



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

Focus on MCC's
Principal Business
for a Better Future

2015 INTERIM REPORT



* For identification purpose only

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Chairman's Statement



Guo Wenqing
Chairman

Dear Shareholders,

In the face of the complicated situations including the enormously downward pressure on the national economy, weak market demands and intense competition since the beginning of the year, MCC strived to seize opportunities to take initiatives and to make endeavor for improving the quality and efficiency of its production and operation steadily while accelerating its growth momentum. During the Reporting Period, the operating revenue of the Company amounted to RMB100.692 billion, representing a year-on-year increase of 4.71%; whilst its total profit amounted to RMB3.504 billion, representing a year-on-year increase of 10.28%. The Company recorded a net profit attributable to shareholders of the listed company of RMB2.172 billion, representing a year-on-year increase of 20.06%. In 2015, MCC Group, having MCC as its core asset, ranked 326 in the Global 500, rising 28 places when compared with 2014.

The Company has maintained proven performance and long-term stable development, which was attributable to our consistent emphasis on strategic guidance by firmly adhering to the principle of "focusing on the core business in building a better MCC" (聚焦中冶主業·建設美好中冶); our continuous strength in the overall trend and pattern of development which not only enables us to strictly control enterprise risks but also gains competitiveness and growth capacity amidst the industry reform; and the vigorous support from our investors and all sectors of society.

In the new normal era, there is great room for the development of domestic economy with great resilience, potential and flexibility. The overall arrangement for the iron and steel industry, upgrade of the industrial structure, closing down of backward production facilities, relocation of steel factories in urban areas for the purpose of environmental protection and redevelopment for energy conservation and environmental protection will be the future market and business growth points in the traditional metallurgical engineering sector. The gradual implementation of the strategy of "One Belt and One Road" (一帶一路) and the combination of the international production capacity and equipment manufacturing have provided favorable opportunities for the Company to make great business expansion in the vast overseas market. Numerous investment opportunities have sprung up including regional structure optimization, growth power transformation, municipal transportation infrastructure, ecological environment construction, energy conservation and environment protection, new rural construction, and underground facility, which are the high-growth sectors where MCC is able to leverage its traditional advantages and to create new advantages with its core competence.

Facing new opportunities, MCC is dedicated to train the best "national team" worldwide to offer metallurgical construction and operational service for reform and innovation. With the responsibility of improving the competitiveness of China's steel and iron industry in the global market, and with the support of incomparable world-leading steel and iron engineering technology, MCC aims at being the "driver" that propels China from a great manufacturer to an advanced manufacturer in the global steel and iron market, being the "leader" in the combination of the international production capacity and equipment manufacturing in the iron and steel industry, and being the "pioneer" that expands China's steel and iron industry into the world, thus striving for the dominant position in the international steel and iron industry and enhancing the global influence and control of central enterprises. Meanwhile, the Company has been diversifying the business properly. By accurately identifying the matching point between the national strategy and our comparative advantages and development needs, the Company accelerates transformation and upgrading to create new competitive edges, so as to facilitate the transformation from a pure construction enterprise to a comprehensive service provider with its businesses covering investment, construction, operation, etc. Businesses such as high-end property construction, middle-end property, environmental and new energy projects focusing on atmosphere, water and soil, and urban comprehensive pipelines were vigorously developed to derive a more competitive updated version of "four beams and eight columns" (四樑八柱) business system.

Dear shareholders, MCC is revitalizing in all aspects with leapfrog development, we will apply "MCC people cast the world by heart" (中冶人用心鑄造世界) as motto and strongly advocate the MCC's pragmatic spirit of "without wasting one day, without being lazy for one day" (一天也不耽誤、一天也不懈怠) to unite all of our employees to start the new historical journey of making the Company become the best enterprise worldwide in the Chinese metallurgical history, with a view to rewarding our Shareholders and society with more splendid results.



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
Secretary to the Board	Xiao Xuewen
Company secretary	Lin Xiaohui
Contact address	MCC Tower 28 Shuguang Xili, Chaoyang District Beijing, PRC
Tel	86-10-59868666
Fax	86-10-59868999
Places of listing	The Stock Exchange of Hong Kong Limited, Shanghai Stock Exchange
Abbreviation of stock name	MCC
Stock codes	1618 (Hong Kong), 601618 (Shanghai)

H Share registrar and transfer office	Computershare Hong Kong Investor Services Limited
Address of H Share registrar and transfer office	17M Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Auditor	Deloitte Touche Tohmatsu CPA LLP
Office address of the auditor	8th Floor, Tower W2, The Towers, Oriental Plaza 1 East Chang An Avenue Beijing, PRC
PRC legal advisor	Beijing 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

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Company Profile

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

The Company is a large conglomerate operating in various specialised fields, across different industries and countries, with engineering and construction, property development, equipment manufacturing and resources development as its principal businesses. The Company has strong construction capabilities in metallurgical engineering. The Company is one of the largest comprehensive companies of engineering and construction in the PRC and even in the world. MCC Group, which holds the Company as its core asset, ranked 326th among the 2015 Fortune Global 500 companies.

At present, the A Shares of the Company has been selected to be a constituent stock of, among others, SSE 180 Index, "One Belt and One Road" Index, CSI 300 Index, SSE Central SOEs Index and SSE Market Value Top 100 Index, while the H Shares has been selected to be a constituent stock of, among others, the Hang Seng China AH (A+H) Index, FTSE China 50 Index, Bloomberg Global Engineering and Construction Index and S&P China BMI Index.

As at 30 June 2015, the Company has 52 principal wholly-owned or non-wholly owned subsidiaries (二級全資及控股子公司) both in the PRC and abroad, which are detailed as follows:

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

China First Metallurgical Group Co., Ltd.

China Second Metallurgical Group Corporation Limited

MCC-JJJ Mining Development Company Limited

Ramu NiCo Management (MCC) Limited

MCC Real Estate Group Co., Ltd.

MCC Finance Corporation Ltd.

MCC International Incorporation Ltd.

MCC-SFRE Heavy Industry Equipment Co., Ltd.

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

Wuhan Iron and Steel Design & Research Incorporation Limited

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

Anshan Engineering & Research Incorporation of Metallurgical Industry

Anshan Coking and Refractory Engineering Consulting Corporation

MCC Tongsin Resources Ltd.

MCC Australia Holding Pty Ltd.

MCC Overseas Ltd.

China MCC International Economic and Trade Co., Ltd.

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

MCC Holding (Hong Kong) Corporation Limited

MCC Mining (Western Australia) Pty Ltd

Changsha Metallurgical Design & Research Institute Co., Ltd.

Shenyang Institute of Geotechnical Investigation Corporation, MCC

China 13th Metallurgical Construction Corporation

MCC Northeast Construction Development Co., Ltd.

Qianhai MCC (Shenzhen) International Trading Co., Ltd.

MCC Finance Leasing Co., Ltd.

I. OVERVIEW

The Company's financial position as at 30 June 2015 and the operating results for the six months ended 30 June 2015 are as follows:

- Operating revenue amounted to RMB100,692 million, representing a year-on-year increase of RMB4,525 million or 4.71% from RMB96,167 million for the same period of 2014.
- Operating profit amounted to RMB3,127 million, representing a year-on-year increase of RMB406 million or 14.92% from RMB2,721 million for the same period of 2014.
- Net profit amounted to RMB2,461 million, representing a year-on-year increase of RMB499 million or 25.46% from RMB1,962 million for the same period of 2014.
- Net profit attributable to shareholders of the Company amounted to RMB2,172 million, representing a year-on-year increase of RMB363 million or 20.06% from RMB1,809 million for the same period of 2014.
- Basic earnings per share amounted to RMB0.11, while basic earnings per share amounted to RMB0.09 for the same period of 2014.
- As at 30 June 2015, the total assets amounted to RMB337,521 million, representing an increase of RMB11,543 million or 3.54% from RMB325,978 million as at 31 December 2014.
- As at 30 June 2015, the total equity attributable to shareholders amounted to RMB64,492 million, representing an increase of RMB6,467 million or 11.15% from RMB58,025 million as at 31 December 2014.
- Value of newly-signed contracts amounted to RMB177,250 million, representing a decrease of RMB1,030 million or 0.58% from RMB178,280 million for the same period of 2014.

II. REVENUE FROM PRINCIPAL BUSINESS SEGMENTS

During the Reporting Period, the Company's:

- Engineering and construction business

operating revenue amounted to RMB85,377 million, representing an increase of RMB4,630 million or 5.73% from RMB80,747 million for the same period of 2014.

- Property development business

operating revenue amounted to RMB9,987 million, representing an increase of RMB703 million or 7.57% from RMB9,284 million for the same period of 2014.

- Equipment manufacturing business

operating revenue amounted to RMB3,824 million, representing a decrease of RMB392 million or 9.30% from RMB4,216 million for the same period of 2014.

- Resources development business

operating revenue amounted to RMB1,283 million, representing a decrease of RMB658 million or 33.90% from RMB1,941 million for the same period of 2014.

- Other businesses

Operating revenue amounted to RMB1,365 million, representing a decrease of RMB105 million or 7.14% from RMB1,470 million for the same period of 2014.

Note: The segment revenues above are the revenues before inter-segment elimination.

Financial Highlights

III. FINANCIAL STATEMENTS

Consolidated income statement

For the six months ended 30 June 2015

Unit: '000 Currency: RMB

Items	The amount for the current period	The amount for the prior period
I. Total operating revenue	100,691,551	96,166,552
Including: Operating revenue	100,691,551	96,166,552
II. Total operating costs	97,709,872	93,981,253
Including: Operating costs	87,593,659	84,296,869
Business tax and levies	2,616,952	2,397,811
Selling expense	606,020	689,284
Administrative expense	4,067,552	3,871,026
Financial expenses	1,767,396	1,632,237
Impairment losses of assets	1,058,293	1,094,026
Add: Gains (losses) arising from changes in fair value	21,693	(5,244)
Investment income	123,863	541,072
Including: Income from investments in associates and joint ventures	58,907	(124,242)
III. Operating profit	3,127,235	2,721,127
Add: Non-operating income	422,230	561,177
Including: Gains on disposal of non-current assets	22,916	26,459
Less: Non-operating expenses	45,325	104,691
Including: Losses on disposal of non-current assets	13,247	20,513
IV. Total Profit	3,504,140	3,177,613
Less: Income tax expenses	1,043,323	1,216,107

Financial Highlights

Unit: '000 Currency: RMB

Items	The amount for the current period	The amount for the prior period
V. Net profit	2,460,817	1,961,506
Net profit attributable to the shareholders of the parent company	2,172,265	1,809,335
Profit or loss attributable to non-controlling interests	288,552	152,171
VI. Other comprehensive income net of tax	63,897	(257,367)
Other comprehensive income net of tax attributable to shareholders of the parent company	74,945	(254,236)
(I) Other comprehensive income that cannot be reclassified to profit or loss in subsequent periods	(125,351)	(107,728)
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans	(125,351)	(107,728)
(II) Other comprehensive income that will be reclassified to profit or loss in subsequent periods	200,296	(146,508)
1. Gains or losses from changes in fair value of available-for-sale financial assets	93,086	6,553
2. Exchange differences from retranslation of financial statements	107,210	(153,061)
Other comprehensive income net of tax attributable to non-controlling interests	(11,048)	(3,131)
VII. Total comprehensive income	2,524,714	1,704,139
Total comprehensive income attributable to shareholders of the company	2,247,210	1,555,099
Total comprehensive income attributable to non-controlling interests	277,504	149,040
VIII. Earnings per share:		
(I) Basic earnings per share (RMB/Share)	0.11	0.09
(II) Diluted earnings per share (RMB/Share)	N/A	N/A

Financial Highlights

The company's income statement

For the six months ended 30 June 2015

Unit: '000 Currency: RMB

Items	The amount for the current period	The amount for the prior period
I. Operating revenue	1,093,177	707,956
Less: Operating costs	961,641	706,465
Business taxes and levies	–	5,650
Administrative expenses	61,463	74,672
Financial expenses	316,202	605,834
Impairment losses of assets	(9,710)	28,901
Add: Investment gains (losses)	–	(40)
Including: Gains (losses) from investment in associates and joint ventures	–	(40)
II. Operating profit	(236,419)	(713,606)
Add: Non-operating income	42,040	3
Including: Gains from disposal of non-current assets	41,966	–
Less: Non-operating expenses	18	24
Including: Losses from disposal of non-current assets	18	24
III. Total profit	(194,397)	(713,627)
Less: Income tax expenses	–	(8,901)
IV. Net profit	(194,397)	(704,726)
V. Other comprehensive income net of tax	(2,560)	609
(I) Other comprehensive income that cannot be reclassified into profit or loss in subsequent periods	(2,560)	626
1. Changes in net liabilities or net asset arising from re-measurement of defined benefit plans	(2,560)	626
(II) Other comprehensive income that will be reclassified into profit or loss in subsequent periods	–	(17)
1. Exchange differences from translation of financial statements	–	(17)
VI. Total comprehensive income	(196,957)	(704,117)

I. INVESTMENT ANALYSIS

(I) External Equity Investments

1. Securities investment

Currency: RMB

No.	Stock Variety	Stock Code	Stock Abbreviation	Initial investment amount (RMB)	Number of shares held	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	861,194	100	306,624
Investment gain or loss incurred from securities sold during the Reporting Period				/	/	/	/	
Total				498,768	/	861,194	100	306,624

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

Unit: RMB '000

Stock code	Stock abbreviation	Initial investment cost	Percentage of shareholding at the beginning of the Reporting Period (%)	Percentage of shareholding at the end of the Reporting Period (%)	Carrying value at the end of the Reporting Period	Gain or loss in the Reporting Period	Changes in owner's equity in the Reporting Period	Account category	Source of shares
601328	Bank of Communications	93,402	0.06	0.06	367,786	1,539	70,074	Available-for-sale financial assets	Partly are initial shares and partly are purchased from the secondary market
000939	Kaidi Electric Power	2,502	1.10	1.09	150,000	4,171	35,089	Available-for-sale financial assets	Initial shares
600643	AJ Corporation	275	0.03	0.02	4,545	2,097	1,678	Available-for-sale financial assets	Initial shares
600729	Chongqing Department Store	450	0.01	0.01	13,729	0	2,173	Available-for-sale financial assets	Initial shares
000709	Hebei Steel	10,337	0.79	0.79	19,918	0	9,020	Available-for-sale financial assets	Initial shares
600117	Xining Special Steel	1,400	0.19	0.19	15,042	0	7,439	Available-for-sale financial assets	Initial shares
000005	Fountain	420	0.04	0.04	3,425	0	1,895	Available-for-sale financial assets	Initial shares
600665	Tande	1,123	0.02	0.02	1,385	0	447	Available-for-sale financial assets	Initial shares
600642	Shenergy Company	188	0.01	0.01	450	0	160	Available-for-sale financial assets	Initial shares
Total		110,097	/	/	576,280	7,807	127,975	/	/

Directors' Report

3. Equity interests in financial companies held by the Company

Currency: RMB

Name of investee	Initial investment (RMB)	Percentage of	Percentage of	Carrying value at the end of the Reporting Period (RMB)	Gain or loss in the Reporting Period (RMB)	Changes in owner's equity in the Reporting Period (RMB)	Account category	Source of shares
		shareholding at the beginning of the Reporting Period (%)	shareholding at the end of the Reporting Period (%)					
Changcheng Life Insurance Co., Ltd. (長城人壽保險股份有限公司)	30,000,000	1.70	1.70	30,000,000	0	-	Available-for-sale financial assets	By acquisition
Hankou Bank Company Limited (漢口銀行股份有限公司)	27,696,000	0.74	0.74	27,696,000	6,600,000	-	Available-for-sale financial assets	By acquisition
Baosteel Group Finance Co., Ltd. (寶鋼集團財務有限責任公司)	10,497,680	2.20	2.20	10,497,680	0	-	Available-for-sale financial assets	By acquisition
Wusteel Group Financial Company (武鋼集團財務公司)	2,000,000	0.13	0.13	2,000,000	240,000	-	Available-for-sale financial assets	By acquisition
Shenyin & Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司)	2,000,000	0.02	0.02	2,000,000	0	-	Available-for-sale financial assets	By acquisition
Total	72,193,680	/	/	72,193,680	6,840,000	/	/	/

(II) Analysis on major subsidiaries and investees of the Company

Unit: RMB '000

Name of subsidiary	Total assets	Owners' interest	Gross operating revenue	Net profits
MCC Real Estate Group Co., Ltd.	37,450,931	6,853,594	1,865,102	966,404
MCC TianGong Group Corporation Limited	22,382,261	3,787,847	13,593,006	354,862
China MCC 5 Group Co., Ltd.	16,291,786	3,120,269	8,532,138	322,997
Shanghai Baoye Group Corp., Ltd.	16,447,147	4,516,603	10,527,769	278,480
MCC-JJJ Mining Development Company Limited	11,729,983	292,362	575,330	-471,794

(III) Entrusted Asset Management and Derivative Investments

1. Entrusted Asset Management

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

2. Entrusted Loans

Unit: 0'000 Currency: RMB

Name of the lender	Name of the borrower	Relationship between the borrower and the listed company	Amount of entrusted loan	Term of loan	Interest rate of loan	Use of borrowing	Collateral or guarantor	Overdue or not	Connected transaction or not	Extended or not	Involving proceedings or not	If it is funded by		Profit or loss of the investment	
												Connected relation	Expected returns		
China MCC 5 Group Co., Ltd.	Sichuan HangYe Industrial Co., Ltd. (四川航冶實業有限公司)	Associate	10,005	2014/12/4 to 2015/12/3	15%	Engineering segment	None	No	No	No	No	No	N/A	1500.8	750.4
China MCC 5 Group Co., Ltd.	Sichuan HangYe Industrial Co., Ltd. (四川航冶實業有限公司)	Associate	4,070	2015/11/23 to 2016/1/22	15%	Engineering segment	None	No	No	No	No	No	N/A	610.5	268.0

(IV) Use of Proceeds and Projects Undertaken

1. Overall status of the use of proceeds

Currency: RMB/HKD

Year of raising the proceeds	Way of fund raising	Total proceeds		Accumulative amount of proceeds used	Total unused proceeds	Use of the unused proceeds and where they are deposited with
		Total proceeds raised	used during the Reporting Period			
2009	Initial public offering of H Share	HK\$15,585 million	HK\$129 million	HK\$13,030 million	HK\$2,591 million ⁽¹⁾	Deposited with the special account for proceeds of the Company and the account will be used on an ongoing basis
2009	Initial public offering of A Share	RMB18,359 million	0	RMB17,423 million	RMB1,191 million ⁽²⁾	Deposited with the special account for proceeds of the Company and to be invested in relevant projects undertaken by the Company

Note (1): including interest accrued on deposits, etc.

Note (2): including interest generated from the bank deposits of the proceeds, and the unused proceeds that were used to replenish the working capital temporarily.

In March 2014, as considered and approved at the 65th meeting of the first session of the Board of the Company, certain part of the unused A Share proceeds were approved to replenish the working capital temporarily, with the total amount of no more than RMB1,161.9 million and the term of no more than one year (for details, please see the overseas regulatory announcement disclosed by the Company on 28 March 2014). In accordance with the above resolution, the Company and its subsidiaries had used the unused A Share proceeds of RMB1,161 million to replenish the working capital temporarily. As of 20 March 2015, the Company had returned the above proceeds to the A share fund raising account (for details, please see the overseas regulatory announcement disclosed by the Company on 23 March 2015).

In March 2015, as considered and approved at the fourth meeting of the second session of the Board of the Company, certain part of the unused A Share proceeds were approved to replenish the working capital temporarily, with the total amount of no more than RMB1,181 million and the term of no more than one year (for details, please see the overseas regulatory announcement disclosed by the Company on 27 March 2015). As at the end of the Reporting Period and in accordance with the above resolution, the Company and its subsidiaries had used the unused A Share proceeds of RMB1,181 million to replenish the working capital temporarily.

2. Proceeds for projects undertaken

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

Unit: 0'000 Currency: HKD

Name of the project undertaken	Any changes to the project	Amount of proceeds to be invested	Actual amount of proceeds invested	Progress of utilisation of proceeds	Revenue generated	Explanation of project falling behind schedule or failing to achieve returns as expected
Overseas resources development projects	No	Approximately 32% of H Share proceeds	244,670.49	In progress	Cannot be confirmed until completion of the project	Injection period
Overseas construction project	No	Approximately 45% of H Share proceeds	700,000.00	Completed	Cannot be confirmed until completion of the project	Injection period
Potential acquisitions of overseas resources	No	Approximately 0.1% of H Share proceeds	1,062.62	Completed	Cannot be confirmed until completion of the project	Injection period
Repayment of bank loans and replenishment of working capital	No	Approximately 11% of H Share proceeds	174,000.00	Completed	N/A	N/A
Working capital of overseas engineering contracting projects ⁽¹⁾	Yes	Approximately 12% of H Share proceeds	183,330.39	Completed	Cannot be confirmed until completion of the project	Injection period
Sub-total	-	-	1,303,063.50	-	-	-

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 contracting projects.

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

Currency: RMB

Name of the project undertaken	Any changes to the project	Amount of proceeds to be invested (RMB'000)	Amount of proceeds invested during the Reporting Period (RMB'000)	Accumulative actual amount of proceeds invested (RMB'000)	Whether it is in line with the schedule	Progress of utilization ⁽¹⁾	Estimated returns	Revenue generated	Whether it is in line with estimated return	Explanation of project falling behind schedule or failing to achieve return as expected	Explanation of reasons for and procedure of change in proceeds
Afghanistan Aynak copper mine project	No	85,000.00	0	0.00	No	0.00%	Internal rate of return of 11.01%	Cannot be confirmed until completion of the project	-	As of 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. In July 2015, the Company initiated the first round of negotiation with Afghanistan Ministry of Mines and Petroleum in relation to the mining contract, during which the amendments to the contract were proposed by the Company in detail. The Company will continue to strengthen the communication with the Afghanistan government to speed up the process of amending the contract.	
Ramu nickel laterite mine project	No	250,000.00	0	250,000.04 ⁽²⁾	Yes	100%	Internal rate of return of 12.67%	Profit accumulated to RMB-2,531,907,000 since operation	No	The project was put into operation in 2012. Affected by the low price of nickel at present and due to reasons such as the need for further improvement in a number of processing technologies and infrastructure of the project, it records accumulative loss. The Company will solve the problems encountered in the production step by step through measures such as increasing production capacity, making breakthroughs in technologies and implementing technical innovation.	
The innovation base project of the National Steel Structures Engineering Technology Research Centre	Yes	55,453.95	0	42,813.68	No	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 Centre" be changed as replenishment of working capital of the Company. As considered and approved at the 2013 first extraordinary general meeting, the principal and interest of the proceeds, totaling approximately RMB195 million, were changed to replenishment of working capital.
Equipment purchase project for engineering, contracting and research and development	Yes	187,036.12	0	199,304.73 ⁽²⁾	No	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.
The new project on the manufacturing of forged steel rolling mill and the expansion of the hot processing production capacity in Fuping County, Shaanxi Province	No	64,300.00	0	64,308.53 ⁽²⁾	Yes	100%	Internal rate of return of 10.65%	Cannot be confirmed until the project ramps up to targeted production	N/A	The adjustment and trial of all of the equipment was completed. The trial production went well, but the project has not been ramped up to its production capacity, so the revenue of which cannot be determined yet.	

