 Group Co., Ltd.	100,000	—	—	—
Non-current assets due in one year	China Huaye Group Co., Ltd.	100,000	—	—	—
Non-current assets due in one year	Beris Group Corporation	50,000	—	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(5) Payables and receivables of related party (Continued)

(a) Receivables (Continued)

Items	Related party	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Non-current assets due in one year	MCC Hi-Tech Engineering Co., Ltd.	50,000	—	—	—
Non-current assets due in one year	MCC Communication Engineering Technology Co., Ltd.	50,000	—	—	—
Non-current assets due in one year	WISDRI Engineering & Research Incorporation Ltd.	50,000	—	—	—
Non-current assets due in one year	China MCC International Economic and Trade Co., Ltd.	—	—	80,000	—
Total		<u>6,770,000</u>	<u>—</u>	<u>2,080,000</u>	<u>—</u>

(b) Payables

All amounts in RMB'000

Items	Related party	Closing balance	Opening balance
Short-term borrowings	MCC Finance Corporation Ltd.	2,500,000	4,050,000
Total		<u>2,500,000</u>	<u>4,050,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(5) Payables and receivables of related party (Continued)

(b) Payables (Continued)

Items	Related party	Closing balance	Opening balance
Accounts Payable	China MCC 17 Group Co., Ltd.	370,312	4,113
Accounts Payable	China MCC 20 Group Co., Ltd.	141,816	113,115
Accounts Payable	MCC Capital Engineering & Research Incorporation Ltd.	58,417	79,603
Accounts Payable	China 22MCC Group Co., Ltd.	55,689	28,287
Accounts Payable	Beris Group Corporation	37,625	31,755
Accounts Payable	Northern Engineering & Technology Corporation, MCC	13,908	13,764
Accounts Payable	MCC Overseas Ltd.	11,141	11,141
Accounts Payable	Zhong Ye Chang Tian International Engineering Co., Ltd.	5,832	—
Accounts Payable	China MCC International Economic and Trade Co., Ltd.	160	2,877
Accounts Payable	Beijing MCC Equipment Research & Design Corporation Ltd.	77	77
Total		<u>694,977</u>	<u>284,732</u>
Other payables	China MCC 20 Group Co., Ltd.	2,338,941	366,890
Other payables	MCC Communication Engineering Technology Co., Ltd.	1,800,000	—
Other payables	MCC Holding (Hong Kong) Corporation Limited	1,731,125	1,210,317
Other payables	China 13th Metallurgical Construction Corporation	405,719	446,290
Other payables	China 22MCC Group Co., Ltd.	391,631	430,794
Other payables	MCC Huludao Nonferrous Metals Group Co., Ltd.	368,471	368,471
Other payables	China MCC 19 Group Co., Ltd.	366,939	403,632
Other payables	China Second China Metallurgical Group Corporation Ltd.	299,358	299,358
Other payables	China Metallurgical Construction Engineering Group Co., Ltd.	269,776	296,753
Other payables	China Huaye Group Co., Ltd.	262,892	281,240
Other payables	China MCC 3 Group Co., Ltd.	243,976	251,016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(5) Payables and receivables of related party (Continued)

(b) Payables (Continued)

Items	Related party	Closing balance	Opening balance
Other payables	China MCC 5 Group Co., Ltd.	239,997	268,428
Other payables	CISDI Group Corp. Ltd	232,046	255,145
Other payables	Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd.	212,660	212,660
Other payables	China First Metallurgical Group Co., Ltd	211,723	197,158
Other payables	Changsha Metallurgical Design & Research Institute Co., Ltd.	176,306	193,937
Other payables	Anshan Engineering & Research Incorporation of Metallurgical Industry	132,049	151,713
Other payables	China ENFI Engineering Co., Ltd.	113,361	136,033
Other payables	Central Research Institute of Building and Construction Co., Ltd., MCC Group	106,267	116,894
Other payables	Wuhan Iron and Steel Design & Research Incorporation Limited	90,702	116,331
Other payables	Shanghai Baoye Group Corp., Ltd.	83,470	99,676
Other payables	MCC-JJJ Mining Development Company Limited	72,490	—
Other payables	MCC Capital Engineering & Research Incorporation Ltd.	68,590	68,590
Other payables	Anshan Coking and Refractory Engineering Consulting Corporation	54,477	59,924
Other payables	Beris Group Corporation	46,943	47,973
Other payables	Beijing MCC Equipment Research & Design Corporation Ltd.	44,774	48,654
Other payables	MCC Baosteel Technology Services Co., Ltd.	36,865	36,865
Other payables	Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	36,164	39,780
Other payables	MCC Mining (Western Australia) Pty Ltd.	34,579	37,423
Other payables	Shenyang Institute of Geotechnical Investigation Corporation, MCC	30,161	33,006

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(5) Payables and receivables of related party (Continued)

(b) Payables (Continued)