Name of the project undertaken	Any changes to the project	Amount of proceeds to be invested (RMB'000)	Amount of proceeds invested during the Reporting Period (RMB'000)	Accumulative actual amount of proceeds invested (RMB'000)	Whether it is in line with the schedule	Progress of utilization ⁽¹⁾	Estimated returns	Revenue generated	Whether it is in line with estimated return	Explanation of project falling behind schedule or failing to achieve return as expected	Explanation of reasons for and procedure of change in proceeds
The project in Caofeidian, Tangshan in relation to 500,000 tons of cold bend steel and steel structures project	No	44,000.00	0	44,044.10 ⁽²⁾	Yes	100%	Internal rate of return of 17.60%	Profit accumulated to RMB21,345,700	No	Affected by the market environment, the price was low while the cost was high. Thus, the project was not as efficient as expected.	
The project in relation to an annual production of 400,000 tons of ERW welded pipes by MCC Liaoning Dragon Pipe Industries Co., Ltd. (中冶遼寧德龍鋼管有限公司)	Yes	20,436.04	0	20,667.54 ⁽²⁾	Yes	100%	Internal rate of return of 20.90%	Profit accumulated to RMB-17,550,000	No	Due to the unfavorable market environment, the production and operation situation as well as each operational indicator has 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	0.00	-	-	-	-	-	-	Upon approval at the 2010 annual general meeting, this project had been entirely changed into "large multi-ram die forgings and heavy equipment automation industrial base construction project".
The land development project in Gaohang Land Parcel, Pudong	No	58,800.00	0	58,800.00	Yes	100%	Internal rate of return of 16.35%	Profit accumulated to RMB653,915,900	Yes		
The land development project of old town area renovation work (Phase II) in Yuan Yang Old Town, Jing Kai Yuan, North New District, Chongqing	No	50,000.00	0	50,693.73 ⁽²⁾	Yes	100%	Internal rate of return of 29.07%	Profit accumulated to RMB554,389,000	Yes		
Large multi-ram die forgings and heavy equipment automation industrial base construction project	No	48,200.00	0	39,001.18	No	80.92%	Internal rate of return of 17.10%	Profit accumulated to RMB4,468,300	No	The pre-stressed and wire twined multi-directional forging hydraulic pressure machine produced by multi-ram die forgings filled the gap in the country and the 40MN, 120MN and 300 MN multi-ram forging hydraulic pressure machines in the project were constructed step by step. The production line of 120MN multi-ram forging hydraulic pressure machine has completed joint testing and is improving the forging technique.	
Replenishment of working capital and repayment of bank loans	No	821,573.89	0	821,573.89	N/A	N/A	N/A	N/A	N/A		
Replenishment of working capital and repayment of bank loans by oversubscription proceeds	No	151,097.24	0	151,097.24	N/A	N/A	N/A	N/A	N/A		
Total	/	1,835,897.24	0	1,742,304.66	/	/ /	/	/	/	/	/

Note 1: Progress of Utilization = Actual amount of proceeds invested/Amount of proceeds to be invested.

Note 2: The part of 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.

(V) Use of major non-proceeds investments

During the Reporting Period, the Company had no major project not invested using the proceeds raised.

II. IMPLEMENTATION OR ADJUSTMENT OF THE PROFIT DISTRIBUTION PLAN

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

Upon consideration and approval at the 2014 annual general meeting of the Company, the Profit Distribution Plan of the Company in the year of 2014 is listed as below: based on the total share capital of 19,110,000,000 shares of the Company as at the end of 2014, the Company made a payment of cash dividends of RMB0.05 (tax inclusive) per share to all Shareholders and the total cash dividends amounted to RMB955,500,000. The announcement of A share Profit Distribution Plan was published on China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and the website of the Shanghai Stock Exchange on 9 July 2015. The announcement in relation to the distribution of 2014 H Shares final dividends was published on the website of Hong Kong Stock Exchange on 8 July 2015. As of the disclosure date of the report, the 2014 annual profit distribution of the Company had been completed.

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

During the Reporting Period, the Company had no preliminary proposal for profit distribution or transfer of capital reserve to share capital for the half year.

III. ANALYSIS ON CORE COMPETITIVENESS

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

I. ANALYSIS ON MAJOR OPERATING BUSINESS

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

Unit: '000 Currency: RMB

Item	Amount for the current period	Amount for the same period of the previous year	Change in proportion (%)
Operating revenue	100,691,551	96,166,552	4.71
Operating costs	87,593,659	84,296,869	3.91
Sales expenses	606,020	689,284	-12.08
Administrative expenses	4,067,552	3,871,026	5.08
Financial expenses	1,767,396	1,632,237	8.28
Total profits	3,504,140	3,177,613	10.28
Net profits	2,460,817	1,961,506	25.46
Net profits attributable to shareholders of the company	2,172,265	1,809,335	20.06
Research and development expenditures	838,291	663,664	26.31

2. Revenue

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

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

1) Trend of macroscopic economy, both internationally and domestically

Operations of each business of the Company are influenced by global and national macro-economic environment. Global and national macro-economic trends may affect various business processes including purchasing, production and sales, and hence lead to fluctuation of the Company's operating results. Business revenue of the Company is mainly generated at home, and therefore, the trend of national macro-economy and the adjustments on relevant policies have greater impact on the operating performance of the Company.

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

Different businesses of the Company including engineering and construction, property development, equipment manufacturing and resource development are all under the influence of relevant industry policies. The State's recent implementation of industrial control on the steel industry, adjustment and reform plan on the equipment manufacturing industry, and industry policies on resource development and property development, as well as industrial cyclical fluctuations and changes in states of operation of upstream and downstream companies will all considerably influence and guide the future business focus and strategic planning of the Company, hence also affecting the financial position and operating results of the Company.

Points 1 and 2 mentioned above are the major risk factors that influence the results of the Company in the first half of 2015.

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

- ① Impact of the changes in the taxation policy

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

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

- ② Impact of the fluctuation in exchange rates and the currency policy

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

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

- 4) Overseas taxation policies and their changes

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

5) Change in major raw materials prices

The Company's business in engineering and construction and property development, all involve using raw materials including steel, wood, cement, explosive initiator, waterproof material, geomaterial and addition agent; equipment manufacturing business involves the using of steel and electronic parts; and resource development business involves the use of fuel and machinery parts and so on. Affected by factors such as output, market situation and material cost, changes in the prices of the above stated raw materials may affect the costs of specific raw materials and consumables of the Company.

6) Construction Subcontracting Expenses

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

7) State of Operation of Key Projects

Since the Company's Ramu Nico Laterite Mine Project in Papua New Guinea was at the preliminary stage of operation, its actual output was below the designed capacity and the decrease of price of nickel was relatively great during the Reporting Period, substantial loss was made. Since the price of polysilicon decreased significantly during the Reporting Period, the polysilicon business of the Company still generated loss. The above issues posed great impact on the operating performance of the Company in the first half of 2015.

8) Enhancement in the Quality of Operation Management

The quality of operation management can significantly influence the result of the Company. The Company will continue to adhere to the principle of "focusing on the core business of MCC" through the implementation of "large environment, large platform, large market, large project and large client" to further expand the market, and through reform and innovation, scientific decision-making, strengthening internal control to enhance management quality and efficiency, mature assessment and incentive system, and further accelerate vitality and creativity of the Company. Whether these management goals could be effectively implemented will also considerably influence the improvement in operating results of the Company.

9) Uneven Distribution of Revenue

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

(2) State of Major Customers of Sales

During the Reporting Period, the operating revenue obtained from the top five customers of the Company accounted for over 10% of the total operating revenue of the Company. (For details, please refer to note VII 51 of the statement)

Management Discussion and Analysis

3. Costs

(1) Analysis on Costs

Unit: '000 Currency: RMB

Segmental Information

Segment	Amount for the Current Period	Proportion of the amount for the current period to the total costs (%)	Amount for the same period of the previous year	Proportion of	Percentage change
				the amount for the same period of the previous year to the total costs (%)	in the amount for the current period as compared to that for the same period of the previous year (%)
Engineering and constructions	74,946,935	85.56	71,236,504	84.51	5.21
Property development	7,776,339	8.88	7,765,225	9.21	0.14
Equipment manufacturing	3,288,824	3.75	3,764,508	4.47	-12.64
Resource development	1,400,015	1.60	1,657,874	1.97	-15.55

Remarks: The segment costs above are figures before inter-segment eliminations.

(2) State of Major Suppliers

During the Reporting Period, the purchase amount from the top five suppliers of the Company accounted for no more than 10% of the total operating costs of the Company.

4. Expenses

Sales expenses

The sales expenses of the Company mainly consist of employee remuneration, transportation fee and advertising expense, etc. In the first half of 2015 and the first half of 2014, the sales expenses of the Company amounted to RMB606,020,000 and RMB689,284,000, respectively, with a year-on-year decrease of 12.08%. The proportion of sales expenses to the operating revenue in the same period for 2015 and 2014 were 0.60% and 0.72% respectively, with a 0.12 percentage-point decrease. The year-on-year decrease in sales expenses was mainly due to the year-on-year decrease in transportation fee of RMB63,552,000 or 47.72%.

Administrative expenses

The administrative expenses of the Company primarily comprise employee remuneration, research and development expenditure and office expense, etc. In the first half of 2015 and the first half of 2014, the administrative expenses of the Company amounted to RMB4,067,552,000 and RMB3,871,026,000 respectively, with a year-on-year increase of 5.08%. The proportion of administrative expenses to the operating revenue in the same period for 2015 and 2014 were 4.04% and 4.03% respectively, with a 0.01 percentage-point increase. The year-on-year increase in administrative expenses was mainly due to the year-on-year increase in research and development expenditure of RMB174,627,000 or 26.31%.

Management Discussion and Analysis

Financial expenses

The financial expenses of the Company mainly comprise borrowing cost, exchange gain or loss, bank charges and other costs incurred in the normal course of business. In the first half of 2015 and the first half of 2014, the financial expenses of the Company were RMB1,767,396,000 and RMB1,632,237,000 respectively, with a year-on-year increase of 8.28%. The proportion of financial expenses to the operating revenue in the same period for 2015 and 2014 were 1.76% and 1.70% respectively, with a 0.06 percentage-point increase. The year-on-year increase in financial expenses was mainly due to the increase in exchange loss of RMB350,325,000.

II. ANALYSIS ON OPERATIONS BY SEGMENT, PRODUCT OR REGION

1. Major Business by segment and by product

Unit: '000 Currency: RMB

Segment	Operating revenue	Operating costs	Major business by segment			Increase or decrease in the gross margin as compared to that of last year
			Gross profit 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 (%)	
Engineering and construction	85,377,452	74,946,935	12.22	5.73	5.21	Increased by 0.44 percentage point
Property development	9,986,562	7,776,339	22.13	7.57	0.14	Increased by 5.77 percentage points
Equipment manufacturing	3,823,682	3,288,824	13.99	-9.30	-12.64	Increased by 3.29 percentage points
Resource development	1,282,808	1,400,015	-9.14	-33.90	-15.55	Decreased by 23.71 percentage points

Note: The segment revenues and costs above are figures before inter-segment eliminations.

Explanation on the status of major business by segment and by product:

(1) Engineering and construction business

Engineering and construction business is the traditional core business of the Company, and serves as the main source of revenue and profit of the Company. In respect of the profitability, the engineering and construction business recorded a gross profit of RMB10,430,517,000 in the first half of 2015, representing a year-on-year increase of 9.67%. For the first half of 2015 and first half of 2014, the gross profit margin of engineering and construction business of the Company were 12.22% and 11.78% respectively, representing a year-on-year increase of 0.44 percentage point. The increase in gross profit margin of the engineering and construction business was mainly due to the increase in gross profit margin of the construction projects of properties and transportation infrastructures.

In respect of operating structure, under the impact of adjustment in the domestic iron and steel industry, the revenue from metallurgical engineering and construction business accounted for a less proportion to the revenue of engineering segment.

(2) Property development business

In the first half of 2015, the property development business of the Company recorded a gross profit of RMB2,210,223,000, representing a year-on-year increase of 45.54%. For the first half of 2015 and first half of 2014, the gross profit margin of the property development business of the Company were 22.13% and 16.36%, respectively, representing a year-on-year increase of 5.77 percentage points. The year-on-year increase in the gross profit margin of the property development business was mainly driven by the higher gross profit margin of some large-scale property projects which accounted for a more significant proportion in the operating revenue.

(3) Equipment manufacturing business

The equipment manufacturing business of the Company mainly includes metallurgical equipment, steel structures and other metal products. In the first half of 2015, the equipment manufacturing business of the Company recorded a gross profit of RMB534,858,000, representing a year-on-year increase of 18.57%. For the first half of 2015 and first half of 2014, the gross profit margin of the equipment manufacturing business of the Company were 13.99% and 10.70% respectively, representing a year-on-year increase of 3.29 percentage points. The year-on-year increase in the gross profit margin of the equipment manufacturing business was mainly due to the increase in the gross profit margin of the production of metallurgic equipment and steel structures during the period.

(4) Resource development business

The resource development business of the Company includes the mining and processing business. The subsidiaries engaged in mining mainly include MCC Tongsin Resources Ltd. and MCC-JJJ Mining Development Company Limited, while the subsidiaries engaged in processing business mainly include Luoyang China Silicon Hi-tech Corporation which is a poly silicon manufacturer. During the Reporting Period, the operating revenue from mining business was mainly from resource development projects such as the Ramu Nico Mine Project in Papua New Guinea, the Saindak Copper-Gold Mine in Pakistan and the Sierra Grande Iron Ore Project in Argentina. The Company's resource development business recorded a gross profit of RMB-117,207,000, representing a year-on-year decrease of 141.46%. For the first half of 2015 and first half of 2014, the gross profit margins of the resource development business were -9.14% and 14.57% respectively, representing a year-on-year decrease of 23.71 percentage points. The year-on-year decrease in the gross profit margin of the resource development business was mainly due to the relatively substantial year-on-year decrease in the gross profit margin of Ramu Nico Project affected by the price of nickel, which contributed a more significant proportion to the operating revenue.

Management Discussion and Analysis

2. Major business by region

Unit: '000 Currency: RMB

Region	Operating revenue	Changes of operating revenue over same period last year (%)
PRC	95,860,142	8.70
Other countries (regions)	4,831,409	-39.43
Total	100,691,551	4.71

In the first half of 2015 and first half of 2014, the Company's overseas operating revenue were RMB4,831,409,000 and RMB7,976,954,000 respectively, mainly from the engineering and construction business such as the university town project in Kuwait and the steel factory project in Ha Tinh, Vietnam, the property development business in Singapore and the resource development business including the Ramu Nico Project in Papua New Guinea and the Saindak Copper-Gold Mine in Pakistan.

III. ANALYSIS ON CASH FLOW

The cash flow of the Company is as follows:

Unit: '000 Currency: RMB

Item	In the first half of 2015	In the first half of 2014
Net cash flows from operating activities	-4,053,589	-5,732,536
Net cash flows from investment activities	-2,151,899	-940,699
Net cash flows from financing activities	2,101,512	-1,113,595

(1) Operating activities

In the first half of 2015 and the first half of 2014, the net cash flows from operating activities of the Company were RMB-4,053,589,000 and RMB-5,732,536,000, respectively. During the period and the corresponding period of last year, the cash inflow from operating activities of the Company mainly comprised cash received from sales of products and provision of services, which represented 98.71% and 96.57% of the cash inflow from operating activities respectively.

The cash outflow from operating activities of the Company primarily comprised cash paid for procurement of goods and receipt of service, cash paid to and on behalf of employees as well as tax payments, which represented 81.65%, 7.07% and 6.21% of the cash outflow from operating activities in the first half of 2015 respectively and represented 78.19%, 7.33% and 5.65% of the cash outflow from operating activities in the first half of 2014 respectively.

(2) Investment activities

The cash inflow from investment activities of the Company primarily consisted of recovered investment, income from investment and cash gained from disposal of non-current assets which represented 6.28%, 57.89% and 17.50% of cash inflow from investment activities in the first half of 2015 respectively and represented 4.49%, 2.71% and 65.49% of cash inflow from investment activities in the first half of 2014 respectively. The cash outflow mainly comprised cash payments for acquisition and construction of non-current assets, which represented 56.09% and 82.62% of the cash outflow from investment activities in the first half of 2015 and the first half of 2014, respectively.

In the first half of 2015 and the first half of 2014, the net cash flows from investment activities of the Company were RMB-2,151,899,000 and RMB-940,699,000 respectively. The investment activities of the Company mainly comprised engineering and construction business and property business.

(3) Financing activities

The cash inflow from financing activities of the Company primarily consisted of cash received from borrowings, which represented 86.48% and 99.74% of the cash inflow from financing activities in the first half of 2015 and the first half of 2014 respectively. The cash outflow from financing activities of the Company primarily comprised cash repayments for liabilities, distribution of dividends and profit, or cash payment for interest, which represented 93.33% and 6.56% of the cash outflow from financing activities in the first half of 2015 and represented 91.71% and 6.27% of the cash outflow from financing activities in the first half of 2014.

In the first half of 2015 and the first half of 2014, the net cash flows from financing activities of the Company were RMB2,101,512,000 and RMB-1,113,595,000 respectively.

IV. ANALYSIS ON ASSETS AND LIABILITIES

1. Table of Analysis on Assets and Liabilities

Unit: '000 Currency: RMB

Item name	Amount at the end of the current period	Proportion of the amount at the end of the current period to the total assets/total liabilities (%)	Amount at the end of the prior period	Proportion of the amount at the end of the prior period to the total assets/total liabilities (%)	Percentage change in the amount at the end of the current period to that at the end of the prior period (%)
Total current assets:	260,524,606	77.19	247,086,564	75.80	5.44
Cash and bank balances	28,186,591	8.35	33,409,480	10.25	-15.63
Accounts receivable	59,019,351	17.49	55,799,282	17.12	5.77
Prepayments	14,022,035	4.15	16,510,723	5.06	-15.07
Other receivables	21,532,541	6.38	19,768,319	6.06	8.92
Inventories	123,462,079	36.58	106,415,992	32.65	16.02
Total non-current assets:	76,996,458	22.81	78,891,915	24.20	-2.40
Long-term receivables	16,724,563	4.96	17,383,285	5.33	-3.79
Fixed assets	30,571,385	9.06	32,874,747	10.08	-7.01
Intangible assets	14,916,703	4.42	14,967,560	4.59	-0.34
TOTAL ASSETS	337,521,064	100.00	325,978,479	100.00	3.54
Total current liabilities:	224,457,156	82.21	217,564,185	81.19	3.17
Short-term borrowings	36,963,528	13.54	36,461,263	13.61	1.38
Accounts payable	82,585,895	30.25	77,722,163	29.01	6.26
Payments received in advance	33,329,960	12.21	33,978,850	12.68	-1.91
Other payables	15,903,401	5.82	15,888,498	5.93	0.09
Total non-current liabilities:	48,571,418	17.79	50,389,786	18.81	-3.61
Long-term borrowings	18,277,956	6.69	21,329,884	7.96	-14.31
Bonds payable	23,367,422	8.56	21,945,923	8.19	6.48
TOTAL LIABILITIES	273,028,574	100.00	267,953,971	100.00	1.89

(1) Analysis on structures of assets and liabilities

① Analysis on structure of assets

As of 30 June 2015 and 31 December 2014, the total assets of the Company were RMB337,521,064,000 and RMB325,978,479,000, respectively.

Being an integrated enterprise group with engineering and construction and property development as its major business, current assets are the main components of the Company's assets. As of 30 June 2015 and 31 December 2014, current assets of the Company accounted for 77.19% and 75.80% of the total assets, respectively.

Cash and bank balances

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

As at 30 June 2015 and 31 December 2014, the balances of cash and bank balances of the Company were RMB28,186,591,000 and RMB33,409,480,000 respectively, which accounted for 10.82% and 13.52% of the current assets, respectively.

As at 30 June 2015 and 31 December 2014, the restricted cash and bank balances of the Company were RMB3,735,769,000 and RMB4,838,303,000 respectively, which accounted for 13.25% and 14.48% of the cash and bank balances, respectively. The restricted cash and bank balances mainly included the cash deposits of acceptance bill, guarantee deposits and frozen deposits, etc, representing a decrease of as 22.79% compared to the end of last year, mainly due to the decrease in the cash deposits of acceptance bill.

Accounts receivable

The accounts receivable of the Company mainly included engineering receivables, product sales receivables as well as designing, consultancy and technical services receivables, etc.

As at 30 June 2015 and 31 December 2014, the net accounts receivable of the Company were RMB59,019,351,000 and RMB55,799,282,000, which accounted for 22.65% and 22.58% of the current assets, respectively, representing an increase in 5.77% in the net accounts receivable. The increase in accounts receivable was mainly attributable to the growth in operation scale. The Company will continue to gradually reduce the ratio of accounts receivables through selection of quality clients, adjustment of business mode as well as further reinforcement and implementation of the recovery responsibility of accounts receivable.

As of 30 June 2015, calculated based on the original carrying amount, the ageings of 82.27% of the Company's accounts receivable were within two years (inclusive), the ageings of 60.91% of the accounts receivable were within one year (inclusive). The aged structure of the accounts receivable was related to the business characteristics, operation mode and settlement cycle of the Company, etc.

In order to avoid the possible risks of bad debts, the Company enhanced the overall management of accounts receivable, took into full accounts of the nature and recoverability of accounts receivable as well as made relevant bad debt provisions to fairly reflect the quality of the Company's assets. As of 30 June 2015 and 31 December 2014, the balances of the bad debt provisions for accounts receivable of the Company were RMB8,466,432,000 and RMB7,669,247,000 respectively, which accounted for 12.55% and 12.08% of the original amount of the accounts receivable, respectively.

Prepayments

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

As at 30 June 2015 and 31 December 2014, the balances of the prepayments of the Company were RMB14,022,035,000 and RMB16,510,723,000, which accounted for 5.38% and 6.68% of the current assets, respectively, representing a decrease of approximately 15.07% in the balance of the prepayments. Such decrease was mainly attributable to the decrease in the land transfer funds prepaid by the Company for the property development.

As of 30 June 2015, calculated based on the original carrying amount, the ageings of approximately 82.60% of the Company's prepayments were within two years (inclusive), the ageings of 71.41% of the prepayments were within one year (inclusive).

Other receivables

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

As at 30 June 2015 and 31 December 2014, the net other receivables of the Company were RMB21,532,541,000 and RMB19,768,319,000 respectively, which accounted for 8.27% and 8.00% of the current assets, respectively, representing an increase of 8.92% in the net other receivables. The increase was mainly attributable to the increases in performance deposits and other funds.

As of 30 June 2015, calculated based on the original carrying amount, the ageings of approximately 80.36% of the Company's other receivables were within two years (inclusive), the ageings of approximately 63.12% of the other receivables were within one year (inclusive). The Company also made relevant bad debt provisions for the other receivables with bad debt risks. As of 30 June 2015 and 31 December 2014, the balance of bad debt provisions of other receivables were RMB2,141,383,000 and RMB1,922,327,000 respectively, which accounted for 9.05% and 8.86% respectively of the original amount of the other receivables.

Inventories

The inventories of the Company mainly comprised the engineering construction completed but yet to settle, the costs of property development, products of property development, raw materials, goods in process and merchandise inventory. The inventory structure of the Company presented the characteristics of engineering and construction, property development, equipment manufacturing and resource development and other business, which the Company operates.

As at 30 June 2015 and 31 December 2014, the net amount of inventories were RMB123,462,079,000 and RMB106,415,992,000, which accounted for 47.39% and 43.07% of the current assets, respectively. The increase of 16.02% in the net amount of inventories was mainly due to the increase of RMB9,573,029,000 in the engineering construction completed but yet to settle and the increase of RMB6,964,755,000 in the costs of property development.

As of 30 June 2015, the original amount of inventories of the engineering construction completed but yet to settle of the Company accounted for 41.36% of the total original amount of the inventories and the original amount of inventories of the costs and products of property development accounted for 51.94% of the total original amount of the inventories. The Company also withdrew relevant falling price provisions for the inventories. As of 30 June 2015 and 31 December 2014, the falling price provisions for the inventories of the Company amounted to RMB1,359,655,000 and RMB1,387,315,000 respectively, which accounted for 1.09% and 1.29% respectively of the original amount of the inventories at the end of the period.

Long-term receivables

The long-term receivables of the Company mainly included construction receivables with a collection period of more than one year as agreed in the contracts.

As at 30 June 2015 and 31 December 2014, the net long-term receivables of the Company were RMB16,724,563,000 and RMB17,383,285,000 respectively, which accounted for 21.72% and 22.03% of the non-current assets respectively. The net long-term receivables decreased by 3.79%, mainly due to the decrease in the receivables from BT construction of urban infrastructure facilities contracted by the Company.

Fixed assets

As at 30 June 2015 and 31 December 2014, the net fixed assets of the Company were RMB30,571,385,000 and RMB32,874,747,000, which accounted for 39.70% and 41.67% of the non-current assets. The fixed assets of the Company mainly included the buildings, machinery equipment and transportation equipment, etc.

Intangible assets

As at 30 June 2015 and 31 December 2014, the aggregated carrying value of the intangible assets of the Company were RMB14,916,703,000 and RMB14,967,560,000 respectively, which accounted for 19.37% and 18.97% of the non-current assets. The intangible assets of the Company mainly comprised land use rights, concession user's rights and mining rights.

② The analysis on the structure of liability

On 30 June 2015 and 31 December 2014, the current liabilities were RMB224,457,156,000 and RMB217,564,185,000 respectively, which accounted for 82.21% and 81.19% of the total liabilities; the non-current liabilities were RMB48,571,418,000 and RMB50,389,786,000, which accounted for 17.79% and 18.81% of the total liabilities, respectively.

Short-term borrowings

The short-term borrowings of the Company mainly consisted of credit borrowings, guaranteed borrowings from financial institutes such as commercial banks. As at 30 June 2015 and 31 December 2014, the balances of the short-term borrowings of the Company were RMB36,963,528,000 and RMB36,461,263,000 respectively, with an increase of 1.38% as compared with the beginning of the year. The increase in short-term borrowings was mainly due to the adjustment to the borrowing structure for the operation and development needs of the Company.

Accounts payable and other payables

The accounts payable were mainly the payables to suppliers of raw materials, sub-contractors and equipment suppliers. Other payables mainly included cash guarantee, deposits and leasing fees, etc. from business partners.

As at 30 June 2015 and 31 December 2014, the balances of accounts payable and other payables of the Company were RMB82,585,895,000, RMB15,903,401,000 and RMB77,722,163,000, RMB15,888,498,000 respectively, which accounted for 30.25%, 5.82% and 29.01%, 5.93% respectively of the total liabilities.

The increase of accounts payable was mainly due to the increase in the payables to sub-contractors for construction.

Payments received in advance

Payments received in advance were mainly prepaid construction amount and preparation amount for projects from Party A of the construction contracts, billed work in process and amount received in advance for the sales of properties, etc.

As at 30 June 2015 and 31 December 2014, the balances of payments received in advance of the Company were RMB33,329,960,000 and RMB33,978,850,000 respectively, which accounted for 12.21% and 12.68% of the total liabilities respectively. The payments received in advance as at 30 June 2015 decreased by 1.91% as compared with that of 31 December 2014, which was mainly due to the decrease in construction amount and preparation amount for projects from construction contracts of the Company.

Long-term borrowings and bonds payable

The Long-term borrowings of the Company mainly consisted of credit borrowings, secured borrowings, pledged borrowings and guaranteed borrowings. As at 30 June 2015 and 31 December 2014, the balances of long-term borrowings of the Company were RMB18,277,956,000 and RMB21,329,884,000 respectively, which accounted for 6.69% and 7.96% of the total liabilities respectively.

As at 30 June 2015 and 31 December 2014, the balances bonds payables of the Company were RMB23,367,422,000 and RMB21,945,923,000 respectively, which accounted for 8.56% and 8.19% of the total liabilities respectively.

(2) Analysis on the solvency

According to the reviewed financial statements of the Company, the indices of major short-term solvency are as follows:

Unit: RMB'000

Item	30 June 2015	31 December 2014
Current ratio (<i>time</i>)	1.16	1.14
Quick ratio (<i>time</i>)	0.61	0.65
Assets-liabilities ratio (<i>consolidated</i>)	80.89%	82.20%

Item	January to June of 2015	January to June of 2014
Earnings before interest and tax	5,522,097	5,283,368
Interest coverage	2.74	2.51

① Index of assets liquidity increased year-on-year

As at 30 June 2015 and 31 December 2014, the current ratios of the Company were 1.16 and 1.14 respectively. The quick ratios were 0.61 and 0.65 respectively, assets liquidity was basically flat with last year.

Management Discussion and Analysis

② Consolidated assets-liabilities ratio decreased year-on-year

As at 30 June 2015 and 31 December 2014, the asset-liabilities ratios of the Company's consolidated statement were 80.89% and 82.20% respectively, representing a year-on-year decrease of 1.31 percentage points, with comprehensive solvency increased.

③ Interest coverage increased year-on-year

From January to June of 2015 and from January to June of 2014, the interest coverage of the Company were 2.74 and 2.51 respectively, representing a year-on-year increase of 0.23 time, which means the solvency of interest-bearing liabilities of the Company was improved.

④ Smooth financing channels

The Company maintains long-term stable business relationships with financial institutions including certain large-scale commercial banks and policy banks at home and abroad. The Company has good credit records and high credit facility lines, indicating that the financing channels of the Company are smooth. At the same time, the Company has sound credit standing and good financing ability by the issuance of short-term financing bonds and middle-term notes more than once in the capital market.

The Company will also adopt the following measures to improve the short-term solvency and the safety of financial structure continuously: arrange the asset structure reasonably to improve the management and efficiency of fund operation; accelerate the fund recovery, so as to continuously improve the cash flows of operating activities; unceasingly enhance the standards of operation and management, and thoroughly implement the measures on cost reduction and efficiency improvement, with an aim to improving the capacity of accumulation in operation, strengthen financial capacity and ensure solvency.

(3) Analysis on the assets turnover

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

Unit: timelyear

Item	For the first half of 2015	For the first half of 2014
Total assets turnover	0.30	0.29
Accounts receivable turnover	1.54	1.58
Inventory turnover	0.75	0.76

Management Discussion and Analysis

① Total asset turnover

In the first half of 2015 and first half of 2014, the Company's total assets turnover were 0.30 time and 0.29 time respectively, representing a slight increase during the Reporting Period, which was mainly attributable to a higher growth of operating revenue as compared with the growth of total assets during the Reporting Period.

② Accounts receivable turnover

In the first half of 2015 and first half of 2014, the accounts receivable turnover of the Company were 1.54 times and 1.58 times respectively, representing a decrease of 0.04 time during the Reporting Period, mainly attributable to the increase of accounts receivable of the Company which was affected by settlement cycle of engineering and construction business and changes in business mode.

③ Inventory turnover

In the first half of 2015 and first half of 2014, the inventory turnover of the Company were 0.75 time and 0.76 time respectively, representing a decrease of 0.01 time during the Reporting Period, mainly due to increase of inventory of property and engineering construction of the Company.

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

During the Reporting Period, the Company had no material litigation or arbitration which had material adverse effect on production and operations.

II. EVENTS IN RELATION TO BANKRUPTCY AND REORGANISATION

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

III. TRANSACTION OF ASSETS AND AMALGAMATION

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

IV. EVENTS IN RELATION TO SHARE INCENTIVE

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

V. CONNECTED TRANSACTION

During the Reporting Period, the amount of the actual continuing connected transactions entered into with MCC Group are set out as below:

Unit: 0'000 Currency: RMB

Project	Type of transaction	Annual cap for 2015	As of 30 June 2015
With MCC Group	Leasing of properties by MCC Group and its subsidiaries to the Company and its subsidiaries	7,600	2,340.4
	Provision of raw materials, products and services by MCC Group and its subsidiaries to the Company and its subsidiaries	1,700	46.1

VI. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

(I) Trusteeship, contracting and leasing

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

(II) Guarantees

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

Unit: '000 Currency: RMB

External guarantees provided by the Company (excluding guarantees provided to subsidiaries)														
Guarantor	Relationship between guarantor and the listed company	Guaranteed party	Guaranteed amount	Date of guarantee (agreement execution date)	Commencement		Type of guarantee	Whether fully fulfilled	Whether overdue	Whether Amount any counter guarantee for a		Whether overdue	Whether counter guarantee was available	Whether related party relationship
					date of guarantee	Expiry date of guarantee				overdue	guarantee			
MCC Capital Engineering & Research Incorporation Limited	Controlled subsidiary	CERI Yingkou Equipment Technology Co., Ltd.	55,490 ⁽¹⁾	2009/1/14	2009/1/14	2015/7/14	Under joint and several liabilities	No	No	0	No	No	No	-
MCC Capital Engineering & Research Incorporation Limited	Controlled subsidiary	CERI Yingkou Equipment Technology Co., Ltd.	266,000 ⁽²⁾	2009/6/18	2009/6/18	2017/12/10	Under joint and several liabilities	No	No	0	No	No	No	-
MCC Capital Engineering & Research Incorporation Limited	Controlled subsidiary	CERI Yingkou Equipment Technology Co., Ltd.	186,200 ⁽³⁾	2010/2/2	2010/2/2	2017/12/2	Under joint and several liabilities	No	No	0	No	No	No	-
China 22 MCC Group Co., Ltd.	Wholly-owned subsidiary	Hebei Steel Luan County Sijaying Iron Ore Co., Ltd.	20,580	2007/9/7	2007/9/7	2015/9/6	Under joint and several liabilities	No	No	0	No	No	No	-
China Huaye Group Co., Ltd.	Wholly-owned subsidiary	Handan Iron & Steel Co., Ltd. (邯鄲鋼鐵集團有限公司)	28,761	2003/12/19	2003/12/19	2015/12/19	Under joint and several liabilities	No	No	0	No	No	No	-

Total amount of guarantees incurred during the Reporting Period (excluding guarantees to subsidiaries)	-55,500 ⁽⁴⁾
Total balance of guarantees as at the end of the Reporting Period (A) (excluding guarantees to subsidiaries)	557,031

Guarantees provided by the Company to its subsidiaries

Total amount of guarantees incurred by the Company to its subsidiaries during the Reporting Period	-62,701 ⁽⁴⁾
Total balance of guarantees provided by the Company to its subsidiaries as at the end of the Reporting Period (B)	10,442,084

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

Total amount of guarantees (A+B)	10,999,115
Total amount of guarantees as a percentage of the Company's net assets (%)	20.54

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)	9,517,157
The excess of total amount of guarantees over 50% of the net assets (E)	0
Total amount of above 3 guarantees (C+D+E)	9,380,348
Explanation of the potential joint liquidity liability arising from the outstanding guarantees	None
Explanation of the guarantees	None

Notes:

- (1) The total amount of previous guarantees was RMB166.69 million. According to the loan and guarantee agreement, the loan of RMB55.7 million and RMB55.5 million to CERI Yingkou Equipment Technology Co., Ltd. became due on 31 December 2014 and 30 June 2015, respectively, and the guarantee amount at the end of the period was RMB55.49 million.
- (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.
- (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.
- (4) During the Reporting Period, most guarantee incurred were negative, mainly because the guarantees expired were more than the amount of new guarantees.

Significant Events

(III) Other material contracts

During the Reporting Period, the newly signed contracts of the Company with an amount of more than RMB1 billion are set out below:

1. Material contracts in the PRC

No.	Party(ies) to the contract	Name of the project/contract	Contractual amount (RMB hundred million)	Term
1	MCC Communications Construction Group Company Limited	EPC of the Tongliao to Lubei Part of Changchun to Shenzhen Expressway's Xinmin to Lubei Connecting Line (長春至深圳高速公路新民至魯北聯絡線通遼至魯北段施工總承包)	45.7	33 months
2	Shanghai Baoye Group Corp., Ltd.	General Construction Contract of Xinmi Xuanyuan Sacred Site Huang-di Native Place Cultural Industrial Park (新密軒轅聖境黃帝故里文化產業園項目施工總承包合同)	41.0	Depending on progress
3	MCC Northeast Construction Development Co., Ltd., Beijing MCC Equipment Research & Design Corporation Ltd., and China MCC 17 Group Co., Ltd.	Reconstruction Project of the Old Town in Northern Part of Gaoqing County and Huanghelou Tourist Technology Industrial Zone (高青縣北區舊城成片改造項目、黃河樓旅遊產業園)	33.7	36 months
4	China 22 MCC Group Co., Ltd.	The Project for Introduction of Waste Heat to the City from Xibaipo Power Plant (西柏坡電廠廢熱引用入市工程)	30.0	17 months
5	China First Metallurgical Group Co., Ltd.	Removal and Settlement in New City of Southern Part of Guizhou Renhuai City and Transformation of Shanty Town (Settlement Area for Concentrated and Systematic Construction) and partial Municipal Infrastructure Construction (貴州仁懷市南部新城拆遷安置及棚戶區改造(集中統建安置區)和部分市政基礎設施工程)	30.0	120 months

Significant Events

No.	Party(ies) to the contract	Name of the project/contract	Contractual amount (RMB hundred million)	Term
6	China MCC 20 Group Co., Ltd.	Xinyi Bikang New Pharmaceutical Industrial Integrated Project (新沂必康新醫藥產業綜合體工程)	25.5	30 months
7	Shanghai Baoye Group Corp., Ltd.	The Project of Harbin Hanan Exhibition Center and Conference Center (哈爾濱哈南展覽中心、會議中心工程)	25.0	6 months
8	China MCC 17 Group Co., Ltd.	The Project of Fengyang Production Base (鳳陽生產基地項目)	20.0	Depends on progress
9	China MCC 5 Group Co., Ltd.	EPC of Construction and Installation of Jinzhong City Yingbin Square Wang Fu Jing Project (CBD) (晉中市迎賓廣場王府井項目 (CBD)建築安裝工程施工總承包項目)	20.0	37 months
10	China MCC 5 Group Co., Ltd.	Huangchao • Kongque City Project (皇朝•孔雀城邦項目)	19.2	43 months
11	MCC TianGong Group Corporation Limited	Financial Tower of Huaqiao Headquarters in Qingtian, Zhejiang (浙江青田華僑總部經濟大樓)	18.0	48 months
12	CISDI Group Corp. Ltd.	The Steel-Making Project on the Rizhao Quality Steel Base of Shandong Steel Group Co., Limited (山鋼集團日照鋼鐵精品基地項目煉鋼工程)	17.6	33 months
13	China First Metallurgical Group Co., Ltd.	Project of Phase II & III of Bamboo Culture Square and Residential Area of Xiuzhu Town in Yong'an of Fujian (福建永安竹天下文化廣場二、三期及修竹小鎮住宅區工程)	15.6	39 months
14.	China First Metallurgical Group Co., Ltd.	Mudanjiang Fangrun Sino-Russian Technology & Trade City (牡丹江方潤中俄科貿城)	14.0	Depends on progress
15	China MCC 19 Group Co., Ltd.	Luzhou Airport Road Project (瀘州空港路工程)	14.0	20 months

Significant Events

No.	Party(ies) to the contract	Name of the project/contract	Contractual amount (RMB hundred million)	Term
16	China MCC 5 Group Co., Ltd.	EPC of Shanghai Mingte Agricultural Products International Logistic Trading Base (上海名特農產品國際物流交易基地EPC總承包項目)	14.0	36 months
17	China MCC 19 Group Co., Ltd.	Old Town Reconstruction in South Daguo Village of Xingtai City (Land Plot 1) (邢台市南大郭村舊城區改造(地塊一))	12.0	24 months
18	China First Metallurgical Group Co., Ltd.	Construction Project of Xiangsijiang International Resort in Yanshan District, Guilin City, Guangxi Province (廣西桂林市雁山區相思江國際度假村工程項目)	12.0	25 months
19	China MCC 17 Group Co., Ltd.	Guiyang Shengshi Nan'an Construction Project (貴陽盛世南岸工程)	11.0	25 months
20	China MCC 20 Group Co., Ltd.	Construction Contract for Construction Project of China Tiancheng International Livestock Industrial Centre (中國天成國際畜產業中心園區建設項目施工合同)	10.1	48 months
21	China MCC 17 Group Co., Ltd.	Western Logistics Port Newly-constructed Project in Yuncheng (新建運城西部物流港項目)	10.0	25 months

2. Material contracts of international projects

No.	Party(ies) of the contract	Name of the project/contract	Contractual amount (RMB hundred million)	Term
1	China MCC 20 Group Co., Ltd.	Engineering Project of Ferronickel Processing Plant with the Annual Output of 600,000 Tonnes of Indonesia Guangqing Nickel Co., Ltd. (印尼廣青鎳業有限公司年產60萬噸鎳鐵廠項目施工工程)	23.4	20 months

VII. PERFORMANCE STATUS OF THE UNDERTAKINGS

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

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

As considered and approved at the 2013 AGM of the Company, the undertakings regarding the application for certificates in respect to flawed properties were amended by the Company and MCC Group, the Controlling Shareholder, as follows: 1. with respect to a building with gross floor area of 156.01 m² and two land parcels with site area of 15,959.20 m² in total for which relevant certificates are expected to be obtained in the foreseeable future, application period for such certificates is extended to 36 months upon approval of such matter by 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. The term of the foregoing undertakings commenced from 27 June 2014 to 26 June 2017. As of the end of the Reporting Period, the certificate of one building has been obtained.

(II) Undertakings regarding solution of horizontal competition

MCC Group, the Controlling Shareholder of the Company, has undertaken to avoid being engaged in or taking part in the business which may compete with the principal business of MCC. The term of the foregoing undertakings commenced from 5 December 2008.

(III) Undertakings regarding sales restriction

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. On 8 July 2015, MCC Group further undertook to lock up such shares until 31 December 2015.

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

Upon approval at the 2014 AGM of the Company, the Company appointed Deloitte Touche Tohmatsu CPA LLP as the auditor of the financial report of the Company for the year of 2015, and the internal control auditor of the Company for the year of 2015 to hold office until the 2015 annual general meeting. The Board of the Company has been authorised to determine their remunerations.

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

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

X. REVIEW OF INTERIM RESULTS BY FINANCE AND AUDIT COMMITTEE

The Finance and Audit Committee has reviewed the unaudited interim results of the Company for the six months ended 30 June 2015. The committee was of the opinion that the unaudited interim results for the six months ended 30 June 2015 had been in compliance with the applicable accounting principles as well as laws and regulations, and had made proper disclosures.

XI. OTHER SIGNIFICANT EVENTS

1. Status of the substantial resources projects

(1) Ramu Ni-Co Project, Papua New Guinea

With the implementation of technical innovation, necessary adjustments and other measures, the Ramu Project achieved 80% of its designed capacity for the first time in January 2015. In the first half of the year, the project averagely achieved 74.6% of its designed capacity on a monthly basis while the Ni-Co hydroxide produced accumulated to 31,499 tonnes containing 12,156 tonnes of nickel and 1,174 tonnes of cobalt, with an increase of 29.4% in the outputs of nickel as compared with that of the same period of last year. The sales of Ni-Co hydroxide contained 9,671 tonnes of nickel, representing an increase of 6.6% as compared with that of the same period of last year. Despite the increase in outputs and the decrease of approximately 13% in the unit cost of production as compared with that in the same period of last year, both the revenue from sales and the profit of Ramu Project saw significant decrease due to the continued low price of nickel. During the Reporting Period, the operating revenue belong to the Company amounted to RMB563 million, while the gross profit belong to the Company amounted to RMB-418 million.

(2) Duddar Lead-Zinc Mine Project, Pakistan

During the Reporting Period, the work related to production resumption and construction continued to be carried forward in the Duddar Lead-Zinc Mine, including tunneling engineering, exploration for production, ore-processing test as well as repair and improvement of the ventilation system and drainage system, aiming to put the above-ground system into operation earlier than scheduled.

(3) Aynak Copper Mine Project, Afghanistan

As the Afghanistan government failed to perform its obligations under the contract including excavation of relics, expropriation of land, relocation of villages and mine clearance and removal of mines and so forth, the negotiation in relation to the amendments to the mining contract was initiated and carried out based on the security situation in Afghanistan under the guidance of and with the support from the relevant ministry and commission of the PRC. In April 2015, after several rounds of technical communication, parties from China and Afghanistan reached an agreement on the feasibility study report of Aynak Copper Mine Project regarding the technical aspect. In July 2015, the Company commenced the first round of negotiation with Afghan Ministry of Mines and Petroleum in relation to the mining contract, during which the amendments to the contract were proposed by the Company in details. The Company will continue to strengthen the communication with Afghanistan government to speed up the process of amending the contract.

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. (the "MCC Real Estate"), a wholly-owned subsidiary of the Company, won the bid of the land use rights of land no. 1 and land no. 3 at the west of Jiangbian Road, Binjiang, Xiaguan District of Nanjing city on 19 September 2010. The consideration of the land transfers was RMB12,141 million and RMB7,893 million respectively, aggregating RMB20,034 million (for details, please refer to the announcement published by the Company on 20 September 2010).

Given the large-scale and long development cycle of the Land No. 1 and the Land No. 3, the Project Company will prioritize the development of the Land No. 3 and intends to introduce other parties to participate in the development of the Land No. 1 in accordance with the development plan specified in the project plan, or to dispose the land through equity listing procedures at different stages in order to safeguard the return on investment of the project. During the Reporting Period, the Project Company transferred the 100% equity interest in and receivables from each of Nanjing Zhengda Sanjiaozhou Real Estate Co., Ltd.* (南京證大三角洲置業有限公司), Nanjing Zhengda Kuanyu Real Estate Co., Ltd.* (南京證大寬域置業有限公司), Nanjing Ximalaya Real Estate Co., Ltd.* (南京喜瑪拉雅置業有限公司), Nanjing Damuzhi Business Development Co., Ltd.* (南京大拇指商業發展有限公司), Nanjing Shuiqingmuhua Real Estate Co., Ltd.* (南京水清木華置業有限公司) and Nanjing Lisheng Real Estate Co., Ltd.* (南京麗笙置業有限公司) held by it by way of public listing-for-sale procedures on the Shanghai United Assets and Equity Exchange, the Equity Transfer Agreements have been signed on 12 August 2015 and are subject to the fulfillment of conditions precedent (for details, please refer to the announcement published by the Company on 12 August 2015). In addition, the relevant documents of Land No. 3, including planning and design scheme and the construction drawings, have been submitted for approval. The earth excavation and pile foundation construction of certain land parcels are in the process while the investing inviting is carried out step by step.

3. On 17 July 2012, a consortium formed by MCC Real Estate and Beijing No. 5 Construction Engineering Co., Ltd. acquired the land use right of land plot A1 under Phase II of the Green Belt Construction and Old Village Reconstruction Project at Jiugong Town, Daxing District, Beijing, through an auction at a consideration of RMB2,200 million and with an commitment to build supporting public rental houses with the total area of 4,700 m² (please refer to the announcement of the Company published on 18 July 2012 for details). The first sale of project was opened to the public on 18 October 2014 in which a total of 173 units were available in the No. 1, No. 2 and No. 3 Buildings. As at 30 June 2015, approximately 96 units were contracted with contractual area of 14,600 square meters. The contractual amount reached RMB613 million with an average selling price of RMB42,000/m².
4. On 28 May 2014, MCC Real Estate acquired the land parcel at No. 7 Lane, the New Eight Lanes Area, Heiniucheng Road, Tianjin through public auction at the consideration of RMB4,949 million (for details please refer to the announcement published by the Company on 28 May 2014). During the Reporting Period, the Company steadily carried forward the work in relation to procedure processing, design and planning, project construction, sales and so forth for the project. The phase I of such project was opened for sale and sold out on 4 July 2015 with an average selling price of RMB24,000/m².

Significant Events

5. As considered and approved at the general meeting of the Company as well as registered with National Association of Financial Market Institutional Investors, ultra short-term debentures and medium-term notes issued by the Company during the Reporting Period are as follows:

No.	Issue date	Name	Amount	Interest rate	Term	Date of announcement on issuance result
1	7 April 2015	2015 Tranche I Ultra Short-term Debentures	RMB3.0 billion	5.00%	180 days	9 April 2015
2	22 April 2015	2015 Tranche II Ultra Short-term Debentures	RMB3.0 billion	4.30%	240 days	23 April 2015
3	11 May 2015	2015 Tranche III Ultra Short-term Debentures	RMB3.0 billion	3.90%	270 days	13 May 2015
4	1 June 2015	2015 Tranche I Medium-term Notes	RMB5.0 billion	the coupon rate is 5.70% for the first five interest-bearing years, and will be reset every five years since the sixth interest-bearing year	5+N years (expiry upon redemption by the Company under the terms of issuance)	4 June 2015

Changes in Share Capital and Particulars of Shareholders

I. CHANGES IN SHARE CAPITAL

1. Changes in Shares

As at 30 June 2015, the Company had a registered capital of RMB19,110,000,000, divided into 19,110,000,000 shares with a nominal value of RMB1.00 each. These shares include 16,239,000,000 A Shares and 2,871,000,000 H Shares.

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

2. Changes in Shares Subject to Selling Restrictions

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

3. Changes in Total Number of Shares and Share Capital Structure of the Company

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

4. 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.

5. Pre-Emptive Rights and Share Option Arrangements

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

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

Changes in Share Capital and Particulars of Shareholders

II. PARTICULARS OF SHAREHOLDERS AND ULTIMATE CONTROLLING PERSON

1. Number of Shareholders and their shareholding

As at the end of the Reporting Period, the Company had a total of 702,732 Shareholders. Among which, 695,603 were holders of A Shares and 7,129 were registered holders of H Shares.