Items	Related party	Closing balance	Opening balance
Other payables	WISDRI Engineering & Research Incorporation Ltd.	24,101	77,867
Other payables	MCC Overseas Ltd.	22,579	27,165
Other payables	MCC Australia Holding Pty Ltd.	20,573	30,590
Other payables	China MCC 17 Group Co., Ltd.	16,970	19,248
Other payables	MCC Tongsin Resources Ltd.	16,796	10,386
Other payables	MCC International Incorporation Ltd.	4,249	4,249
Other payables	ACRE Coking & Refractory Engineering Consulting Corporation, MCC	4,225	14,516
Other payables	Northern Engineering & Technology Corporation, MCC	2,330	2,491
Other payables	Zhong Ye Chang Tian International Engineering Co., Ltd.	663	729
Other payables	MCC-SFRE Heavy Industry Equipment Co., Ltd.	377	377
Other payables	MCC TianGong Group Corporation Ltd.	78	78
Other payables	Shen Kan Engineering & Technology Corporation, MCC	38	45
Other payables	Ramu NiCo Management (MCC) Limited	3	3
Other payables	China Metallurgical Group Corporation	—	343
Other payables	MCC Asset Management Co., Ltd.	—	102
Total		<u>10,615,434</u>	<u>6,663,140</u>
Interest payable	MCC Holding (Hong Kong) Corporation Limited	20,857	—
Interest payable	MCC Real Estate Group Co., Ltd.	—	29,424
Total		<u>20,857</u>	<u>29,424</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVII. SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss

All amounts in RMB'000

Items	Amount for the current year
Profit or loss on disposal of non-current assets	86,836
Government grants recognized in profit or loss (except for the government grants that are closely related to the business of the Company and received in accordance with the uniform state's regulations)	1,066,485
Profit or loss arising from contingencies other than those related to normal operating business of the company	(5,752)
Change of fair value of financial assets at FVTPL and profit or loss of disposal of financial assets at FVTPL and available-for-sale assets except for those gain/loss relating to the hedging transactions under the company's normal operating business	32,134
Profit or loss on external entrusted loans	4,960
Other non-operating income or expenses other than the above items	267,489
Profit or loss on disposal of long-term equity investments	14,558
Impact on income tax	(226,590)
Impact on non-controlling interests	(142,318)
	1,097,802
Total	1,097,802

For the current year, none of the non-recurring profit or loss listed in <Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public — Extraordinary Profit and Loss> was classified as recurring profit or loss by the Group.

2. Return on net assets and earnings per share ("EPS")

Profit during the reporting year	Weighted average rate of return on net assets (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	8.63	0.21	Not applicable
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	6.24	0.15	Not applicable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVII. SUPPLEMENTARY INFORMATION (Continued)

3. Supplementary information on changes in accounting policies

The Company restated the financial statements for the years ended 31 December 2014 and 2013 according to eight accounting standards included in CAS 2 (revised) which was published by the Ministry of Finance in 2014. The restated consolidated balance sheets as at 1 January 2013 and 31 December 2013 are set out below:

All amounts in RMB'000

Items	2013.01.01	2013.12.31	2014.12.31
Current Assets:			
Cash and bank balances	34,207,872	33,585,579	33,409,480
Financial assets at fair value through profit or loss	302,205	591	555
Derivative financial assets	—	40,969	18,532
Bills receivable	11,311,862	11,141,096	9,977,574
Accounts receivable	46,943,639	52,597,630	55,799,282
Prepayments	16,689,884	15,037,010	16,510,723
Interest receivable	6,022	11,679	11,505
Dividends receivable	2,830	642	119,234
Other receivables	13,850,305	13,844,812	19,768,319
Inventories	110,340,270	107,930,551	106,415,992
Assets classified as held for sale	229	33,981	—
Non-current assets due within one year	3,165,585	4,369,433	4,867,780
Other current assets	2,441,834	1,360,221	187,588
Total Current Assets	239,262,537	239,954,194	247,086,564
Non-current Assets:			
Available-for-sale financial assets	1,347,659	1,400,704	1,643,092
Held-to-maturity investments	20	20	20
Long-term receivables	23,492,340	20,342,364	17,383,285
Long-term equity investments	2,503,701	4,133,422	3,939,211
Investment properties	1,574,469	1,817,637	1,864,386
Fixed assets	34,643,869	33,382,887	32,874,747
Construction in progress	4,641,491	2,855,270	2,280,214
Materials for construction of fixed assets	47,979	48,386	47,617
Intangible assets	15,444,430	15,278,732	14,967,560
Goodwill	375,709	278,451	270,448
Long-term prepayments	168,298	176,881	167,767
Deferred tax assets	2,669,626	2,987,346	3,316,126
Other non-current assets	54,395	228,145	137,442
Total Non-current Assets	86,963,986	82,930,245	78,891,915
TOTAL ASSETS	326,226,523	322,884,439	325,978,479

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVII. SUPPLEMENTARY INFORMATION (Continued)