Particulars of the Top 10 Shareholders¹

Unit: Share

Name of Shareholder	Change during the Reporting Period	Total number of shares held at the end of the period	Percentage of shareholdings (%)	Number of shares held subject to selling restrictions	Number of shares pledged or frozen	Nature of Shareholder
China Metallurgical Group Corporation	0	12,265,108,500	64.18	0	0	State-owned legal person
HKSCC Nominees Limited ²	2,899,000	2,841,425,000	14.87	0	0	Other
China Merchants Securities Co., Ltd. – Anxin CSI One Belt and One Road Theme Index Classified Fund (招商證券股份有限公司 – 安信中證一帶一路主題指數分級證券投資基金)	23,753,810	23,753,810	0.12	0	0	Other
Agricultural Bank of China Limited – Zhongrong CSI One Belt and One Road Index Classified Fund (中國農業銀行股份有限公司 – 中融中證一帶一路主題指數分級證券投資基金)	21,241,800	21,241,800	0.11	0	0	Other
Bank of China Limited – Changsheng CSI SWS One Belt and One Road Theme Index Classified Fund (中國銀行股份有限公司 – 長盛中證申萬一帶一路主題指數分級證券投資基金)	12,647,626	12,647,626	0.07	0	0	Other
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)	-14,674,200	11,972,310	0.06	0	0	Other
Industrial and Commercial Bank of China Limited – Huatai Bairui CSI 300 Trading Open-end Index Securities Investment Fund (中國工商銀行股份有限公司 – 華泰柏瑞滬深300交易型開放式指數證券投資基金)	-9,525,780	10,995,423	0.06	0	0	Other
Meng Diliang (蒙棟良)	9,000,487	9,000,487	0.05	0	0	Other
Zhong Yanhua (鍾彥華)	8,699,501	8,699,501	0.05	0	0	Other
Hong Kong Securities Clearing Company Limited ³	5,884,856	8,346,056	0.04	0	0	Other

Note 1: Figures in the table were extracted from the Company's register of Shareholders as of 30 June 2015.

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

Note 3: Hong Kong Securities Clearing Company Limited held the shares of the Company as the nominee in the Shanghai-Hong Kong Stock Connect System.

Changes in Share Capital and Particulars of Shareholders

2. Particulars of Controlling Shareholder and Ultimate Controlling Person

(1) Particulars of controlling shareholder

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

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

(2) Particulars of ultimate controlling person

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

(3) Changes in controlling shareholder and ultimate controlling person

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

3. Other Corporate Shareholders Holding More Than 10% of the Company's Shares

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

Changes in Share Capital and Particulars of Shareholders

4. Substantial Shareholders' and Other Persons' Interests and Short Positions of the Shareholdings in Shares and Underlying Shares

As at 30 June 2015, the Company had been informed by the following persons that they had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Holders of A Shares

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

Holders of H Shares

Name of substantial Shareholder	Capacity	Number of Shares	Nature of Interest	Approximate percentage of total issued H Shares (%)	Approximate percentage of total issued Shares (%)
BlackRock, Inc. ⁽¹⁾	Interest of a controlled corporation	150,766,331	Long position	5.25	0.79

Note 1: BlackRock, Inc. holds 150,766,331 H shares (long position) through several controlled entities. In addition, 3,385,000 H shares (long position) are related to derivative instruments and classified as non-listed derivative instruments – settlement in cash.

Save as disclosed above, to the knowledge of the Directors, Supervisors and chief executives of the Company, as at 30 June 2015, no other person or corporation was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position in the Company's share capital that would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

I. CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 12 May 2015, Mr. Xu Xiangchun resigned as the Supervisor and the chairman of the Supervisory Committee due to his work arrangement. As the number of members of the Supervisory Committee of the Company was less than the quorum due to his resignation, Mr. Xu Xiangchun continued to perform his duty as a Supervisor until the assumption of office of the replacement Supervisor pursuant to the Articles of Association and the requirements under the relevant laws and regulations. On 12 May 2015, Mr. Li Shiyu resigned as the vice president and the chief accountant (chief financial officer) of the Company and Mr. Wang Xiufeng resigned as the vice president of the Company due to their work arrangement. In June 2015, Ms. Huang Dan resigned as the vice president of the Company due to personal reasons.

On 12 May 2015, the second session of the Board of the Company appointed Mr. Zhang Mengxing, Mr. Xiao Xuewen and Ms. Zou Hongying as the vice presidents of the Company, and appointed Ms. Zou Hongying as the chief accountant of the Company.

On 26 June 2015, as considered and approved at the 2014 annual general meeting of the Company, Mr. Li Shiyu was appointed as a Supervisor of the Company. On the same day, Mr. Li Shiyu was elected as the chairman of the second session of the Supervisory Committee of the Company at the fourth meeting of the second session of the Supervisory Committee of the Company.

Mr. Kang Chengye resigned as the secretary to the Board, the company secretary and the authorized representative of the Company due to other appointments. On 6 July 2015, the second session of the Board of the Company appointed Mr. Xiao Xuewen as the secretary to the Board and Ms. Lin Xiaohui as the company secretary and the authorized representative.

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

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

As at 30 June 2015, as far as the Company is aware, interests or short positions of the Directors, Supervisors and the chief executive of the Company or their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Hong Kong Stock Exchange by the Directors or Supervisors pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules or the rights granted for the purchase of shares or debentures of the Company or any of its associated corporations are as follows:

Unit: Share

Name	Position	Class of Shares	Long/short position	Capacity	Number of shares	Percentage of the relevant class of shares in issue (%)	Percentage of the total number of shares in issue (%)
Directors							
Guo 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	117,500	0	0
Lin Jinzhen	Employee Representative Director (Non-executive Director)	A Shares	Long Position	Beneficial Owner	60,000	0	0
Supervisors							
Li Shiyu	Chairman of the Supervisory Committee	A Shares	Long Position	Beneficial Owner	60,000	0	0
Peng Haiqing	Supervisor	A Shares	Long Position	Beneficial Owner	41,500	0	0
Shao Bo	Employee Representative Supervisor	A Shares	Long Position	Beneficial Owner	33,800	0	0
				Interests of Spouse	1,000	0	0

Save as disclosed above and as at 30 June 2015, as far as the Company is aware, none of the Directors, Supervisors or the chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

Directors, Supervisors, Senior Management and Staff

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

As at 30 June 2015, as far as the Company is aware, interests of other senior management of the Company in the shares of the Company are as follows:

Unit: share

Name	Position	Class of shares	Long/short position	Capacity	Number of shares	Percentage of the relevant class of shares in issue (%)	Percentage of the total number of shares in issue (%)
Wang Yongguang	Vice President	A Shares	Long Position	Beneficial Owner	50,000	0	0
Zhang Mengxing	Vice President	A Shares	Long Position	Beneficial Owner	60,000	0	0
Xiao Xuewen	Vice President, Secretary to the Board	A Shares	Long Position	Interests of spouse	161,000	0	0
Zou Hongying	Vice President, Chief Accountant	A Shares	Long Position	Beneficial Owner	40,000	0	0

III. EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2015, the Company employed a total of 101,229 members of staff.

Level of Education of Current Employees:

Level of Education	Number of Current Employees	Percentage
Above Postgraduate	8,093	7.99%
Undergraduate	37,785	37.34%
College degree	19,977	19.73%
Below college degree	35,374	34.94%
Total	101,229	100%

Directors, Supervisors, Senior Management and Staff

Structure of Ages of Current Employees:

Structure of ages	Number of Current Employees	Percentage
Aged 56 or above	3,881	3.83%
Aged 51-55	11,204	11.07%
Aged 46-50	15,499	15.31%
Aged 41-45	16,500	16.30%
Aged 36-40	11,864	11.72%
Aged 35 or below	42,281	41.77%
Total	101,229	100%

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

During the Reporting Period, the Company had been in strict compliance with the Company Law and the Securities Law of the PRC as well as relevant laws, regulations and supervisory rules related to corporate governance in domestic and overseas listing places. The Company improved its corporate governance system on a continuous basis, boosted the operation efficiency, disclosed information in accordance with laws and regulations, and actively expanded the communication channels for investors. The level of corporate governance steadily improved.

The Board had reviewed the corporate governance documents of the Company and was of the opinion that the Company had complied with the provisions of the Corporate Governance Code during the Reporting Period.

1. The convening of meetings during the Reporting Period was in compliance with the relevant requirement of the Company Law and the Articles of Association.

On 20 January 2015, the 2015 first extraordinary general meeting of the Company was convened. Zhang Zhaoxiang, Yu Hailong and Chan Ka Keung Peter, all being the Directors of the Company, and Xu Xiangchun, Peng Haiqing and Shao Bo, all being the Supervisors of the Company, and Kang Chengye, the secretary to the Board attended the meeting. All the senior management of the Company attended the meeting as observers. The Resolution in relation to the Application for Registration and Issuance of Perpetual Medium Term Notes of RMB10 Billion by the Company was considered and approved at the meeting.

On 26 June 2015, the 2014 annual general meeting of the Company was convened. Zhang Zhaoxiang, Yu Hailong, Ren Xudong, Chan Ka Keung Peter and Lin Jinzhen, all being the Directors of the Company, and Li Shiyu, Peng Haiqing and Shao Bo, being the Supervisors or candidate for Supervisor, and Kang Chengye, the secretary to the Board attended the meeting. All the senior management of the Company attended the meeting as observers. The following matters were considered and approved at the meeting: the work report of the Board and the work report of the Supervisory Committee for 2014, the proposed final account report 2014, the profit distribution, the appointment of domestic and overseas auditors and auditors on internal control for 2015, the remunerations for Directors and Supervisors for 2014, the guarantee plans and the plans of bond issuance for 2015, amendments to Articles of Association and the Rule of Procedures for Board Meeting, and the election of Supervisors of the Company. Meanwhile, the 2014 Performance Report by Independent Directors (《2014年度獨立董事述職報告》) was received. During the Reporting Period, the Company has convened 6 Board meetings, 8 Special Committee meetings and 3 meetings of the Supervisory Committee.

2. The governance system was further improved. During the Reporting Period, the Company amended the Articles of Association and the Rule of Procedures for Board Meeting in accordance with the regulatory requirements and the changes in actual situation of the Company.
3. During the Reporting Period, the Company completed the work of information disclosure in strict compliance with relevant requirements of CSRC, the Shanghai Stock Exchange and the Hong Kong Stock Exchange, further strengthened the communications with capital markets and reinforced the market research. On one hand, in addition to disclosing the periodic and provisional announcements of the Company as required, the Company followed up and monitored the changes of regulation on a continuous basis to further enhance the accuracy and professional level of information disclosure. In the meantime, it based on the main concerns in the market increased voluntary disclosure to deliver positive information about the development of the Company to the capital market. On the other hand, communication and interaction with investors, analysts, financial media and other parties were further reinforced by such means as general meetings, performance disclosure conferences, one-to-one communication and E-communication platform, to demonstrate the new development of the Company to the capital market and facilitate relevant parties in the market to better understand the Company. In addition, great efforts were made to study the capital market and explore the effective ways for enhancing market value management, diversifying financing channels and maximizing shareholders' interests.

4. The Company continued to establish and improve the organizational and institutional systems and the business procedure for comprehensive risk management and internal control, cultivate the cultures of risk management and internal control, and develop a risk management and internal control system with "sound structure and efficient operation", so as to achieve organic integration of risk management and internal control. Firstly, the Annual Work Plan for Risk Management and Internal Control was prepared to give detailed arrangement and planning on the specific work related to system development, supervisory assessment and internal control auditing, in a bid to orderly carry out each task of risk management and internal control with explicit purpose. Secondly, in-depth research was conducted on the internal and external conditions of the Company by formulating the standards for annual risk assessment, carrying out risk assessment objectively and collating the risk points, so as to improve countermeasures, prepare solutions for major risks, and establish and improve the risk control system covering all the phases from pre-event to post-event. Thirdly, the Company continued to collate the existing rules and regulations and ensure that the development, modification and abolishment of its rules and regulations would be well organized, so as to guarantee a scientific, systematical and applicable regulatory system. Fourthly, the Manual of Risk Management and Internal Control was prepared and circulated, in which the mapping relation between each risk point and its control point was analyzed while the procedures and control measures were organized to solidify the results of internal control and risk management. Fifthly, the Company guided its subsidiaries to optimize their systems of risk management and internal control.

Furthermore, the Company has adopted the Model Code as the code governing the dealings in the Company's securities by Directors and Supervisors. Having made specific enquiries with all Directors and Supervisors, the Company confirmed that all Directors and Supervisors had fully complied with the requirements set out in the Model Code for the six months ended 30 June 2015.

Independent Auditor's Report

I REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

De Shi Bao (Yue) Zi (15) No. R0030

TO THE SHAREHOLDERS OF METALLURGICAL CORPORATION OF CHINA LTD.:

We have reviewed the accompanying interim financial statements of Metallurgical Corporation of China Ltd. (the "Company"), which comprised the Company's and consolidated balance sheets as at 30 June 2015, and the Company's and consolidated income statements, the Company's and consolidated statements of changes in equity and the Company's and consolidated cash flow statements for the six months then ended, and notes to the financial statements (hereinafter collectively referred to as the "Interim Financial Statements"). The preparation of the Interim Financial Statements is the responsibility of the Company's management. Our responsibility is to express a conclusion on these Interim Financial Statements based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Statements of Metallurgical Corporation of China Ltd. are not prepared, in all material respects, in accordance with China Accounting Standards, and cannot present fairly, in all material respects, the Company's and consolidated financial positions as at 30 June 2015 and the Company's and consolidated operating performance and cash flows for the six months then ended.

Deloitte Touche Tohmatsu CPA LLP.
Shanghai, China

Chinese Certified Public Accountants:

Ma Yan Mei
Chen Wen Long
25 August 2015

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

CONSOLIDATED BALANCE SHEET

FOR THE SIX MONTHS ENDED 30 JUNE 2015

II FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
Current Assets:			
Cash and bank balances	VII1	28,186,591	33,409,480
Financial assets at fair value through profit or loss	VII2	413,188	555
Derivative financial assets	VII3	27,592	18,532
Bills receivable	VII4	7,859,456	9,977,574
Accounts receivable	VII5	59,019,351	55,799,282
Prepayments	VII6	14,022,035	16,510,723
Interest receivable	VII7	9,658	11,505
Dividends receivable	VII8	137,234	119,234
Other receivables	VII9	21,532,541	19,768,319
Inventories	VII10	123,462,079	106,415,992
Non-current assets due within one year	VII11	5,620,827	4,867,780
Other current assets	VII12	234,054	187,588
Total Current Assets		260,524,606	247,086,564
Non-current Assets:			
Available-for-sale financial assets	VII13	1,810,304	1,643,092
Held-to-maturity investments	VII14	20	20
Long-term receivables	VII15	16,724,563	17,383,285
Long-term equity investments	VII16	3,922,896	3,939,211
Investment properties	VII17	1,920,692	1,864,386
Fixed assets	VII18	30,571,385	32,874,747
Construction in progress	VII19	3,058,088	2,280,214
Materials for construction of fixed assets	VII20	69,510	47,617
Intangible assets	VII21	14,916,703	14,967,560
Goodwill	VII22	265,210	270,448
Long-term prepayments	VII23	175,593	167,767
Deferred tax assets	VII24	3,424,298	3,316,126
Other non-current assets	VII25	137,196	137,442
Total Non-current Assets		76,996,458	78,891,915
TOTAL ASSETS		337,521,064	325,978,479

CONSOLIDATED BALANCE SHEET

FOR THE SIX MONTHS ENDED 30 JUNE 2015

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED BALANCE SHEET

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
Current Liabilities:			
Short-term borrowings	VII26	36,963,528	36,461,263
Bills payable	VII27	13,738,514	11,808,491
Accounts payable	VII28	82,585,895	77,722,163
Receipts in advance	VII29	33,329,960	33,978,850
Employee benefits payable	VII30	2,108,151	1,987,771
Taxes payable	VII31	5,008,627	6,399,466
Interest payable	VII32	1,536,257	970,589
Dividends payable	VII33	1,442,356	504,931
Other payables	VII34	15,903,401	15,888,498
Non-current liabilities due within one year	VII35	14,898,178	11,875,968
Other current liabilities	VII36	16,942,289	19,966,195
Total Current Liabilities		224,457,156	217,564,185
Non-current Liabilities:			
Long-term borrowings	VII37	18,277,956	21,329,884
Bonds payable	VII38	23,367,422	21,945,923
Including: Preference share		—	—
Perpetual bond		—	—
Long-term payables	VII39	816,343	864,818
Long-term employee benefits payable	VII40	3,963,947	3,944,693
Special payables	VII41	15,468	22,501
Provisions	VII42	137,822	208,154
Deferred income	VII43	1,502,910	1,552,840
Deferred tax liabilities	VII24	450,450	481,873
Other non-current liabilities		39,100	39,100
Total Non-current Liabilities		48,571,418	50,389,786
TOTAL LIABILITIES		273,028,574	267,953,971

CONSOLIDATED BALANCE SHEET

FOR THE SIX MONTHS ENDED 30 JUNE 2015

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED BALANCE SHEET

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
Shareholders' Equity:			
Share capital	VII44	19,110,000	19,110,000
Other equity instruments	VII45	4,925,000	–
Including: Preference share		–	–
Perpetual bond		4,925,000	–
Capital reserve	VII46	17,828,652	17,826,218
Less: Treasury shares		–	–
Other comprehensive income	VII47	658,366	583,421
Special reserve	VII48	12,550	12,550
Surplus reserve	VII49	529,549	529,549
Retained profits	VII50	10,492,284	9,275,519
Total shareholders' equity attributable to equity holders of the Company		53,556,401	47,337,257
Non-controlling interests		10,936,089	10,687,251
TOTAL SHAREHOLDERS' EQUITY		64,492,490	58,024,508
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		337,521,064	325,978,479

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

Legal Representative: **Guo Wenqing**

Chief Financial Controller: **Zou Hongying**

Chief Accountant: **Fan Wanzhu**

THE COMPANY'S BALANCE SHEET

FOR THE SIX MONTHS ENDED 30 JUNE 2015

II FINANCIAL STATEMENTS (Continued)

THE COMPANY'S BALANCE SHEET

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
Current Assets:			
Cash and bank balances		2,984,996	7,025,950
Accounts receivable	XV11	325,141	389,062
Prepayments		75,024	105,106
Interest receivable	XV12	1,345,664	955,561
Dividends receivable	XV13	1,264,817	1,264,817
Other receivables	XV14	29,405,643	26,396,763
Inventories		1,391,643	889,870
Non-current assets due within one year		6,022,038	6,780,040
Other current assets		–	283
Total Current Assets		42,814,966	43,807,452
Non-current Assets:			
Available-for-sale financial assets		231	231
Long-term receivables	XV15	4,622,374	4,573,576
Long-term equity investments	XV16	73,648,654	72,549,338
Investment properties		–	118,773
Fixed assets		17,113	55,263
Intangible assets		12,281	13,601
Total Non-current Assets		78,300,653	77,310,782
TOTAL ASSETS		121,115,619	121,118,234

THE COMPANY'S BALANCE SHEET

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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	XVI7	7,284,626	8,378,860
Accounts payable		1,471,256	1,074,091
Receipts in advance		412,880	303,192
Employee benefits payable		7,734	8,251
Taxes payable		35,988	48,154
Interest payable		1,291,946	742,538
Dividend payable		955,500	–
Other payables	XVI8	9,212,222	10,697,648
Non-current liabilities due within one year	XVI9	9,174,138	7,124,503
Other current liabilities		16,900,000	19,900,000
Total Current Liabilities		46,746,290	48,277,237
Non-current Liabilities:			
Long-term borrowings	XVI10	3,179,902	5,403,934
Bonds payable		12,960,789	12,904,839
Including: Preference share		–	–
Perpetual bond		–	–
Long-term payables		300,000	378,980
Long-term employee benefits payable		22,470	19,772
Deferred income		1,110	957
Total Non-current Liabilities		16,464,271	18,708,482
TOTAL LIABILITIES		63,210,561	66,985,719

THE COMPANY'S BALANCE SHEET

FOR THE SIX MONTHS ENDED 30 JUNE 2015

II FINANCIAL STATEMENTS (Continued)

THE COMPANY'S BALANCE SHEET

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
Shareholders' Equity:			
Share capital		19,110,000	19,110,000
Other equity instruments		4,925,000	–
Including: Preference share		–	–
Perpetual bond		4,925,000	–
Capital reserve		33,481,220	33,481,220
Less: Treasury shares		–	–
Other comprehensive income		711	3,267
Special reserve		12,550	12,550
Surplus reserve		529,549	529,549
Retained profits		(153,972)	995,929
TOTAL SHAREHOLDERS' EQUITY		57,905,058	54,132,515
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		121,115,619	121,118,234

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

Legal Representative: **Guo Wenqing**

Chief Financial Controller: **Zou Hongying**

Chief Accountant: **Fan Wanzhu**

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2015

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED INCOME STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
I Total operating revenue		100,691,551	96,166,552
Including: Operating revenue	VII51	100,691,551	96,166,552
II Total operating costs		97,709,872	93,981,253
Including: Operating costs	VII51	87,593,659	84,296,869
Business taxes and levies	VII52	2,616,952	2,397,811
Selling expenses	VII53	606,020	689,284
Administrative expenses	VII54	4,067,552	3,871,026
Financial expenses	VII55	1,767,396	1,632,237
Impairment losses of assets	VII56	1,058,293	1,094,026
Add: Gains from changes in fair values (losses)	VII57	21,693	(5,244)
Investment income (losses)	VII58	123,863	541,072
Including: Income from investments in associates and joint ventures		58,907	(124,242)
III Operating profit		3,127,235	2,721,127
Add: Non-operating income	VII59	422,230	561,177
Including: Gains from disposal of non-current assets		22,916	26,459
Less: Non-operating expenses	VII60	45,325	104,691
Including: Losses from disposal of non-current assets		13,247	20,513
IV Total profit		3,504,140	3,177,613
Less: Income tax expenses	VII61	1,043,323	1,216,107
V Net profit		2,460,817	1,961,506
Net profit attributable to shareholders of the Company		2,172,265	1,809,335
Profit or loss attributable to non-controlling interests		288,552	152,171

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2015

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED INCOME STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
VI Other comprehensive income, net of income tax	VII62	63,897	(257,367)
Other comprehensive income attributable to shareholders of the Company, net of income tax		74,945	(254,236)
(I) Items that will not be reclassified subsequently to profit or loss		(125,351)	(107,728)
1. Re-measurement of defined benefit obligations		(125,351)	(107,728)
(II) Items that may be reclassified subsequently to profit or loss		200,296	(146,508)
1. Net (loss) gain on revaluation of available-for-sale financial assets		93,086	6,553
2. Exchange differences on translating foreign operations		107,210	(153,061)
Other comprehensive income attributable to non-controlling interests, net of income tax		(11,048)	(3,131)
VII Total comprehensive income		2,524,714	1,704,139
Total comprehensive income attributable to shareholders of the Company		2,247,210	1,555,099
Total comprehensive income attributable to non-controlling interests		277,504	149,040
VIII Earnings per share	XV3		
(I) Basic earnings per share (<i>Yuan/share</i>)		0.11	0.09
(II) Diluted earnings per share (<i>Yuan/share</i>)		N/A	N/A

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

Legal Representative: **Guo Wenqing**

Chief Financial Controller: **Zou Hongying**

Chief Accountant: **Fan Wanzhu**

THE COMPANY'S INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2015

II FINANCIAL STATEMENTS (Continued)

THE COMPANY'S INCOME STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
I Operating revenue	XVI11	1,093,177	707,956
Less: Operating costs	XVI11	961,641	706,465
Business taxes and levies		–	5,650
Administrative expenses		61,463	74,672
Financial expenses		316,202	605,834
Impairment losses of assets	XVI12	(9,710)	28,901
Add: Investment income (losses)	XVI13	–	(40)
Including: Income from investments in associates and joint ventures		–	(40)
II Operating profit		(236,419)	(713,606)
Add: Non-operating income		42,040	3
Including: Gains from disposal of non-current assets		41,966	–
Less: Non-operating expenses		18	24
Including: Losses from disposal of non-current assets		18	24
III Total profit		(194,397)	(713,627)
Less: Income tax expenses		–	(8,901)
IV Net profit		(194,397)	(704,726)
V Other comprehensive income, net of income tax		(2,560)	609
(I) Items that will not be reclassified subsequently to profit or loss		(2,560)	626
1. Re-measurement of defined benefit obligations		(2,560)	626
(II) Items that may be reclassified subsequently to profit or loss		–	(17)
1. Exchange differences on translating foreign operations		–	(17)
VI Total comprehensive income		(196,957)	(704,117)

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

Legal Representative: **Guo Wenqing**

Chief Financial Controller: **Zou Hongying**

Chief Accountant: **Fan Wanzhu**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2015

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED CASH FLOW STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
I Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		101,900,408	91,970,346
Receipts of tax refunds		317,528	36,849
Other cash receipts relating to operating activities	VII63(1)	1,018,254	3,230,164
Sub-total of cash inflows from operating activities		103,236,190	95,237,359
Cash payments for goods purchased and services received		87,598,119	78,949,874
Cash payments to and on behalf of employees		7,589,863	7,401,188
Payments of various types of taxes		6,664,029	5,707,070
Other cash payments relating to operating activities	VII63(2)	5,437,768	8,911,763
Sub-total of cash outflows from operating activities		107,289,779	100,969,895
Net Cash Flows from Operating Activities	VII64(1)	(4,053,589)	(5,732,536)
II Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		18,313	10,134
Cash receipts from investment income		168,872	6,117
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		51,039	147,658
Other cash receipts relating to investing activities	VII63(3)	53,504	61,568
Sub-total of cash inflows from investing activities		291,728	225,477
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		1,370,674	963,515
Cash payments to acquire investments		520,722	40,621
Other cash payments relating to investing activities	VII63(4)	552,231	162,040
Sub-total of cash outflows from investing activities		2,443,627	1,166,176
Net Cash Flows from Investing Activities		(2,151,899)	(940,699)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2015

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED CASH FLOW STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
III Cash Flows from Financing Activities:			
Cash receipts from capital contributions		4,955,368	129,249
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries		30,368	129,249
Cash receipts from issue perpetual bonds		4,925,000	–
Cash receipts from borrowings		38,757,288	50,311,043
Other cash receipts relating to financing activities	VII63(5)	1,102,534	–
Sub-total of cash inflows from financing activities		44,815,190	50,440,292
Cash repayments of borrowings		39,866,071	47,280,594
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,799,942	3,232,584
Including: Payments for distribution of dividends or profits to non-controlling interests of subsidiaries		74,675	141,753
Other cash payments relating to financing activities	VII63(6)	47,665	1,040,709
Sub-total of cash outflows from financing activities		42,713,678	51,553,887
Net Cash Flows from Financing Activities		2,101,512	(1,113,595)
IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(16,379)	53,256
V Net Increase in Cash and Cash Equivalents		(4,120,355)	(7,733,574)
Add: Opening balance of Cash and Cash equivalents		28,571,177	31,242,554
VI Closing Balance of Cash and Cash Equivalents	VII64(2)	24,450,822	23,508,980

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

Legal Representative: **Guo Wenqing**

Chief Financial Controller: **Zou Hongying**

Chief Accountant: **Fan Wanzhu**

THE COMPANY'S CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2015

II FINANCIAL STATEMENTS (Continued)

THE COMPANY'S CASH FLOW STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
I Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		1,024,480	846,707
Receipts of tax refunds		8,979	–
Other cash receipts relating to operating activities		66,538	83,500
Sub-total of cash inflows from operating activities		1,099,997	930,207
Cash payments for goods purchased and services received		955,949	588,443
Cash payments to and on behalf of employees		37,574	26,663
Payments of various types of taxes		18,877	23,188
Other cash payments relating to operating activities		22,447	79,243
Sub-total of cash outflows from operating activities		1,034,847	717,537
Net Cash Flows from Operating Activities	XVI14(1)	65,150	212,670
II Cash Flows from Investing Activities:			
Cash receipts from investment income		782,743	469,025
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		–	8
Sub-total of cash inflows from investing activities		782,743	469,033
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		681	4,132
Cash payments to acquire investments		625,000	1,032,748
Other cash payments relating to investing activities		2,398,437	393,569
Sub-total of cash outflows from investing activities		3,024,118	1,430,449
Net Cash Flows from Investing Activities		(2,241,375)	(961,416)

THE COMPANY'S CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2015

II FINANCIAL STATEMENTS (Continued)

THE COMPANY'S CASH FLOW STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
III Cash Flows from Financing Activities:			
Cash receipts from investments		4,925,000	–
Including: Cash receipts from perpetual bond		4,925,000	–
Cash receipts from borrowings		17,443,387	23,895,864
Other cash receipts relating to financing activities		–	19,700
Sub-total of cash inflows from financing activities		22,368,387	23,915,564
Cash repayments of borrowings		23,338,563	24,377,620
Cash payments for distribution of dividends or profits or settlement of interest expenses		856,373	1,052,719
Other cash payments relating to financing activities		38,162	31,873
Sub-total of cash outflows from financing activities		24,233,098	25,462,212
Net Cash Flows from Financing Activities		(1,864,711)	(1,546,648)
IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(18)	30,068
V Net Increase in Cash and Cash Equivalents		(4,040,954)	(2,265,326)
Add: Opening balance of Cash and Cash equivalents		7,025,950	6,494,604
VI Closing Balance of Cash and Cash Equivalents	XVI14(2)	2,984,996	4,229,278

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

Legal Representative: **Guo Wenqing**

Chief Financial Controller: **Zou Hongying**

Chief Accountant: **Fan Wanzhu**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

Items	FOR THE SIX MONTHS ENDED 30 JUNE 2015											
	Attributable to shareholders of the Company											Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Non-controlling interests	
I Closing balance of the preceding period	19,110,000	-	-	-	17,826,218	-	583,421	12,550	529,549	9,275,519	10,687,251	58,024,508
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior periods errors	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
II Opening balance of the current period	19,110,000	-	-	-	17,826,218	-	583,421	12,550	529,549	9,275,519	10,687,251	58,024,508
III Changes for the period	-	-	4,925,000	-	2,434	-	74,945	-	-	1,216,765	248,838	6,467,982
(i) Total comprehensive income	-	-	-	-	-	-	74,945	-	-	2,172,265	277,504	2,524,714
(ii) Shareholders' contributions and reduction in capital	-	-	4,925,000	-	2,434	-	-	-	-	-	27,934	4,955,368
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	30,368	30,368
2. Capital contribution from holders of other equity instruments	-	-	4,925,000	-	-	-	-	-	-	-	-	4,925,000
3. Others	-	-	-	-	2,434	-	-	-	-	-	(2,434)	-
(iii) Profit distribution	-	-	-	-	-	-	-	-	-	(955,500)	(56,600)	(1,012,100)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
2. Distributions to shareholders	-	-	-	-	-	-	-	-	-	(955,500)	(56,600)	(1,012,100)
3. Others	-	-	-	-	-	-	-	-	-	-	-	-
(iv) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(v) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current period	-	-	-	-	-	-	-	903,563	-	-	75,505	979,068
2. Amount utilized in the current period	-	-	-	-	-	-	-	(903,563)	-	-	(75,505)	(979,068)
(vi) Others	-	-	-	-	-	-	-	-	-	-	-	-
IV Closing balance of the current period	19,110,000	-	4,925,000	-	17,828,652	-	658,366	12,550	529,549	10,492,284	10,936,089	64,492,490

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

Items	FOR THE SIX MONTHS ENDED 30 JUNE 2014											
	Attributable to shareholders of the Company											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Non-controlling interests	Total shareholders' equity
I Closing balance of the preceding period	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 period	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 period	-	-	-	-	(112,186)	-	(254,236)	-	-	643,625	340,834	618,037
(I) Total comprehensive income	-	-	-	-	-	-	(254,236)	-	-	1,809,335	149,040	1,704,139
(II) Shareholders' contributions and reduction in capital	-	-	-	-	(112,186)	-	-	-	-	-	263,301	151,115
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	159,487	159,487
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	(112,186)	-	-	-	-	-	103,814	(8,372)
(III) Profit distribution	-	-	-	-	-	-	-	-	-	(1,165,710)	(71,507)	(1,237,217)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
2. Distributions to shareholders	-	-	-	-	-	-	-	-	-	(1,165,710)	(71,507)	(1,237,217)
3. Others	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current period	-	-	-	-	-	-	-	908,822	-	-	93,400	1,002,222
2. Amount utilized in the current period	-	-	-	-	-	-	-	(908,822)	-	-	(93,400)	(1,002,222)
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-
IV Closing balance of the current period	19,110,000	-	-	-	17,834,927	-	211,561	12,550	420,659	7,228,806	10,864,753	55,683,256

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

Legal Representative: **Guo Wenqing**

Chief Financial Controller: **Zou Hongying**

Chief Accountant: **Fan Wanzhu**

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

II FINANCIAL STATEMENTS (Continued)

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

Items	FOR THE SIX MONTHS ENDED 30 JUNE 2015										
	Other equity instruments				Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
	Share capital	Preference share	Perpetual bond	Others							
I Closing balance of the preceding period	19,110,000	-	-	-	33,481,220	-	3,267	12,550	529,549	995,929	54,132,515
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior periods errors	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II Opening balance of the current period	19,110,000	-	-	-	33,481,220	-	3,267	12,550	529,549	995,929	54,132,515
III Changes for the period	-	-	4,925,000	-	-	-	(2,556)	-	-	(1,149,901)	3,772,543
(i) Total comprehensive income	-	-	-	-	-	-	(2,560)	-	-	(194,397)	(196,957)
(ii) Shareholders' contributions and reduction in capital	-	-	4,925,000	-	-	-	4	-	-	(4)	4,925,000
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from holders of other equity instruments	-	-	4,925,000	-	-	-	-	-	-	-	4,925,000
3. Others	-	-	-	-	-	-	4	-	-	(4)	-
(iii) Profit distribution	-	-	-	-	-	-	-	-	-	(955,500)	(955,500)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	-	-
2. Distributions to shareholders	-	-	-	-	-	-	-	-	-	(955,500)	(955,500)
3. Others	-	-	-	-	-	-	-	-	-	-	-
(iv) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(v) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current period	-	-	-	-	-	-	-	-	-	-	-
2. Amount utilized in the current period	-	-	-	-	-	-	-	-	-	-	-
(vi) Others	-	-	-	-	-	-	-	-	-	-	-
IV Closing balance of the current period	19,110,000	-	4,925,000	-	33,481,220	-	711	12,550	529,549	(153,972)	57,905,058

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

II FINANCIAL STATEMENTS (Continued)

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

Items	FOR THE SIX MONTHS ENDED 30 JUNE 2014										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
		Preference share	Perpetual bond	Others							
I Closing balance of the preceding period	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 period	19,110,000	-	-	-	33,481,220	-	(159)	12,550	420,659	1,181,626	54,205,896
III Changes for the period	-	-	-	-	-	-	609	-	-	(1,870,436)	(1,869,827)
(I) Total comprehensive income	-	-	-	-	-	-	609	-	-	(704,726)	(704,117)
(II) Shareholders' contributions and reduction in capital	-	-	-	-	-	-	-	-	-	-	-
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	(1,165,710)	(1,165,710)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	-	-
2. Distributions to shareholders	-	-	-	-	-	-	-	-	-	(1,165,710)	(1,165,710)
3. Others	-	-	-	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current period	-	-	-	-	-	-	-	-	-	-	-
2. Amount utilized in the current period	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-
IV Closing balance of the current period	19,110,000	-	-	-	33,481,220	-	450	12,550	420,659	(688,810)	52,336,069

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

Legal Representative: **Guo Wenqing**

Chief Financial Controller: **Zou Hongying**

Chief Accountant: **Fan Wanzhu**

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 principal business activities.

The Company and consolidated financial statements had been approved by the Board of Directors of the Company on 25 August 2015.

2. Scope of consolidated financial statements

Details of the scope of consolidated financial statements are set out in Note IX “Interest in other entities”, whereas the changes of the scope of consolidation are set out in Note VIII “Changes of the scope of consolidation”.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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").

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 fiscal year 2014, the Company no longer provides the financial statements prepared in accordance with the CASBE and the International Financial Reporting Standards (the "IFRS") separately to stockholders of A shares and H shares. Instead, the Company provides the financial statements prepared in accordance with the CASBE to all stockholders, taking the relevant disclosure standards of Hong Kong Companies Ordinance and Hong Kong Listing Rules into consideration.

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

2. 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 30 June 2015 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.

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 consolidated and the Company's financial position as at 30 June 2015 and consolidated and the Company's operating results and cash flows for the six months 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 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 Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

5. Business combination (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.

The costs of business combination are the fair value of the assets paid, liabilities happened or bore and equity instruments issued by the acquirer for the purpose of achieving the control rights of the acquiree. 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 intermediary costs such as audit, legal services and assessment consulting costs and other related management costs that are directly attributable to the combination by the acquirer 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.

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.

The goodwill raised because of the business combination should be separately disclosed in the combination financial statement and measured by the amount of costs deducted by the accumulative provision for impairment.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

6. Basis for preparation of consolidated financial statements

The scope of consolidation in 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 consolidated income statement and consolidated statement of cash flows, as appropriate.

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

For a subsidiary acquired through a business combination involving enterprises under common control, it will be fully consolidated into 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, transactions and unrealised profits 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 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 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 period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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).

The Group makes the classification of the joint arrangements according to the rights enjoyed and obligations bore in the joint arrangements. 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.

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.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

(1) Transactions denominated in foreign currencies (Continued)

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.

(2) Translation of financial statements denominated in foreign currency

For the purpose of preparing 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 prior period are presented at the translated amounts in the prior period'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 Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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, part of other receivables, non-current assets due within one year and long-term receivables.

– Available-for-sale financial assets

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

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 balance sheet when the Group becomes one of contracting parties of the financial assets. Financial assets at FVTPL are initially recognized at fair value, and transaction costs are expensed into profits or losses of the current period. Other financial assets are initially recognized at fair value plus transaction costs.

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.

Loans and receivables and held-to-maturity investments 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.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

(1) Financial assets (Continued)

(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 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;
- 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;

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

(1) Financial assets (Continued)

(c) Impairment of financial assets (Continued)

- 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.

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.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

(1) Financial assets (Continued)

(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 derecognize 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.

(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.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

- (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.

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.
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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.
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- (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%

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. Receivables (Continued)

- (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.
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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.
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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.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

12. Inventories (Continued)

(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.

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

(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.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

13. 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.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

13. 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 Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

13. 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 (Note V19).

- (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.

The other comprehensive income recognized before the Group had controlled over the investee under equity method or the financial assets recognition and measurement standard should be treated referring to the same fundamental of disposing related assets and liabilities on losing its control over the investee. The other changes in shareholders' equity of the investee's net assets except the net profit or loss, other comprehensive income and profit distribution will be included in profit or loss for the current period of losing its control over the investee. If the residual interests were measured under the equity method, the Group proportionally carries over the other comprehensive income and other shareholders' equity. If the residual interests were measured under the financial assets recognition and measurement standard, the Group wholly carries over the other comprehensive income and other shareholders' equity.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

14. 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.

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 V19).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

15. 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 (year)	Residual value	Annual depreciation rate
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%

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

15. 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 V19).

16. Construction in progress

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

The difference between recoverable amounts of the construction in progress under the carrying amount is referred to as impairment loss (Note V19).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

17. 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.

18. 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.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Intangible assets (Continued)

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

(c) Concession assets

The Group engages in certain service concession arrangements in which the Group carries out construction work for the granting authority and receives in exchange a right to operate the assets concerned in accordance with the pre-established conditions set by the granting authority. The assets under the concession arrangements may be classified as intangible assets or receivables from the granting authority.

The Group recognizes revenue and a financial asset to the extent that it has an unconditional contractual right to receive specified or determinable amount of cash or another financial asset from the granting authority, or to receive the shortfall from the granting authority, if any, between amounts received from users of the public service and specified or determinable amounts.

According to the contract, the Group has the right to charge fees from the service recipients during a certain operating period after the related infrastructure construction is completed. If the charge amount is undetermined, this right does not constitute any right of collecting cash unconditionally. The Group recognizes revenue and intangible assets simultaneously.

The Group classifies the non-current assets linked to the long term investment in these concession arrangements as "concession assets" within intangible assets on the balance sheet if the intangible asset model is adopted. Once the underlying infrastructure of the concession arrangements has been completed, the concession assets will be amortized over the term of the concession on the straight-line basis under the intangible asset model.

If the financial asset model is applied, the Group recognizes financial assets resulted from the concession arrangement in its balance sheet. The financial asset is measured at amortized cost using the effective interest method. Interest income is recognized in the profit or loss accordingly.

(d) Software

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

(e) Patent and proprietary technologies

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

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Intangible assets (Continued)

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

(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 V19).

(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; and
- The expenditure attributable to the intangible asset during its development phase can be reliably measured.

Expenditures that do not meet all of the above conditions at the same time are 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.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

19. 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.

20. 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.

21. 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.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

21. Employee benefits (Continued)

(1) Short-term employee benefits (Continued)

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.

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.

Part of subsidiaries of the Group provide medical benefits to the retired employees. The expected costs of benefits are calculated using the same accounting policies with defined benefit plans.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

21. Employee benefits (Continued)

(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.

22. 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.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

23. Perpetual bonds or other financial instruments

Perpetual bonds or other financial instrument issued by the Group are equity instruments if, and only if both conditions (a) and (b) below are met:

- (a) The instrument includes no contractual obligation: (i) to deliver cash or another financial asset to another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the issuer;
- (b) If the instrument will be or may be settled in the issuer's own equity instruments, and it is a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments.

Except for the other financial instruments as stated above which can be classified as equity, all other financial instruments issued by the Group are classified as financial liabilities.

The interest expenses or dividends of perpetual bonds or other financial instruments classified as equity instruments are treated as profit distribution of the Group. The repurchase or cancellation of these instruments is treated as change in equity. The related transaction costs are deducted from equity.

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;
- 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.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Revenue (Continued)

(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 Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 VII29(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.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Revenue (Continued)

(3) Revenue from rendering of services (Continued)

- (b) When the outcome of the transaction involving the rendering of services cannot be estimated reliably:
- When it is probable that the costs incurred will be recovered, the revenue is recognized only to the extent of the costs incurred and the costs is recognized as the same amount;
 - 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.

(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: (i) The risks and rewards in relation to sales of mining products are transferred to the customers; (ii) The Group does not retain the management rights related to ownership, and no longer perform control on the goods; (iii) The amount of revenue can be accurately measured; (iv) The relevant economic interests are likely to flow into the Group; (v) Future or past costs can be reasonably assured.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Revenue (Continued)

(6) Revenue from sales of properties

Revenue from sale of completed properties held for sale is recognized when: (i) The completed properties held for sale has completed construction and acceptance; (ii) The Group has signed legally sales contract; (iii) The significant risks and rewards of ownership of the completed properties held for sale had transferred from the Group to the buyer; (iv) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the completed properties held for sale sold.

(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.

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.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

25. Government grants (Continued)

- (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.

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.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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.

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.

(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.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28 Other significant accounting policies and accounting estimates (Continued)

(3) Segment information

The accounting policies of segment information are listed in Note XV1(1).

(4) Significant accounting judgments and estimates

As operating activities have inherent uncertainties, the Group need to make judgments, estimates and assumptions upon report items that cannot be accurately calculated in applying the above accounting policies. These judgments, estimates and assumptions are made based on historical experiences of the management of the Group, taking other related factors into consideration. The actual results may be different from the estimates of the Group.

The Group review the above judgments, estimates and assumptions periodically based on going concern. If the changes of accounting estimates only affect the current period, the influence amount is recognized in the current period. If the changes of accounting estimates affect both of the current period and the future period, the influence amount is recognized in the current period and the future period.

– Important judgments in applying accounting policies

The Group made some important judgments in applying accounting policies, which have significant influences on the amount of financial statements:

(a) Perpetual bond

According to the terms of the issue, the issued perpetual bond has no maturity date. The Company has the right to defer interest payment and the option for redemption of perpetual bond. The Company has no obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the issuer, so the perpetual bond is classified as equity instrument, meeting the qualifying conditions in Note V23 to be recorded as equity instrument. Details are set out in Note VII45.

– The key assumptions and uncertainties used in accounting estimates

As at balance sheet date, 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 12 months are as below:

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 key assumptions and uncertainties used in accounting estimates (Continued)

(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, (i) 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; (ii) 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 consolidated income statement in the year in which the circumstances that give rise to the revision become known by management.

(b) Provision for impairment

The impairment of receivables is based on the evaluation of the collectability of the outstanding receivables. Provisions for impairment will be made where there is objective evidence that such receivables are not collectible. The management's judgment and estimation are required in the recognition of the impairment of receivables. If re-estimations differ from the original estimates, such differences will affect the profit and carrying amount of receivables in the period in which the estimate changes.

(c) 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 Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 key assumptions and uncertainties used in accounting estimates (Continued)

(d) 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 14.29% to 17.33% 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 VII16, VII18, VII19, VII21, and VII22. Provision for impairment of long-term equity investments based on the estimated recoverable value is set out in Note XVI6.

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 Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 key assumptions and uncertainties used in accounting estimates (Continued)

(e) 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 30 June 2015, the Group has recognized deferred tax assets of RMB3,424,298,000 (as at 31 December 2014: RMB3,316,126,000), 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 30 June 2015, the Group has an unrecognized deductible tax losses of RMB21,244,584,000 (as at 31 December 2014: RMB20,436,884,000), and an unrecognized deductible temporary differences of RMB6,128,728,000 (as at 31 December 2014: RMB6,778,885,000), 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.

(f) 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 Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

29. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

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

(2) Changes in significant accounting estimates

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

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% and 5%
City maintenance and construction tax ("CCT")	Value-added tax, consumption tax and business tax	1%, 5% and 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.

- (1) The disclosure of the entities of tax payment suitable for non-25% enterprise income tax rate are disclosed in Note VI2.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VI TAXATION (Continued)

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

- (2) The foreign business entities suitable for non -25% enterprise income tax rate

Subject of tax payment	Enterprise income tax rate
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.	30%
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 Brisa 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.	16.5%
Xin Yue Investment Co., Ltd.	10%
MCC Tian Gong (Mongolia) Ltd.	10%
MCC Holding (Hong Kong) Corporation Ltd.	7%
MCC India Indonesia Construction Co., Ltd.	0%
MCC Zimbabwe (Private) Ltd.	0%
MCC Ramu NiCo Ltd.	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 Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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., Chongqing CISDI Thermal Environmental Protection Engineering Co. Ltd. (Former name: 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.
- (d) Chongqing CISDI Construction Drawing Examination and Consulting Co., Ltd. was levied at a preferential tax rate of 15% from 2015 to 2020.

(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) Maanshan MCC17 Engineering Science & Technology Co., Ltd. and Baotou Beilei Continuous Casting Engineering Technology Co., Ltd. were levied at a preferential tax rate of 15% from 2009 to 2015.
- (b) CERl Colin Environmental Protection Technology Co., Ltd., CERl Paper Technology and Engineering Co., Ltd., CERl (Yangzhou) Machinery Co., Ltd., Wuhan Surveying Geotechnical Research Institute Co., Ltd., Beijing Jinwei Soldering Material Co., Ltd., 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.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VI TAXATION (Continued)

2. Tax incentive (Continued)

(2) High-Technology Enterprises (Continued)

- (c) MCC Wuhan Research Institute of Metallurgical Construction Co., Ltd., Shanghai Baoye Slag Comprehensive Development Co., Ltd., ACRE Coking & Refractory Engineering Consulting (Dalian) Corporation, WISDRI Wuhan Steel Design & Research Incorporation Ltd., WISDRI Handan Wupeng Furnace lining New Material Co., Ltd., Northern Engineering & Technology Corporation, MCC (Dalian), Beijing Sida Jian Mao Science and Technology Development Co., Ltd., MCC Welding Technology Co., Ltd. and MCC Energy Conservation Environmental Protection Co., Ltd. were levied at a preferential tax rate of 15% from 2013 to 2015.
- (d) 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.
- (e) Shanghai Baoye Engineering Technology Co., Ltd., Huatian Engineering & Technology (Nanjing) Corporation MCC, Huatian Engineering & Technology Corporation, MCC, Huatian Industrial Furnace (Nanjing) Corporation, MCC, Wuhan Huaxia Fine-blanking Technology Co., Ltd., 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., Wuhan Urban Environmental Engineering Technology Co, Ltd., WISDRI (Wuhan) Informatology Engineering Co., Ltd., China MCC 5 Group Co., Ltd., China Jing Ye Engineering Technology Co., Ltd., Beijing Metallurgical Nuclear Technology Development Co., Ltd., MCC Communication Construction Group 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.
- (f) 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, CERI Manufacturing Executive & Managing System Co., Ltd., CERI Hua Yu Architectural Design & Research Institute Co., Ltd., 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.
- (g) China Huaye Group Co., Ltd., Beijing Yuanda International Project Management Consulting Co., Ltd., Beijing New Vision Building Construction Technology Co., Ltd., CCTEC Engineering Co., Ltd., China silicon Co., Ltd., Beijing MCC Equipment Research & Design Corporation Ltd., MCC (Beijing) Transportation Science and Technology Development Co., Ltd., Tianjin Ye Jian Construction Materials Co., Ltd., MCC 5 Group (Shanghai) Co., Ltd. and China ENFI Engineering Corporation were levied at a preferential tax rate of 15% from 2015 to 2017.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 2015. The applicable tax rate of this period is 12.5%.