3. Supplementary information on changes in accounting policies (Continued)

Items	2013.01.01	2013.12.31	2014.12.31
Current Liabilities:			
Short-term borrowings	42,513,029	45,080,598	36,461,263
Bills payable	8,218,506	7,610,246	11,808,491
Accounts payable	60,508,089	70,186,463	77,722,163
Receipts in advance	40,193,127	35,311,169	33,978,850
Employee benefits payable	2,342,449	1,960,291	1,987,771
Taxes payable	7,358,273	7,304,737	6,399,466
Interest payable	801,476	976,378	970,589
Dividends payable	478,599	798,649	504,931
Other payables	14,242,980	19,793,109	15,888,498
Non-current liabilities due within one year	11,240,074	11,096,007	11,875,968
Other current liabilities	21,454,828	18,927,212	19,966,195
Total Current Liabilities	209,351,430	219,044,859	217,564,185
Non-current Liabilities:			
Long-term borrowings	35,616,246	21,618,045	21,329,884
Bonds payable	21,448,266	20,606,063	21,945,923
Including: Preference share Perpetual bond	—	—	—
Long-term payables	172,814	266,293	864,818
Long-term employee benefits payable	4,674,427	3,952,311	3,944,693
Special payables	48,757	42,720	22,501
Provisions	66,071	97,459	208,154
Deferred income	1,477,458	1,600,900	1,552,840
Deferred tax liabilities	536,467	562,091	481,873
Other non-current liabilities	—	28,479	39,100
Total Non-current Liabilities	64,040,506	48,774,361	50,389,786
TOTAL LIABILITIES	273,391,936	267,819,220	267,953,971

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

XVII. SUPPLEMENTARY INFORMATION *(Continued)*

3. Supplementary information on changes in accounting policies *(Continued)*

Items	2013.01.01	2013.12.31	2014.12.31
SHAREHOLDERS' EQUITY			
Share capital	19,110,000	19,110,000	19,110,000
Capital reserve	17,971,249	17,947,113	17,826,218
Less: Treasury shares	—	—	—
Other comprehensive income	65,333	465,797	583,421
Special reserve	12,550	12,550	12,550
Surplus reserve	289,366	420,659	529,549
Retained profits	3,735,610	6,585,181	9,275,519
Total shareholders' equity attributable to equity holders of the Company	41,184,108	44,541,300	47,337,257
Non-controlling interests	11,650,479	10,523,919	10,687,251
TOTAL SHAREHOLDERS' EQUITY	52,834,587	55,065,219	58,024,508
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	326,226,523	322,884,439	325,978,479

OTHER FINANCIAL INFORMATION

FINANCIAL SUMMARY PREPAID IN ACCORDANCE WITH THE CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

Unit: RMB '000

Item	2014	2013	2012	2011	2010
Operating income	215,785,772	202,690,241	221,119,698	230,178,204	206,791,816
Operating costs	187,884,556	175,112,261	195,173,148	202,743,928	179,851,534
Business taxes and levies	5,712,644	5,723,373	6,210,830	6,156,489	6,167,847
Selling expenses	1,500,231	1,617,470	1,655,765	1,835,822	1,530,159
Administrative expenses	9,108,267	9,449,306	9,802,839	9,791,872	8,461,583
Finance costs	4,022,637	4,459,771	4,345,260	3,812,861	2,743,071
Impairment losses of assets	3,298,384	2,288,782	15,768,210	1,648,265	1,427,629
Investment income	1,053,667	342,812	3,544,076	1,132,286	398,786
Operating profit	5,290,247	4,421,445	-8,292,055	5,322,737	7,008,261
Non-operating income	1,699,134	1,046,500	950,485	1,151,858	814,296
Non-operating expenses	284,076	171,432	517,267	319,954	133,954
Total profit	6,705,305	5,296,513	-7,858,837	6,154,641	7,688,603
Income tax	2,363,950	2,218,717	2,489,202	2,442,074	2,117,988
Net profit	4,341,355	3,077,796	-10,348,039	3,712,567	5,570,615
Net profit attributable to shareholders of the listed company	3,964,938	2,980,864	-6,943,355	4,243,424	5,320,779
Non-controlling interests	376,417	96,932	-3,404,684	-530,857	249,836
Basic earnings per share	0.21	0.16	-0.36	0.22	0.28
Diluted earnings per share	N/A	N/A	N/A	N/A	N/A
Item	2014	2013	2012	2011	2010
Total assets	325,978,479	322,884,439	326,226,523	332,012,367	288,220,724
Total liabilities	267,953,971	267,819,220	273,391,936	273,796,224	234,707,549
Equity Interest	58,024,508	55,065,219	52,834,587	58,216,143	53,513,175

Note: Consolidated operating results of the year 2010 and 2011 have not been restated in accordance with CAS9.

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
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
Stock Exchange, Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
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

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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
connected person(s)	connected party/parties under A Share listing requirements and connected person(s) under Listing Rules of H Shares
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 31 December 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
Supervisor(s)	the supervisor(s) of the Company
Supervisory Committee	the Supervisory Committee of Metallurgical Corporation of China Ltd.
Corporate Governance Code	the revised Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules coming into effect from 1 April 2012

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
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
dry metric ton	the mineral weight excluding moisture

The forward-looking statements contained in this report regarding the Company's future plans and others do not constitute any substantive commitment to investors and investors are reminded of investment risks.



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