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

Laian Huatian Water Corporation MCC, Shouguang North Water Corporation MCC, Huangshi Water Corporation MCC, Liuan Water Corporation MCC, and Maanshan Water Corporation, MCC, the subsidiaries of Huatian Engineering & Technology 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 Laian Huatian Water Corporation MCC and Shouguang North Water Corporation MCC has come into effect in 2010, the applicable tax rate of this period is 12.5%. The preferential policy of Huangshi Water Corporation MCC has come into effect in 2011, the applicable tax rate of this period is 12.5%. the preferential policy of Liuan Water Corporation MCC and Maanshan Water Corporation MCC has come into effect in 2014 and its applicable tax rate of this period is 0%.

- (c) According to the Item 2 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. During this period, the applicable tax rate of Lanzhou Zhongtuo Water Corporation is 12.5% and Enfei New Energy (Zhongwei) Co., Ltd. is 7.5%.

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 2012 and the applicable tax rate of this period is 12.5%. In addition, 10% of the investment amount of the special equipment for energy conservation and environmental protection purchased by the company can be treated as tax credit deducted from the tax payable in this year and can also be carried forward in the next 5 tax years if the tax payable amount is not fully for the tax credit. The preferential period is from 2014 to 2018.

VI TAXATION (Continued)

2. Tax incentive (Continued)

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

(d) 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. The applicable tax rate of this period is 12.5%.

(e) 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:

MCC Refractory Materials Testing Center, Steel Magazine (Hubei) Co., Ltd., MCC Central Research Institute of Jilin and Construction Property Management Co., Ltd. meet the standards of Small and Low-Profit Enterprises in 2015, their applicable enterprises income tax rate is 20%. Shanghai Zhongye Baosteel Technology Occupation Skill Training Center, MCC Dalian Jiaonai dragon Instrument Co., Ltd., Dalian Fenglin Safety Evaluation Test Consulting Co., Ltd. and MCC International Investment Development Co., Ltd. meet the standards of Small and Low-Profit Enterprises in 2015, their applicable enterprises income tax rate is 10%.

(f) 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., Tianjin MCC 20 Group Co., Ltd., MCC Baosteel Technology Services Co., Ltd. (Home office) 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 Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VI TAXATION (Continued)

2. Tax incentive (Continued)

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

- (g) 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 50% of 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:

Baotou Beilei High and New Technology Development Co., Ltd. and BERIS Engineering and Research Co., Ltd. enjoyed the preferential tax policy of the additionally calculation and deduction of research and development expenditures from 2008 to 2016.

CISDI Shanghai Engineering Technology Co., Ltd., CISDI ENGINEERING Co., Ltd., CISDI Industrial Furnace Co., Ltd., CISDI Group Chongqing Information and Technology 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., Panzhuhua 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) Automation Co., Ltd., WISDRI (Wuhan) Information Engineering Co., Ltd., WISDRI Engineering & Research Incorporation Limited (Home office), WISDRI (Wuhan) WIS Industrial Furnace Co., Ltd., Wuhan Urban Environmental Engineering Technology Co., Ltd., (Home office), 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., MCC 5 Group (Shanghai) 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. enjoy the preferential tax policy of additionally calculation and deduction of research and development expenditures in 2015.

- (h) 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. has a number of energy management contract projects, which are exempted from VAT. Each project is subjected to income tax independently, and 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.

VI TAXATION (Continued)

2. Tax incentive (Continued)

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

- (i) 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 Utilization of Resources (2008 version) ("Caishui [2008] No. 117"), Circular of the Ministry of Finance and State Administration of Taxation on the Value-added Tax Policies for the Products of Integrated Utilization of Resources and Other Products ("Caishui [2008] No. 156"), the rules of comprehensive use of resources according to the Economic and trade commission of Guangdong province [2010] No. 132, Guoshui of Hubei Province [2009] No. 185 and the Preferential Tax Provisions [2011] No. 008 issued by the SAT of Qingshan District, Wuhan:

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% in 2015.

Shanghai Baoye Slag Comprehensive Development Co., Ltd. was exempted from value-added tax for the sales of commercial concrete in 2015.

- (j) 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 "Cai Shui [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 2015.

Beijing Enfi Environmental Protection Technology Co., Ltd. was exempted from value-added tax for the technology development contract in 2015.

MCC Qinhuangdao Water Co., Ltd., and MCC Funing Water Co., Ltd. are exempted from value-added tax in 2015.

Laian Huatian Water Corporation MCC, Shouguang Huatian Water Corporation MCC, Shouguang North Water Corporation MCC, Chuzhou Huatian Water Corporation MCC, Tianchang Huatian Water Corporation MCC, Huangshi Water Corporation MCC, Liuan Water Corporation MCC, Maanshan Water Corporation MCC and Xuancheng Water Corporation MCC, which are the subsidiaries of Huatian Engineering & Technology Corporation, MCC, and Wuhan Urban Environmental Water Co., Ltd., the subsidiary of WISDRI Engineering & Research Incorporation Limited., are exempted from value-added tax for the sewage treatment services.

- (k) 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 2015 (after VAT reform, be exempted from VAT).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VI TAXATION (Continued)

2. Tax incentive (Continued)

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

- (l) 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 2015.
- (m) 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 2015 to 2019, refund rate was 14%.
- (n) 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 2015.
- (o) 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.
- (p) 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 2015.
- (q) 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 2015. 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 tax if the monthly payable income less than RMB30,000.
- (r) 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 tons. The enterprise is currently in its 10 years tax holiday.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

All amounts in RMB'000

Items	Closing balance	Opening balance
Cash	31,249	23,660
RMB	19,469	16,656
USD	1,933	1,964
EUR	160	138
AUD	319	275
Others	9,368	4,627
Bank deposits	22,088,384	26,732,332
RMB	18,569,352	23,245,720
USD	2,253,555	2,303,973
EUR	50,681	33,692
AUD	192,917	184,729
Others	1,021,879	964,218
Other cash and bank	6,066,958	6,653,488
RMB	6,007,410	6,498,316
USD	27,013	117,702
EUR	2,820	3,060
AUD	3,313	3,529
Others	26,402	30,881
Total	28,186,591	33,409,480
Including: Total amount of deposits abroad	1,733,503	1,344,935

As at 30 June 2015, restricted cash and bank balances was RMB3,735,769,000 (as at 31 December 2014: RMB4,838,303,000) (in Note VII65), mainly including deposits for issuing bills of RMB1,865,385,000 (as at 31 December 2014: RMB2,312,599,000), statutory deposit reserve of RMB1,194,802,000 (as at 31 December 2014: RMB1,811,027,000), guarantee deposits of RMB274,228,000 (as at 31 December 2014: RMB399,560,000), and frozen deposits of RMB91,136,000 (as at 31 December 2014: RMB41,829,000) etc.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO 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 financial assets	413,188	555
Including: Currency funds	412,327	–
Equity instruments (listed on the Mainland China)	861	555
Total	413,188	555

The fair values of held-for-trading financial assets are based on their prices of publicly traded market 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	27,592	18,532
Total	27,592	18,532

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

4. Bills receivable

(1) Bills receivable analysed by category

All amounts in RMB'000

Items	Closing balance	Opening balance
Bank acceptance bills	5,519,124	7,238,677
Commercial acceptance bills	2,340,332	2,738,897
Total	7,859,456	9,977,574

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Bills receivable (Continued)

- (2) Pledged bills receivable at the end of the period

All amounts in RMB'000

Items	Amount
Bank acceptance bills	314,698
Commercial acceptance bills	–
Total	314,698

- (3) Bills receivable endorsed to other parties or discounted but not yet due at the end of the period

All amounts in RMB'000

Items	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bills	5,195,510	–
Commercial acceptance bills	99,586	–
Total	5,295,096	–

- (4) Bills receivable with title restriction as at 30 June 2015 are set out in Note VII65.

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	41,107,993	38,947,676
1 to 2 years	14,415,931	13,341,763
2 to 3 years	5,407,343	6,333,875
3 to 4 years	3,357,896	2,231,819
4 to 5 years	1,159,429	1,163,111
Over 5 years	2,037,191	1,450,285
Total	67,485,783	63,468,529

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.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Accounts receivable (Continued)

(2) Accounts receivable disclosed by category

All amounts in RMB'000

Category	Closing balance					Opening balance				
	Book value		Provision for bad debts		Carrying amount	Book value		Provision for bad debts		Carrying amount
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Individually significant and subject to provision individually (a)	2,940,290	4.36	1,037,252	35.28	1,903,038	2,756,520	4.34	934,954	33.92	1,821,566
Subject to provision by groups with credit risk	63,327,977	/	6,714,140	/	56,613,837	59,492,385	/	6,186,119	/	53,306,266
Group 1(b)	50,318,392	74.56	6,714,140	13.34	43,604,252	44,726,855	70.47	6,186,119	13.83	38,540,736
Group 2	13,009,585	19.28	-	-	13,009,585	14,765,530	23.26	-	-	14,765,530
Accounts receivable which are individually insignificant but subject to provision individually	1,217,516	1.80	715,040	58.73	502,476	1,219,624	1.93	548,174	44.95	671,450
Total	67,485,783	/	8,466,432	/	59,019,351	63,468,529	/	7,669,247	/	55,799,282

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Accounts receivable (Continued)

(2) Accounts receivable disclosed by category (Continued)

(a) Analysis of accounts receivable which are individually significant and individually subject to provision for bad debts at the end of the period

All amounts in RMB'000

Accounts receivable (per entity)	Closing balance			Reasons
	Book value	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	575,198	287,599	50.00	
Party 3	345,089	172,544	50.00	
Party 4	338,601	138,081	40.78	
Party 5	318,104	175,383	55.13	
Party 6	239,281	143,568	60.00	
Total	2,940,290	1,037,252	/ /	

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Accounts receivable (Continued)

(2) Accounts receivable disclosed by category (Continued)

(b) In Group 1, aging analysis of accounts receivable which are subject to provision for bad debts

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	32,814,867	1,640,743	5.00	28,611,824	1,430,591	5.00
1 to 2 years	9,630,759	963,076	10.00	8,431,361	843,136	10.00
2 to 3 years	3,817,010	1,145,103	30.00	4,016,196	1,204,859	30.00
3 to 4 years	1,911,681	955,841	50.00	1,662,263	831,131	50.00
4 to 5 years	673,491	538,793	80.00	644,044	515,235	80.00
Over 5 years	1,470,584	1,470,584	100.00	1,361,167	1,361,167	100.00
Total	50,318,392	6,714,140	13.34	44,726,855	6,186,119	13.83

(3) Provision for bad debts for the current period is RMB736,630,000, recovered or reversed bad debts are RMB7,484,000.

The important recovered or reversed bad debts:

All amounts in RMB'000

Name of entity	Amount written-back or recovered	Recovery mode
Party 1	5,000	Cash withdrawal
Total	5,000	/

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Accounts receivable (Continued)

- (4) The top 5 largest accounts receivable at the end of the period

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 period
Party 1	Third Party	1,631,642	2.42	148,149
Party 2	Third Party	1,479,556	2.19	–
Party 3	Third Party	1,124,017	1.67	120,077
Party 4	Third Party	987,345	1.46	226,419
Party 5	Third Party	967,417	1.43	49,318
Total	/	6,189,977	9.17	543,963

- (5) As at 30 June 2015, the Group had derecognized accounts receivable amounting to RMB1,836,000,000 due to the transfer of substantially all the risks and rewards of ownership of the accounts receivable to the transferees (as at 31 December 2014: RMB1,002,279,000). The losses incurred due to derecognizing were amounting to RMB136,000,000 for the current period (for the period ended 30 June 2014: without incurring any losses).
- (6) Accounts receivable with title restriction as at 30 June 2014 are set out in Note VII65.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Prepayments

- (1) Aging analysis of prepayments

All amounts in RMB'000

Aging	Closing balance		Opening balance	
	Amount	As a percentage of total prepayments (%)	Amount	As a percentage of total prepayments (%)
Within 1 year	10,013,750	71.42	12,350,371	74.80
1 to 2 years	1,568,239	11.18	1,807,721	10.95
2 to 3 years	902,788	6.44	1,079,607	6.54
Over 3 years	1,537,258	10.96	1,273,024	7.71
Total	14,022,035	100.00	16,510,723	100.00

As at 30 June 2015, prepayments aged over one year were RMB4,008,285,000 (as at 31 December 2014: RMB4,160,352,000), mainly including prepaid land lease payments and prepaid construction costs.

- (2) The five largest prepayments at the end of the period

All amounts in RMB'000

Name of entity	Relationship with the Group	Closing balance	As a percentage of total prepayments (%)
Party 1	Third Party	431,000	3.08
Party 2	Third Party	396,025	2.82
Party 3	Third Party	259,555	1.85
Party 4	Associate	217,882	1.55
Party 5	Third Party	120,512	0.86
Total	/	1,424,974	10.16

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Interest receivable

All amounts in RMB'000

Items	Closing balance	Opening balance
Interest on term deposits	9,658	11,505
Total	9,658	11,505

8. Dividends receivable

(1) Dividends receivable

All amounts in RMB'000

The name of investee	Closing balance	Opening balance
Hebei Steel Luan County Sijiaying Iron Ore Co., Ltd.	101,136	101,136
Tianjin Tuanbo Urban Development Co., Ltd.	18,000	–
Tianjin MCC Heyuan Real Estate Co., Ltd.	17,097	17,097
Wuhan Zhonghe Engineering Technique Co., Ltd.	720	720
Wuhan Wuxin International Tendering Agency Co., Ltd.	281	281
Total	137,234	119,234

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Dividends receivable (Continued)

- (2) Important dividends receivable aged over one year

All amounts in RMB'000

The name of investee	Closing balance	Aging	Reasons	Impairment or not and judgment basis
Hebei Steel Luan County Sijiyang Iron Ore Co., Ltd.	101,136	1-2 years	Declared yet to pay	No. Controlling shareholder has the ability to repay debt
Total	101,136	/	/	/

As at 30 June 2015, dividends receivable aged over one year were RMB102,137,000.

9. Other receivables

- (1) Aging analysis of other receivables

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	14,942,870	13,600,181
1 to 2 years	4,082,555	3,730,253
2 to 3 years	1,958,331	1,795,603
3 to 4 years	895,476	828,925
4 to 5 years	478,685	494,921
Over 5 years	1,316,007	1,240,763
Total	23,673,924	21,690,646

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Other receivables (Continued)

(2) Other receivables disclosed by category

All amounts in RMB'000

Category	Closing balance					Opening balance				Carrying amount
	Book value		Provision for bad debts		Carrying amount	Book value		Provision for bad debts		
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Individually significant and subject to provision individually (a)	560,050	2.37	323,205	57.71	236,845	460,050	2.12	223,205	48.52	236,845
Subject to provision by groups with credit risk	22,249,818	/	1,446,978	/	20,802,840	20,788,292	/	1,357,991	/	19,430,301
Group 1(b)	6,633,090	28.02	1,446,978	21.81	5,186,112	5,529,046	25.49	1,357,991	24.56	4,171,055
Group 2	15,616,728	65.97	-	-	15,616,728	15,259,246	70.35	-	-	15,259,246
Other receivables which are individually insignificant but subject to provision individually	864,056	3.64	371,200	42.96	492,856	442,304	2.04	341,131	77.13	101,173
Total	23,673,924	/	2,141,383	/	21,532,541	21,690,646	/	1,922,327	/	19,768,319

Provision for bad debts for the current period was RMB219,573,000, recovered or reversed bad debts were RMB300,000.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Other receivables (Continued)

(2) Other receivables disclosed by category (Continued)

(a) Analysis of other receivables which are individually significant and individually subject to provision for bad debts at the end of the period

All amounts in RMB'000

Other receivables (per entity)	Book value	Closing balance		Reasons
		Provision for bad debts	Proportion of provision (%)	
Party 1	262,050	25,205	9.62	Discounted amount of future cash flows is less than the original book value.
Party 2	198,000	198,000	100.00	
Party 3	100,000	100,000	100.00	
Total	560,050	323,205	/ /	

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Other receivables (Continued)

(2) Other receivables disclosed by category (Continued)

(b) In Group 1, aging analysis of other receivables which are subject to provision for bad debts

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	3,282,560	164,128	5.00	2,574,861	128,743	5.00
1 to 2 years	1,663,360	166,336	10.00	1,298,131	129,813	10.00
2 to 3 years	457,861	137,358	30.00	551,313	165,394	30.00
3 to 4 years	428,921	214,461	50.00	271,132	135,566	50.00
4 to 5 years	178,468	142,775	80.00	175,669	140,535	80.00
Over 5 years	621,920	621,920	100.00	657,940	657,940	100.00
Total	6,633,090	1,446,978	21.81	5,529,046	1,357,991	24.56

(3) Other receivables categorised by nature

All amounts in RMB'000

Nature of other receivable	Closing balance	Opening balance
Guarantee deposits	15,768,638	14,049,569
Loan receivables from related parties and third parties	3,561,839	3,009,608
Advance to employees	676,670	477,538
Receivables on disposal of investments	1,027,010	2,346,808
Others	2,639,767	1,807,123
Total	23,673,924	21,690,646

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Other receivables (Continued)

(4) The top 5 largest other receivables at the end of the period

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 period
Party 1	Associate	Related party loan	914,578	Within 2 years	3.86	–
Party 2	Joint venture	Related party loan	900,485	Zero to over 5 years	3.81	–
Party 3	Third Party	Receivables on disposal of investments	669,450	Within 1 year	2.83	–
Party 4	Third Party	Guarantee deposits	560,000	Within 1 year	2.37	–
Party 5	Third Party	Others	464,097	Within 2 years	1.96	31,222
Total	/	/	3,508,610	/	14.83	31,222

(5) As at 30 June 2015, there was no confirmation of the termination of other receivables due to the transfer of financial assets (as at 31 December 2014: nil).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO 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	2,228,933	106,783	2,122,150	2,383,904	99,522	2,284,382
Materials procurement	211,144	–	211,144	156,771	–	156,771
Outsourced processing materials	60,920	–	60,920	65,854	–	65,854
Work in progress	2,690,147	15,297	2,674,850	2,254,347	13,161	2,241,186
Finished goods	2,710,410	121,066	2,589,344	2,387,633	91,923	2,295,710
Other materials	454,414	6,650	447,764	491,845	4,950	486,895
Gross amount due from contract customers	51,630,903	1,098,597	50,532,306	42,125,774	1,166,497	40,959,277
Properties under development (a)	54,194,693	–	54,194,693	47,229,938	–	47,229,938
Completed properties held for sale (b)	10,640,170	11,262	10,628,908	10,707,241	11,262	10,695,979
Total	124,821,734	1,359,655	123,462,079	107,803,307	1,387,315	106,415,992

Note: Inventories with title restriction are set out in Note VI65.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Inventories (Continued)

(1) Categories (Continued)

(a) Details of the properties under development

All amounts in RMB'000

Project name	Project		Estimated total investment amount	Opening balance	Closing balance
	Commencement date	Estimated Completion date			
Nanjing Xiaguanbin River Project	2011-01-01	2020-04-30	22,743,840	15,265,618	15,832,021
Tianjin Xinbadali District Qixianli Project	2014-12-25	2017-06-30	6,375,700	194,149	4,503,845
Beijing Daxing Jiugonglvge A1 Project	2013-09-13	2015-12-31	4,246,051	3,075,919	3,321,409
Brazil Fluctuation Apartment Project	2015-06-30	2018-12-31	3,686,040	2,290,243	2,423,068
Singapore Yishun No. 7 Execute Public Apartment Project	2012-01-01	2015-12-31	1,953,961	1,746,697	1,811,442
Chongqing Tieshanping Project	2014-11-01	2020-12-31	3,500,000	1,752,897	1,770,667
Singapore Danbinni No. 10 Project	2013-10-16	2018-10-16	2,755,922	1,690,701	1,757,852
Baotou MCC Campus South Road Community Project	2011-08-01	2019-06-30	3,551,140	1,422,576	1,531,648
Guangdong, Zhuhai, Hengqin New City Headquarters building	2012-11-06	2019-12-31	1,809,711	1,272,155	1,444,575
Heilongjiang, Qiqihaer, MCC, Binjiang International City(I) Project	2010-10-16	2016-10-15	1,617,820	1,329,312	1,390,547
Tangshan Fengrun Gengyang New City Project	2010-03-01	2020-12-31	10,550,000	1,138,425	1,256,934
Qin Hai Yun Villa Project	2011-08-08	2018-12-31	4,400,000	1,154,791	1,230,143
Chongqing, Dadukou, MCC International City Project II	2011-12-01	2015-12-01	1,380,000	741,946	845,485
Liaoning, Dalian, Ivshun, MCC, Qiancheng Project	2012-08-25	2017-12-31	2,460,956	736,579	818,000

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Inventories (Continued)

(1) Categories (Continued)

(a) Details of the properties under development (Continued)

All amounts in RMB'000

Project name	Project commencement date	Estimated completion date	Estimated total investment amount	Opening balance	Closing balance
Zhejiang, Shaoxing, Wutong Project	2011-05-05	2015-11-30	2,027,530	453,267	721,551
Hebei, Qinhuangdao, Yudaiwan Project	2008-12-23	2017-12-31	4,100,000	712,428	714,581
Shanghai Zhabei District Business Project	2015-04-05	2016-08-05	895,156	190	669,795
Zhenjiang Yucui Gardan Project	2014-06-01	2019-06-30	1,200,000	587,078	666,888
Xian, MCC, Changan City Project II	2013-03-15	2016-05-31	1,160,806	572,729	663,921
Maanshan, Zhongdingyue City Project	2011-09-08	2016-09-08	1,500,000	604,165	572,156
Beijing, Blue City Project	2012-12-25	2015-12-01	1,645,662	449,097	496,934
Maanshan, Jinfu Garden Placement Project II	2013-07-01	2015-12-31	1,120,000	167,107	461,404
Hubei Huangshi City-MCC Huangshi Gardan Project II	2015-01-01	2018-12-31	1,351,899	410,837	446,630
Jilin, Changchun, Blue City Project	2011-04-01	2016-12-31	1,060,000	454,092	439,627
MCC Southern International Community (Original name: Wuhan MCC Southern Yunhushoufu Project I)	2014-01-01	2017-04-30	1,400,000	390,865	425,457
Hong Kong Quanwan Project	2013-12-06	2017-01-31	1,000,000	415,819	425,309
MCC: Riverside Project I&II	2013-12-31	2016-12-31	430,000	420,108	420,160
Zhenjiang MCC Blue Riverside Project (Zhenjiang MCC Blue City Project)	2011-06-03	2017-12-31	1,939,540	362,651	383,807
Maanshan, Jinfu Garden, Placement Project	2010-06-01	2015-12-31	976,000	399,530	372,561
MCC Shanghe Residence Project	2014-06-20	2016-06-20	985,930	323,566	357,061
Wuxingjiayuan Project II	2013-11-06	2015-07-06	334,000	218,328	353,771
Shanxi Yuncheng Konggang District Home of Public Relations Companies Club Gardan Villa Project	2012-03-16	2015-12-31	1,751,000	348,198	348,198
Chongqing Bishan District MCC Daishan First Class Project I	2011-03-08	2015-07-31	774,310	471,477	343,602
Maanshan, Jinan, Placement Project	2009-12-28	2015-10-28	570,000	370,872	334,253
MCC Tianrunjingyuan	2014-08-01	2016-05-31	1,125,000	184,866	320,118
Shanxi Taiyuan North Street Luxi Gardan Project	2008-03-01	2017-12-31	1,302,263	299,249	317,625
Tangye Phoenix City (Original name: Tanghai Boulevard Project)	2013-09-01	2017-10-01	600,000	281,661	312,752
Shanghai Jinshan District - MCC Fengjunyuan Project II	2015-12-31	2017-12-31	517,955	265,843	265,772
Maanshan, Huashan District Placement Project	2010-05-01	2015-12-30	1,700,000	145,594	239,244
Anshan, MCC, Yuluanwan Project	2010-04-01	2018-12-30	2,400,000	231,408	233,261
Shenyang CB2013-5 Changbai West Road Northern Land	2015-05-01	2018-05-01	681,750	228,958	230,297
Others	/	/	67,605,399	3,647,947	2,720,322
Total	/	/	173,185,341	47,229,938	54,194,693

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Inventories (Continued)

(1) Categories (Continued)

(b) Details of the completed properties held for sale

All amounts in RMB'000

Project name	Project completion date	Project			Closing balance
		Opening balance	Increase	Decrease	
Dalian International Business City (Original name: Dalian MCC Blue City Project)	2014-12-31	1,026,468	-	136,388	890,080
Tangshan, Wutong Road Project	2012-10-31	558,553	3,979	5,613	556,919
Shanghai Jinshan District - MCC Fengjunyuan Project I	2014-01-30	515,463	9,745	10,943	514,265
Caofeidian Real Estate Building Project	2014-12-31	511,289	-	-	511,289
MCC Jingyuan	2015-06-23	-	819,265	364,496	454,769
New PhoenixCity Yuhua Road South Project	2014-12-25	502,751	7,891	75,911	434,731
Qin Haiyun Villa Project	2014-10-31	395,139	-	-	395,139
Jilin Qingshanbishui Project	2013-12-31	408,742	-	15,888	392,854
Maanshan Zhongding Joy City Project	2013-11-21	327,655	108,456	63,317	372,794
Anshan Yuluanwan Project II	2014-10-30	417,698	-	89,038	328,660
MCC Blue Riverside Project (Zhenjiang MCC Blue City Project)	2012-12-31	339,648	468	23,321	316,795
Xian, MCC, Changan City Project I	2013-12-25	313,564	-	14,598	298,966
Sichuan Pi County World of Countryside Project	2013-05-18	354,361	2,662	61,742	295,281
Beijing Gold Fish pool Project II	2009-01-04	292,563	-	1,969	290,594
Wuhan Economic and Technological Development Zone - MCC Fengshuwan Project	2013-06-30	289,822	16,962	21,803	284,981
Chongqing MCC Chongqing Morning Project	2012-12-28	299,617	-	31,256	268,361
Guangxi Fangchenggang - MCC Xingganghua Mansion Project	2014-12-31	233,910	36,953	19,515	251,348
Tangshan New Gengyang City No. 1 Project I	2014-12-30	281,736	-	50,029	231,707
Tangshan New Gengyang City No. 3 Project	2014-12-30	258,138	-	30,503	227,635
Tangshan Heliangongfang District Rebuilding Project	2012-06-30	220,099	-	-	220,099
Others	/	3,160,025	1,478,742	1,535,864	3,102,903
Total	/	10,707,241	2,485,123	2,552,194	10,640,170

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO 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	99,522	10,420	–	–	3,159	–	106,783
Work in progress	13,161	2,136	–	–	–	–	15,297
Finished goods	91,923	39,132	–	–	9,978	11	121,066
Other materials	4,950	1,704	–	–	4	–	6,650
Gross amount due from contract customers	1,166,497	24,332	–	23,790	3,425	65,017	1,098,597
Completed properties held for sale	11,262	–	–	–	–	–	11,262
Total	1,387,315	77,724	–	23,790	16,566	65,028	1,359,655

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

As at 30 June 2015, the total borrowing costs capitalized in properties under development were RMB5,832,695,000 (as at 31 December 2014: RMB5,017,604,000). Borrowing costs capitalized during the period ended 30 June 2015 amounted to RMB1,123,604,000 (for the period ended 30 June 2014: RMB933,140,000). The capitalization rate of borrowing costs was 3% to 8.5% (for the period ended 30 June 2014: 5.54% to 7.34%).

- (4) Gross amount due from contract customers of construction contracts at the end of the period

All amounts in RMB'000

Items	Closing balance
Contract costs incurred to date	541,843,369
Recognized profits to date	41,247,046
Less: Estimated loss	1,098,597
Accumulated settlements	531,459,512
Gross amount due from contract customers	50,532,306

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Inventories (Continued)

- (4) Gross amount due from contract customers of construction contracts at the end of the period (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 USD4.357 billion. The ultimate construction costs for the aforesaid project should be determined by an audit performed by an independent third party. Based on the consensus with CITIC Group above and the estimated total construction costs of the project, the Group had recognized impairment loss on contract costs of USD481 million (equivalent to approximately RMB3.035 billion) for the year ended 31 December 2012.

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

Up to 30 June 2015, the consensus between the Group and CITIC Group for the previously agreed construction costs of USD4.357 billion mentioned in the paragraph above remained unchanged. Based on the 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 30 June 2015, the Group did not make any adjustment on the provision for loss of the project.

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

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. 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 VII15)	5,620,827	4,867,780
Total	5,620,827	4,867,780

12. Other current assets

All amounts in RMB'000

Items	Closing balance	Opening balance
Advance payment of taxes	234,054	187,588
Total	234,054	187,588

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Available-for-sale financial assets

(1) Available-for-sale financial assets

All amounts in RMB'000

Items	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Available-for-sale equity instruments:	1,732,518	88,564	1,643,954	1,595,269	88,727	1,506,542
– Measured at fair value (listed on Mainland China)	576,280	–	576,280	450,109	–	450,109
– Measured at cost (unlisted)	1,156,238	88,564	1,067,674	1,145,160	88,727	1,056,433
Others (unlisted)	166,350	–	166,350	136,550	–	136,550
Total	1,898,868	88,564	1,810,304	1,731,819	88,727	1,643,092

(2) Available-for-sale financial assets measured at fair value at the end of the period

All amounts in RMB'000

Category	Available-for-sale listed equity instruments	Others	Total
Cost/carrying cost	110,097	166,350	276,447
Fair value	576,280	166,350	742,630
Cumulative fair value changes included in other comprehensive income	466,183	–	466,183
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 period.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Available-for-sale financial assets (Continued)

(3) Available-for-sale financial assets measured at cost at the end of the period

All amounts in RMB'000

Company name	Book value			Provision for impairment				Closing balance	Percentage of shareholding in the investee (%)	Cash dividends
	Opening balance	Increase	Decrease	Closing balance	Opening balance	Increase	Decrease			
Tangshan Stainless steel Co., Ltd. (Note IX2(1))	645,000	-	-	645,000	-	-	-	-	23.89	-
Hebei Steel Luan County Sijiyang Iron Ore Co., Ltd.	80,000	-	-	80,000	-	-	-	-	14.45	-
Beris Engineering And Research Corporation Jiangsu Heavy Industry Co., Ltd. (Note IX2(1))	48,000	-	-	48,000	48,000	-	-	48,000	20.00	-
Harbin Shuangqi Environmental Resources Co., Ltd. (Note IX2(1))	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	-	-	-	-	1.70	-
Jidong Cement Luaxian Co., Ltd.	29,705	-	-	29,705	-	-	-	-	6.74	2,726
Hankou Bank Co., Ltd.	27,696	-	-	27,696	-	-	-	-	0.74	6,600
Shanxi Sanjin Mining Holdings Co., Ltd. (Note IX2(1))	20,000	-	-	20,000	-	-	-	-	20.00	-
MCC Meililaishan Paper Co., Ltd.	18,000	-	-	18,000	-	-	-	-	15.00	-
Others	168,759	11,241	163	179,837	40,727	-	163	40,564	/	2,945
Total	1,145,160	11,241	163	1,156,238	88,727	-	163	88,564	/	12,271

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. 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 period	88,727	88,727
Increase in the current period	–	–
Including: Impairment losses in the current period	–	–
Decrease in the current period	163	163
Including: Recovery because of the increase in fair value in the subsequent period	/	/
Provision at the end of the period	88,564	88,564

- (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.

14. 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
Treasury bonds	144	144	–	144	144	–
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 Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. 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	20,165,435	154,709	20,010,726	21,250,763	106,926	21,143,837	/
Receivables on disposal of equity investments	306,814	–	306,814	259,530	–	259,530	5.40%
Others (a)	2,027,850	–	2,027,850	847,698	–	847,698	4.85% to 8%
Total	22,500,099	154,709	22,345,390	22,357,991	106,926	22,251,065	/
Including: Long term receivables due within one year	5,649,114	28,287	5,620,827	4,901,847	34,067	4,867,780	/
Long term receivables due after one year	16,850,985	126,422	16,724,563	17,456,144	72,859	17,383,285	/

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Long-term receivables (Continued)

(1) Long-term receivables (Continued)

- (a) In 2005, MCC Ramu NiCo Limited ("Ramu NiCo"), a 67.02% owned subsidiary of the Company, signed a contract with three companies (the "PNG Parties") in Papua New Guinea ("PNG") to jointly develop and operate Ramu Nickel Project (the "Project"). The principal business activities of the Project are mining and processing nickel and cobalt mineral resources in PNG. Before 2005, preliminary work such as exploration and feasibility assessment of the Project had been done by the PNG Parties and the Project was 100% owned by the PNG Parties. In 2005, Ramu NiCo signed the "Ramu Nickel Project Master Agreement" (the "Master Agreement") with the PNG Parties and agreed to be responsible for the development and construction of the Project. According to the Master Agreement, after Ramu NiCo participated in the Project, the equity interests of the Project between Ramu NiCo and the PNG Parties was 85% and 15%. The PNG Parties could inform Ramu NiCo at anytime within 15 years after the Project entered into the phase of development and operation. From the informing date onward, under the premise of bearing the historical development costs of the Project that co-determined by Ramu NiCo and the PNG Parties, the PNG Parties could obtain 15% of the rights of the Project mineral products, and are responsible for bearing 15% of the Project operation costs incurred after they obtained their rights. Before the PNG Parties informed Ramu NiCo, Ramu NiCo bore all of the development and construction expenditures of the Project, assumed all liabilities and enjoyed 100% of the products produced by the Project. Either the PNG Parties finally paid off the historical development costs of the Project or at the 13th anniversary of the informing date, the PNG Parties are entitled to share additional 5% interests of the Project. Besides, after acquiring the above beneficial right to entitle 20% interests of the Project, the PNG Parties could choose to acquire further 15% interests of the Project at market fair price from Ramu NiCo.

As of 31 December 2014, as the PNG Parties had not notified Ramu NiCo for their intent to obtain the 15% beneficial interest in the Project, all of the assets, liabilities, revenues, costs and expenses of the Project were fully consolidated in the financial statements of the Group.

In 2015, the PNG Parties informed Ramu NiCo that they would acquire 15% beneficial interests in the Project, effective from 1 January 2015. The two parties agreed the historical project development costs borne by the PNG Parties would be USD190 million (approximately RMB1.16 billion), which was accounted for as long-term receivables by the Group, and the construction costs of the Project reduced by the same amount correspondingly. This payment would be settled by the PNG Parties to the Group from a certain proportion of the future sales of the products of the Project by the PNG Parties. The outstanding long-term receivable from the PNG Parties by the Group is interest-bearing at a rate agreed by the PNG Parties and the Group. Meanwhile, the PNG Parties would bear 15% of the Project operation costs. As such, from 1 January 2015 onward, the proportion of the mineral products shared by Ramu NiCo would be reduced to 85%. The Group will enjoy 85% of the revenue and shared 85% of the operation costs of the Project accordingly. As at the date of issuance of these consolidated financial statements, the PNG Parties had not fully paid off the historical project development costs to the Group.

- (2) As at 30 June 2015, the Group had derecognized 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 RMB4,000,000,000 (as at 31 December 2014: RMB5,024,000,000). The transfer for the current period did not incur any losses (for the period ended 30 June 2014: without incurring any losses).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Long-term equity investments

All amounts in RMB'000

Company name	Movements during the current period									Closing balance	Impairment provision
	Opening balance	Increasing investments	Decreasing investments	Share of profits/ (losses)	Other comprehensive income	Other equity movements	Declaration of cash dividends	Provision for impairment			
								for the current period	Others		
1. Joint ventures - Unlisted											
Tianjin Zhongji Equipment Manufacture Co., Ltd.	396,160	-	-	(16,143)	-	-	-	-	-	380,017	-
Beijing New Century Hotel Co., Ltd. (Note IX1(1)(b))	206,811	-	-	(1,526)	-	-	-	-	-	205,285	-
Subtotal	602,971	-	-	(17,669)	-	-	-	-	-	585,302	-
2. Associates - Unlisted											
CERI Yingkou Equipment Technology Co., Ltd.	810,119	-	-	(75,935)	-	-	-	-	-	734,184	-
Tianjin SERI Machinery Equipment Corporation Ltd.	708,858	-	-	2,588	-	-	-	-	-	711,446	-
Nanjing Ming's Culture Co., Ltd.	299,713	-	-	(352)	-	-	-	-	-	299,361	-
Baotou MCC Real Estate Co., Ltd.	216,918	-	-	(5,380)	-	-	-	-	-	211,538	-
Tianjin Tuanbo Urban Development Co., Ltd.	203,281	-	-	24,900	-	-	(18,000)	-	-	210,181	-
WISDR(Xinyu) Cold Processing Engineering Co., Ltd.	138,693	-	-	1,717	-	-	-	-	-	140,410	-
Tianjin MCC Xinhua Real Estate Co., Ltd.	133,422	-	-	(17,513)	-	-	-	-	-	115,909	-
Shanghai Zhong Ye Xiangteng Investment Company Ltd.	117,212	-	-	(218)	-	-	-	-	-	116,994	-
Others	708,024	78,000	(17,465)	29,692	-	-	(680)	-	-	797,571	56,731
Subtotal	3,336,240	78,000	(17,465)	(40,501)	-	-	(18,680)	-	-	3,337,594	56,731
Total	3,939,211	78,000	(17,465)	(58,170)	-	-	(18,680)	-	-	3,922,896	56,731

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. 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	1,941,305	343,920	2,285,225
2. Increase	68,071	42,943	111,014
(1) Transferred from fixed assets/ intangible assets	51,374	42,943	94,317
(2) Transferred from inventories/ construction in progress	16,697	–	16,697
3. Decrease	9,207	–	9,207
(1) Transferred to fixed assets	9,207	–	9,207
4. Closing balance	2,000,169	386,863	2,387,032
II. Total accumulated depreciation and amortization			
1. Opening balance	386,547	34,292	420,839
2. Increase	35,830	10,535	46,365
(1) Depreciation or amortization	26,954	4,241	31,195
(2) Transferred from fixed assets/ intangible assets	8,876	6,294	15,170
3. Decrease	864	–	864
(1) Transferred to fixed assets	858	–	858
(2) Others	6	–	6
4. Closing balance	421,513	44,827	466,340
III. Total accumulated impairment provision			
1. Opening balance	–	–	–
2. Increase	–	–	–
(1) Provision	–	–	–
3. Decrease	–	–	–
(1) Disposal	–	–	–
4. Closing balance	–	–	–
IV. Total carrying amount			
1. Closing balance	1,578,656	342,036	1,920,692
2. Opening balance	1,554,758	309,628	1,864,386

- (2) As at 30 June 2015 and 31 December 2014, 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 30 June 2015 are set out in Note VII65.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. 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	20,248,790	22,029,301	2,467,491	2,962,383	47,707,965
2. Increase	165,816	277,791	41,125	51,922	536,654
(1) Purchase	64,779	154,203	38,757	34,811	292,550
(2) Transferred from investment properties	9,207	-	-	-	9,207
(3) Transferred from construction in progress	90,666	122,601	820	998	215,085
(4) Others	1,164	987	1,548	16,113	19,812
3. Decrease	513,060	863,320	114,077	192,834	1,683,291
(1) Disposal or written-off	412,216	680,495	107,070	190,915	1,390,696
(2) Transferred to investment properties	51,374	-	-	-	51,374
(3) Transferred to construction in progress	36,769	151,378	-	-	188,147
(4) Others	12,701	31,447	7,007	1,919	53,074
4. Closing balance	19,901,546	21,443,772	2,394,539	2,821,471	46,561,328
II. Total accumulated depreciation					
1. Opening balance	4,012,445	7,940,926	1,424,328	883,088	14,260,787
2. Increase	446,404	714,064	117,423	106,787	1,384,678
(1) Depreciation	445,546	714,064	116,503	105,169	1,381,282
(2) Transferred from investment properties	858	-	-	-	858
(3) Others	-	-	920	1,618	2,538
3. Decrease	37,762	108,625	71,990	10,159	228,536
(1) Disposal or written-off	22,890	96,508	68,460	9,420	197,278
(2) Transferred to investment properties	8,876	-	-	-	8,876
(3) Transferred to construction in progress	1,870	2,188	-	-	4,058
(4) Others	4,126	9,929	3,530	739	18,324
4. Closing balance	4,421,087	8,546,365	1,469,761	979,716	15,416,929
III. Total impairment provision					
1. Opening balance	112,092	450,938	7,476	1,925	572,431
2. Increase	-	608	-	-	608
(1) Provision	-	608	-	-	608
3. Decrease	-	25	-	-	25
(1) Disposal or written-off	-	15	-	-	15
(2) Others	-	10	-	-	10
4. Closing balance	112,092	451,521	7,476	1,925	573,014
IV. Total carrying amount of fixed assets					
1. Closing balance	15,368,367	12,445,886	917,302	1,839,830	30,571,385
2. Opening balance	16,124,253	13,637,437	1,035,687	2,077,370	32,874,747

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. 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	82,483	66,479	–	16,004	Seasonal suspension or idle
Machinery and equipment	2,752	2,423	–	329	Seasonal suspension or idle
Motor vehicles	24,333	19,391	1,519	3,423	Seasonal suspension or idle
Other equipment	397	379	–	18	Seasonal suspension or 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	30,212	–	169,788

(4) Fixed assets under operating leases

All amounts in RMB'000

Items	Carrying amount
Machinery and equipment	56,762
Motor vehicles	8,242

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Fixed assets (Continued)

- (5) Fixed assets of which certificates of title have not been obtained

Buildings and structures with an aggregate carrying amount of RMB909,188,000 (historical cost: RMB1,018,445,000) as at 30 June 2015 (as at 31 December 2014: carrying amount of RMB965,440,000; historical cost of RMB1,058,482,000) were in the process of applying for relevant title certificates.

All amounts in RMB'000

Items	Carrying amount	Reasons for title certificates outstanding
The office building of ACRE Coking&Refractory Engineering Consulting Corporation, MCC, Dalian	696,245	In the process
Manufacturing Base of Zhongyi Zhonggong	142,735	In the process
The office building of MCC Huaye Resources Development Company in Tianjin	52,895	In the process
The office building of MCC Huaye Resources Development Company in Beijing	<u>17,313</u>	In the process

- (6) Fixed assets with title restriction as at 30 June 2015 are set out in Note VII65.
- (7) The total depreciation of the Group's fixed assets amounted to RMB1,381,282,000 (for the period ended 30 June 2014: RMB1,421,867,000) for the current period, of which RMB935,253,000, RMB6,837,000 and RMB316,483,000 were charged to cost of sales, selling expenses and administrative expenses, respectively (for the period ended 30 June 2014: RMB969,323,000, RMB5,476,000 and RMB316,398,000). 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 RMB122,709,000 (for the period ended 30 June 2014: RMB130,670,000).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Fixed assets (Continued)

- (8) The Group made impairment provision for fixed assets of RMB573,014,000 as at 30 June 2015 (as at 31 December 2014: RMB572,431,000).
- (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 made an impairment provision for fixed assets amounting to RMB435,718,000 for the year ended 31 December 2012. As at 30 June 2015, 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) As the international market price of nickel and cobalt remained low, fixed assets of Ramu Nico Project Papua New Guinea, a subsidiary of the Company, had impairment indicator. As at 30 June 2015, the carrying amount of fixed assets of Ramu Nico Project Papua New Guinea amounted to RMB9.529 billion. The Group performed an impairment assessment on the related assets based on their estimated recoverable value. The recoverable value was estimated by calculating the present value of the estimated 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 estimated future cash flows were 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, taking the exercise of the Papua New Guinea parties into consideration (Note VII15). Based on the result of this impairment assessment, the Group was of the view that the recoverable value of the fixed assets exceeded its carrying amount, no impairment provision was considered necessary. However, if the nickel and cobalt prices further decrease in future periods, the related fixed assets might still be subject to impairment risk again. The Group would update the impairment assessment on a timely basis and might recognize impairment provision on the related fixed assets in the future, if needed.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Construction in progress

(1) Construction in progress

All amounts in RMB'000

Items	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Infrastructure project of MCC JCL Anak Mining Co., Ltd.	870,697	–	870,697	857,846	–	857,846
Zhenjiang steel environmental protection BOO project	428,350	–	428,350	120,095	–	120,095
China ENFI Engineering Co., Ltd. office building renovation	230,912	–	230,912	187,600	–	187,600
Project in transforming steel slag line into cement production line	183,980	–	183,980	–	–	–
Research and design center	142,674	–	142,674	63,959	–	63,959
Duddar lead-zinc project	743,415	603,202	140,213	757,420	603,202	154,218
Large-scale multiple stamp work heavy equipment independent industrial base	95,370	–	95,370	92,421	–	92,421
Junliang city base construction project	72,982	–	72,982	54,827	–	54,827
CISDI R&D center in Chengdu	68,494	–	68,494	18,082	–	18,082
Southern building of MCC	58,138	–	58,138	25,940	–	25,940
Others	766,278	–	766,278	705,226	–	705,226
Total	3,661,290	603,202	3,058,088	2,883,416	603,202	2,280,214

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. 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	Construction progress	Accumulated capitalized borrowing costs	Latest rate	Sources of fund	
							incurred as a percentage of budgeted amount (%)			Including: of borrowing costs capitalized for the current period (%)		
Infrastructure project of MCC JCL Anak Mining Co., Ltd.	23,847,800	857,846	13,682	-	(831)	870,697	19.05	19.05	-	-	-	Self-raised funds
Zhenjiang steel environmental protection BOO project	1,243,000	120,095	308,255	-	-	428,350	34.07	34.07	4,887	4,887	5.60	Self-raised funds & loan from financial institutions
China ENVI Engineering Co., Ltd. office building renovation	680,000	187,600	43,312	-	-	230,912	33.96	33.96	9,097	6,623	6.55	Loan from financial institutions
Project in transforming steel slag line into cement production line	188,832	-	183,980	-	-	183,980	97.43	97.43	-	-	-	Self-raised funds
Research and design center	569,000	63,959	78,715	-	(16,429)	142,674	39.24	39.24	-	-	-	Self-raised funds
Duddar lead-zinc project	1,070,448	757,420	2,424	-	-	743,415	70.76	70.76	-	-	-	Self-raised funds
Large-scale multiple stamp work heavy equipment independent industrial base	527,449	92,421	2,949	-	-	95,370	71.82	71.82	-	-	-	Self-raised funds
Junliang city base construction project	120,000	54,827	18,155	-	-	72,982	96.69	96.69	-	-	-	Self-raised funds
CISDI R&D center in Chengdu	766,550	18,082	50,412	-	-	68,494	8.97	8.97	-	-	-	Self-raised funds
Southern building of MCC	220,000	25,940	32,198	-	-	58,138	26.43	26.43	-	-	-	Self-raised funds
Others	22,823,241	705,226	302,753	(215,085)	(26,616)	766,278	/	/	3,767	-	/	/
Total	52,056,320	2,883,416	1,036,835	(215,085)	(43,876)	3,661,290	/	/	17,751	11,510	/	/

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Construction in progress (Continued)

(3) The Group made no provision for impairment for construction in progress in the current period.

- (a) As at 31 December 2012, the Group had 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. The Group made an impairment provision of Duddar Lead-Zinc Project amounting to RMB439,087,000 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. At the end of the year, the Group had updated the assessment of impairment provision for construction-in-progress and fixed assets. Based on the result of the re-assessment, the Group made an impairment provision for construction-in-progress amounting to RMB164,115,000 in 2014, and the accumulated depreciation is RMB603,202,000.

As at 30 June 2015, based on the result of the re-assessment, there was no impairment provision for construction-in-progress.

20. Materials for construction of fixed assets

All amounts in RMB'000

Items	Closing balance	Opening balance
Materials	19,239	10,337
Equipment	49,553	36,527
Tools and instruments prepared for production	697	732
Others	21	21
Total	69,510	47,617

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. 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	7,071,059	3,996,966	7,235,133	428,208	47,492	270	18,779,128
2. Increase	46,199	9,182	141,528	10,080	663	-	207,652
(1) Purchase	46,199	7,730	141,528	10,080	278	-	205,815
(2) Others	-	1,452	-	-	385	-	1,837
3. Decrease	55,931	164,787	-	67	-	-	220,785
(1) Disposal	9,076	-	-	4	-	-	9,080
(2) Transferred to investment properties	42,943	-	-	-	-	-	42,943
(3) Others	3,912	164,787	-	63	-	-	168,762
4. Closing balance	7,061,327	3,841,361	7,376,661	438,221	48,155	270	18,765,995
II. Total accumulated amortization							
1. Opening balance	927,954	91,322	522,994	254,328	35,705	270	1,832,573
2. Increase	72,351	5,870	66,606	25,373	1,131	-	171,331
(1) Amortization	72,351	5,870	66,606	25,373	1,131	-	171,331
3. Decrease	8,079	-	-	61	-	-	8,140
(1) Disposal	1,196	-	-	2	-	-	1,198
(2) Transferred to investment properties	6,294	-	-	-	-	-	6,294
(3) Others	589	-	-	59	-	-	648
4. Closing balance	992,226	97,192	589,600	279,640	36,836	270	1,995,764
III. Total impairment provision							
1. Opening balance	-	1,978,995	-	-	-	-	1,978,995
2. Increase	-	-	-	-	-	-	-
(1) Provision	-	-	-	-	-	-	-
3. Decrease	-	125,467	-	-	-	-	125,467
(1) Others	-	125,467	-	-	-	-	125,467
4. Closing balance	-	1,853,528	-	-	-	-	1,853,528
IV. Carrying amount of intangible assets							
1. Closing balance	6,069,101	1,890,641	6,787,061	158,581	11,319	-	14,916,703
2. Opening balance	6,143,105	1,926,649	6,712,139	173,880	11,787	-	14,967,560

As at 30 June 2015, the internally developed intangible assets as a percentage of total intangible assets of the Group was 0.03% (as at 31 December 2014: 0.03%).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Intangible assets (Continued)

- (2) The carrying amount of the land use rights of the Group

All amounts in RMB'000

	Closing balance	Opening balance
Located in Mainland China		
– Land use rights within 10 years	–	–
– Land use rights between 10 and 50 years	4,254,874	4,268,201
– Land use rights over 50 years	1,814,227	1,874,904
Total	6,069,101	6,143,105

- (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") might be subject to impairment.

From 2012 to 2014, the fair value of the Cape Lambert Assets was determined by a valuation performed by Jones Lang LaSalle Corporate Appraisal and Advisory Ltd., an independent valuer. Based on the impairment assessment, the Group made an accumulated impairment provision for the mining rights amounting to RMB1,978,995,000, including accumulated fluctuations in exchange RMB494,186,000, for the year ended 31 December 2014.

As at 30 June 2015, the Group reassessed the major factors which may affect the impairment assessment. Based on the result of this impairment assessment performed by Jones Lang LaSalle Corporate Appraisal and Advisory Ltd., no additional adjustment for impairment provision was considered necessary. Other than that, the decrease of the impairment provision of RMB125,467,000 for the current period (for the period ended 30 June 2014: RMB135,252,000) was due to the change of the exchange rate between AUD and RMB.

- (4) Intangible assets with title restriction as at 30 June 2015 are set out in Note VII65.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. 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
Beijing ShengPeng Real Estate Development Co., Ltd.	94,923	-	-	-	-	94,923
MCC Minera Sierra Grande S.A	96,560	-	-	-	5,238	91,322
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
Total	571,884	-	-	-	5,238	566,646

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Goodwill (Continued)

(2) Impairment provision

All amounts in RMB'000

Company name or matters resulting in goodwill	Opening balance	Increase		Decrease		Closing balance
		Provision	Others	Disposal	Others	
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.	7,644	-	-	-	-	7,644
Beijing HaiKe Real Estate Development Co., Ltd.	6,477	-	-	-	-	6,477
Total	301,436	-	-	-	-	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% (as at 31 December 2014: 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 30 June 2015, 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 RMB5,238,000 is due to the change of the exchange rate between Argentina Peso and RMB.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Long-term prepayments

All amounts in RMB'000

Items	Opening balance	Increase	Amortization	Other decreases	Closing balance
Improvements of operating lease of fixed assets	28,594	6,161	5,486	285	28,984
Insurance expenditures	10,743	–	2,214	152	8,377
Rental expenditures	43,316	–	4,180	–	39,136
Repair expenditures	9,170	4,387	1,051	–	12,506
Others	75,944	20,789	10,131	12	86,590
Total	167,767	31,337	23,062	449	175,593

24. 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

All amounts in RMB'000

Items	Closing balance		Opening balance	
	Deductible temporary differences/ tax losses	Deferred tax assets	Deductible temporary differences/ tax losses	Deferred tax assets
Impairment provision	11,410,293	2,274,549	10,506,613	2,104,036
Unrealized profit on inter-company transactions	1,280,003	273,609	1,229,966	262,874
Defined benefit plans	1,748,031	417,578	1,810,629	415,799
Deductible tax losses	606,897	146,540	641,128	151,646
Employee benefits payable	658,682	148,517	631,730	140,115
Changes in the fair value of available-for-sale financial assets	–	–	44	11
Others	1,191,895	271,553	1,302,474	279,541
Total	16,895,801	3,532,346	16,122,584	3,354,022

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. 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

All amounts in RMB'000

Items	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Fair value adjustments upon business combination not under common control	176,782	58,484	193,476	64,320
Changes in the fair value of available-for-sale financial assets	465,921	115,613	341,467	85,367
Others	1,557,699	384,401	1,497,806	370,082
Total	2,200,402	558,498	2,032,749	519,769

- (3) Deferred tax assets and deferred tax liabilities presented on a net basis after offsetting

All amounts in RMB'000

Items	The offset amount of deferred tax assets and liabilities at the end of the period	Deferred tax assets or liabilities after offset at the end of the period	The offset amount of deferred tax assets and liabilities at the beginning of the period	Deferred tax assets or liabilities after offset at the beginning of the period
	Deferred tax assets	108,048	3,424,298	37,896
Deferred tax liabilities	108,048	450,450	37,896	481,873

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. 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	6,128,728	6,778,885
Deductible tax losses	21,244,584	20,436,884
Total	27,373,312	27,215,769

(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
2015	–	1,034,556
2016	3,615,300	3,626,636
2017	7,429,274	7,441,647
2018	4,933,804	4,984,160
2019	3,328,269	3,349,885
2020	1,937,937	–
Total	21,244,584	20,436,884

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Other non-current assets

All amounts in RMB'000

Items	Closing balance	Opening balance
Deposits for acquisition of assets	98,096	98,342
Others	39,100	39,100
Total	137,196	137,442

26. Short-term borrowings

(1) Categories of short-term borrowings

All amounts in RMB'000

Items	Closing balance	Opening balance
Pledged loans (a)	500,000	400,000
Mortgaged loans (b)	63,000	208,000
Guaranteed loans (c)	733,632	50,000
Credit loans	35,666,896	35,803,263
Total	36,963,528	36,461,263

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Short-term borrowings (Continued)

(1) Categories of short-term borrowings (Continued)

(a) Pledged loans

As at 30 June 2015, borrowings of RMB500,000,000 (as at 31 December 2014: RMB400,000,000) were secured by the pledge of the Group's accounts receivable in an aggregate amount of RMB529,236,000 (as at 31 December 2014: RMB468,352,000).

(b) Mortgaged loans

As at 30 June 2015, borrowings of RMB63,000,000 (as at 31 December 2014: RMB208,000,000) were secured by the mortgage of the Group's intangible assets and fixed assets in an aggregate amount of RMB127,794,000 (as at 31 December 2014: RMB249,756,000).

(c) Guaranteed loans

As at 30 June 2015, borrowings of RMB733,632,000 were guaranteed by CMGC (as at 31 December 2014: RMB50,000,000 were guaranteed by independent third parties).

(2) As at 30 June 2015, the weighted average interest rate of short-term borrowings was 5.93% per annum (as at 31 December 2014: 6.14% per annum).

27. Bills payable

All amounts in RMB'000

Category	Closing balance	Opening balance
Commercial acceptance bills	732,402	492,975
Bank acceptance bills	13,006,112	11,315,516
Total	13,738,514	11,808,491

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Accounts payable

(1) Accounts payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Project fees	49,991,343	47,510,512
Purchases	19,155,974	18,271,806
Design fees	137,815	142,596
Labor fees	4,513,281	4,170,684
Accrued accounts payable	7,816,864	6,738,635
Retention money	456,596	392,229
Others	514,022	495,701
Total	82,585,895	77,722,163

(2) Aging analysis of accounts payable

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	58,864,071	52,328,513
1 to 2 years	14,174,713	15,524,584
2 to 3 years	4,593,122	4,934,765
Over 3 years	4,953,989	4,934,301
Total	82,585,895	77,722,163

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Accounts payable (Continued)

- (3) Significant accounts payable aged over one year

All amounts in RMB'000

Items	Closing balance	Reasons
Project fees	14,566,773	Projects not yet settled
Purchases	5,265,816	Not yet due for payments
Labor fees	1,069,078	Projects not yet settled
Total	20,901,667	/

29. Receipts in advance

- (1) Receipts in advance

All amounts in RMB'000

Items	Closing balance	Opening balance
Project fees	9,267,740	11,287,564
Sales proceeds	9,727,181	8,387,364
Design fees	914,904	1,000,162
Labor fees	49,438	32,831
Gross amounts due to contract customers	13,010,094	12,913,718
Others	360,603	357,211
Total	33,329,960	33,978,850

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Receipts in advance (Continued)

(2) Significant receipts in advance aged over one year

All amounts in RMB'000

Items	Closing balance	Reasons
Project fees	3,351,127	Projects not yet settled
Sales proceeds	2,861,656	Properties/goods not yet delivered
Total	6,212,783	/

(3) Gross amounts due to contract customers of construction contracts as at 30 June 2015

All amounts in RMB'000

Items	Closing balance
Contract costs incurred to date	209,812,727
Recognized profits to date	18,885,716
Less: Estimated loss	21,944
Accumulated settlement	241,686,593
Gross amounts due to contract customers	(13,010,094)

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Employee benefits payable

(1) Employee benefits payable

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
I. Short-term employee benefits	1,761,544	6,194,993	6,086,546	1,869,991
II. Post-employment benefits -defined contribution plan	182,811	1,282,622	1,271,488	193,945
III. Termination benefits	20,596	28,327	29,242	19,681
IV. Other benefits	22,820	101,076	99,362	24,534
Total	1,987,771	7,607,018	7,486,638	2,108,151

(2) Short-term employee benefits

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
I. Salaries, bonuses, allowances and subsidies	1,001,685	4,808,252	4,744,628	1,065,309
II. Staff welfare	2,851	144,367	144,605	2,613
III. Social insurance premiums	53,281	492,704	492,007	53,978
Including: Medical insurance	52,103	431,567	431,009	52,661
Work-related injury insurance	849	33,577	33,402	1,024
Maternity insurance	329	27,560	27,596	293
IV. Housing provident funds	135,086	628,261	611,993	151,354
V. Labor union expenditures and employees' education expenses	568,641	121,409	93,313	596,737
Total	1,761,544	6,194,993	6,086,546	1,869,991

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Employee benefits payable (Continued)

(3) Defined contribution plan

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
1. Basic retirement insurance	126,764	989,748	988,309	128,203
2. Unemployment insurance	7,288	72,088	72,747	6,629
3. Supplementary pension	48,759	220,786	210,432	59,113
Total	182,811	1,282,622	1,271,488	193,945

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 RMB1,282,622,000 (for the period ended 30 June 2014: RMB1,223,755,000) to the defined contribution plan for the current period. As at 30 June 2015, there was an overdue payable amount of RMB193,945,000 (as at 31 December 2014: RMB182,811,000) to the plans. The Group paid up the payable subsequently.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31. Taxes payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Value added tax	(459,929)	(105,897)
Consumption tax	–	4,630
Business tax	3,898,967	3,970,374
Enterprise income tax	1,045,040	1,500,634
Individual income tax	79,305	358,693
City maintenance and construction tax	290,016	309,275
Education surcharges	195,841	210,520
Land appreciation tax	(188,509)	(54,663)
Others	147,896	205,900
Total	5,008,627	6,399,466

32. Interest payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Interest payables on long-term borrowings	103,695	128,968
Interest payables on corporate bonds	1,258,273	626,069
Interest payables on short-term borrowings	141,588	164,073
Others	32,701	51,479
Total	1,536,257	970,589

As at 30 June 2015, the Group did not have any significant overdue interest.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33. Dividends payable

All amounts in RMB'000

Items	Closing balance	Opening balance
MCC	613,255	–
Other shareholders except MCC	342,245	–
Other dividends	486,856	504,931
Total	1,442,356	504,931

The dividends payable aged over one year is because relevant subsidiaries are negotiating with the relevant shareholders for the settlement plan.

34. Other payables

(1) Other payables disclosed by nature

All amounts in RMB'000

Items	Closing balance	Opening balance
Guarantees and deposits payable	8,794,910	9,060,477
Rental payable	271,539	307,780
Utilities payable	280,095	229,239
Repair and maintenance payable	258,238	249,905
Payables for land use rights	121,992	104,268
Others	6,176,627	5,936,829
Total	15,903,401	15,888,498

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34. Other payables (Continued)

(2) Significant other payables aged over one year

All amounts in RMB'000

Items	Closing balance	Reasons
Guarantees and deposits payable	5,124,008	The settlement dates were not yet due
Total	5,124,008	/

35. Non-current liabilities due within one year

All amounts in RMB'000

Items	Closing balance	Opening balance
Long-term borrowings due within one year (Note VII37)	9,585,198	6,620,469
Bonds payable due within one year (Note VII38)	4,751,030	4,722,403
Long-term payables due within one year (Note VII39)	213,445	98,206
Long-term employee benefits payable due within one year (Note VII40)	348,505	434,424
Long-term provisions due within one year (Note VII42)	–	466
Total	14,898,178	11,875,968

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36. Other current liabilities

All amounts in RMB'000

Items	Closing balance	Opening balance
Short term bonds (a)	16,900,000	19,900,000
Deferred income to be released to income statement within one year (Note VII43)	42,289	66,195
Total	16,942,289	19,966,195

(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 period	Accrued interests at face value	Premium and discount amortization	Repaid in the current period	Closing balance
Short-term										
Debentures (i)	4,000,000	2014-07-17	365	4,000,000	4,000,000	-	106,229	-	-	4,000,000
Short-term										
Debentures (ii)	3,900,000	2014-08-13	365	3,900,000	3,900,000	-	97,820	-	-	3,900,000
Extra Short-term										
Debentures	3,000,000	2014-07-14	270	3,000,000	3,000,000	-	40,685	-	3,000,000	-
Extra Short-term										
Debentures	3,000,000	2014-09-17	270	3,000,000	3,000,000	-	67,397	-	3,000,000	-
Extra Short-term										
Debentures	3,000,000	2014-10-27	180	3,000,000	3,000,000	-	41,602	-	3,000,000	-
Extra Short-term										
Debentures	3,000,000	2014-11-19	180	3,000,000	3,000,000	-	48,982	-	3,000,000	-
Extra Short-term										
Debentures (iii)	3,000,000	2015-04-07	180	3,000,000	-	3,000,000	34,426	-	-	3,000,000
Extra Short-term										
Debentures (iv)	3,000,000	2015-04-22	240	3,000,000	-	3,000,000	24,320	-	-	3,000,000
Extra Short-term										
Debentures (v)	3,000,000	2015-05-11	270	3,000,000	-	3,000,000	15,984	-	-	3,000,000
Total	28,900,000	/	/	28,900,000	19,900,000	9,000,000	477,445	-	12,000,000	16,900,000

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36. Other current liabilities (Continued)

(a) Movements of the short term bonds (Continued)

- (i) As approved by the acceptance notice for registration (Zhongshixiezhuzhu [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 (Zhongshixiezhuzhu [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 (Zhongshixiezhuzhu [2014] SCP59) from the National Association of Financial Market Institutional Investors, the Company issued its Tranche I Extra Short-term Debentures 7 April 2015 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 5.00% per annum. Principal and interests are paid upon maturity date.
- (iv) As approved by the acceptance notice for registration (Zhongshixiezhuzhu [2014] SCP32) from the National Association of Financial Market Institutional Investors, the Company issued its Tranche II Extra Short-term Debentures on 22 April 2015 at face value of RMB3,000 million, with a term of 240 days from issuance. The debentures were unsecured and bear interests at a fixed rate of 4.30% per annum. Principal and interests are paid upon maturity date.
- (v) As approved by the acceptance notice for registration (Zhongshixiezhuzhu [2014] SCP59) from the National Association of Financial Market Institutional Investors, the Company issued its Tranche III Extra Short-term Debentures on 11 May 2015 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 3.90% per annum. Principal and interests are paid upon maturity date.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37. Long-term borrowings

(1) Long-term borrowings disclosed by category

All amounts in RMB'000

Items	Closing balance	Opening balance
Pledge loans (a)	811,274	609,671
Mortgage loans (b)	6,142,398	6,613,272
Credit loans	20,909,482	20,727,410
Total	27,863,154	27,950,353
Less: Long-term borrowings due within one year (Note VII35):	9,585,198	6,620,469
Including: Pledge loans	127,340	38,557
Mortgage loans	852,632	480,316
Credit loans	8,605,226	6,101,596
Long-term borrowings due over one year	18,277,956	21,329,884

(a) Pledge loans

As at 30 June 2015, borrowings of RMB811,274,000 (as at 31 December 2014: RMB609,671,000) were secured by the pledge of the Group's accounts receivable in amount of RMB1,050,000,000 (as at 31 December 2014: RMB830,000,000).

(b) Mortgage loans

As at 30 June 2015, borrowings of RMB6,142,398,000 (as at 31 December 2014: RMB6,613,272,000) were secured by the mortgage of the Group's intangible assets, fixed assets, investment properties, long-term receivables and inventories in amount of RMB8,995,858,000 (as at 31 December 2014: RMB9,445,993,000).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37. Long-term borrowings (Continued)

- (2) The maturity profile of long-term borrowings

All amounts in RMB'000

	Closing balance	Opening balance
Within 1 year	9,585,198	6,620,469
1 to 2 years	6,776,681	7,817,612
2 to 5 years	6,554,705	8,816,342
Over 5 years	4,946,570	4,695,930
Total	27,863,154	27,950,353

- (3) As at 30 June 2015, the weighted average interest rate of the above long-term borrowings was 5.29% per annum (as at 31 December 2014: 6.09% per annum).
- (4) As at 30 June 2015, the Group did not have any significant overdue long-term borrowings.

38. 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	15,007,819	14,923,242
USD debentures	9,045,228	9,041,084
SGD debentures	1,361,405	–
Total	28,118,452	26,668,326
Including: Bonds payable due within 1 year (Note VII35)	4,751,030	4,722,403
Bonds payable due over 1 year	23,367,422	21,945,923

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38. 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 period	Accrued interests	Effect of change of exchange rate	Premium and discount amortization	Repaid in the current period	Closing balance
Corporate											
Debentures (a)	3,500,000	2008-07-23	10 years	3,500,000	2,704,000	-	83,388	-	-	-	2,704,000
Corporate Medium-term Notes (b)	10,000,000	2010-09-19	10 years	9,971,110	10,200,839	-	196,959	-	55,950	-	10,256,789
Corporate Medium-term Notes (c)	4,700,000	2010-11-15	5 years	4,686,400	4,722,403	-	110,616	-	28,627	-	4,751,030
USD debentures (d)	3,322,100	2011-07-29	5 years	3,188,432	3,064,304	-	72,723	(2,704)	583	-	3,062,183
USD debentures (e)	3,076,850	2014-06-16	3 years	2,953,930	2,954,950	-	40,343	(2,608)	2,600	-	2,954,942
USD debentures (f)	3,081,900	2014-08-28	3 years	3,050,434	3,021,830	-	68,959	(2,667)	8,940	-	3,028,103
Corporate Debentures -SGD (g)	1,367,400	2015-05-21	2 years	1,361,151	-	1,361,151	3,362	-	254	-	1,361,405
Total	29,048,250	/	/	28,711,457	26,668,326	1,361,151	576,350	(7,979)	96,954	-	28,118,452

- (a) As approved by the National Development and Reform Commission, the Group issued corporate debentures in July 2008 at face value of RMB3,500,000,000, 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 (Zhongshixiezhū [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 (Zhongshixiezhū [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.
- (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, 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.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38. Bonds payable (Continued)

(2) The increase and decrease of bonds payable (Continued)

- (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.
- (g) Central Research Institute of Building and Construction Co., Ltd., MCC Group issued SGD debentures on 21 May 2015 at a discounted price of SGD299,709,000 with a face value of SGD300,000,000, a term of two years from issuance. The debentures bear interests at a fixed rate of 2.950% per annum. Interest will be paid every half year and the principal will be paid upon maturity date of the debentures. The debentures are guaranteed by the holding company of the Company, China Metallurgical Group Corporation.

39. Long-term payables

(1) Long-term payables disclosed by nature

All amounts in RMB'000

Items	Closing balance	Opening balance
Finance lease payables	550,213	482,876
Housing maintenance fee payables	50,383	50,362
Funds payable	215	215
Others	428,977	429,571
Total	1,029,788	963,024
Including: Long-term payables due within 1 year (Note VII35)	213,445	98,206
Long-term payables due over 1 year	816,343	864,818

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. Long-term payables (Continued)

(2) Long-term payables due over one year categorised by maturity

All amounts in RMB'000

Maturity in	Closing balance	Opening balance
1 to 2 years	186,999	165,861
2 to 5 years	607,451	680,292
Over 5 years	21,893	18,665
Total	816,343	864,818

(3) Details of finance lease payables

All amounts in RMB'000

	Closing balance	Opening balance
The first year after balance sheet	160,493	134,400
The second year after balance sheet	159,785	144,800
The third year after balance sheet	156,185	137,600
Subsequent years	212,028	187,000
Minimum lease payments	688,491	603,800
Less: Unrecognized finance costs	138,278	120,924
Finance lease payables	550,213	482,876
Including: Amount due for settlement within 12 months	126,017	89,820
Amount due for settlement after 12 months	424,196	393,056

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40. 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	4,312,452	4,379,117
Total	4,312,452	4,379,117
Including: Long-term employee benefits payable due within one year (Note VI35)	348,505	434,424
Long-term employee benefits payable due over one year	3,963,947	3,944,693

(a) Movements in the defined benefit plan in the current period

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
I. Opening balance	4,379,117	4,566,826
II. Defined benefit costs recognized in profit or loss	69,894	115,963
1. Past service cost	–	24,465
2. Net interest expense	69,894	91,498
III. Defined benefit costs recognized in other comprehensive income	130,228	120,452
1. Actuarial losses	130,228	120,452
IV. Other movements	(266,787)	(276,959)
1. Benefits paid	(266,787)	(276,959)
V. Closing balance	4,312,452	4,526,282

- (b) Defined benefit plan was for the staff retired before 31 December 2007. The retirement benefits received are depended 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.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40. Long-term employee benefits payable (Continued)

- (c) 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 increase of the life expectancy will increase the defined benefit plan obligations.
- (d) The major actuarial assumptions used for calculating the present value of the defined benefit obligations of the Group

	2015.06.30	2014.12.31
Discount rate	3.20%	3.60%
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%

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41. Special payables

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
Housing allowance payables	607	–	–	607
Special housing maintenance fee payables	43	351	279	115
Special demolition compensation payables	14,500	–	6,793	7,707
Others	7,351	–	312	7,039
Total	22,501	351	7,384	15,468

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42. Provisions

All amounts in RMB'000

Items	Closing balance	Opening balance	Reasons
Pending litigations	14,874	50,284	Because of the verdict of losing a lawsuit, the group needed to bear the present obligations of the pending litigations, and that an outflow of resources would be required to settle this obligations and the amount had been reliably estimated.
Product quality warranties	350	252	Because of the sales contract, the group needed to bear the present obligations of the product quality warranties, and that an outflow of resources would be required to settle this obligations and the amount had been reliably estimated.
Restoration, rehabilitation and environmental provision	101,470	136,806	Because of the resource development contract, the group needed to bear the present obligations of the restoration of the environment, and that an outflow of resources would be required to settle this obligations and the amount had been reliably estimated.
Others	21,128	21,278	Others
Total	137,822	208,620	/
Including: Provision due within 1 year (Note VII35)	–	466	/
Provision due over 1 year	137,822	208,154	/

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43. Deferred income

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance	Reasons
Government grants (a)	1,432,842	135,668	197,053	1,371,457	The government grants related to assets mainly including the investment subsidies for the purchase of new equipment and other production infrastructure; the government grants related to profits mainly including research subsidies.
Others	186,193	901	13,352	173,742	Others
Total	1,619,035	136,569	210,405	1,545,199	/
Including: Deferred income to be released to profit and loss within 1 year (Note VII36)	66,195	/	/	42,289	/
Deferred income to be released to profit and loss over 1 year	1,552,840	/	/	1,502,910	/

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43. Deferred income (Continued)

(a) Deferred income relating to government grants

All amounts in RMB'000

Government grants	Opening balance	Increased in the current period	Recognized in non-operating income in the current period	Other movements	Closing balance	Related to assets or incomes
Subsidy for rural reconstruction in Chongqing Dadukou district	182,120	–	3,824	–	178,296	Related to assets
The return of land leasing from the construction village	110,165	–	1,431	–	108,734	Related to assets
Allowance from the bureau of finance	73,600	–	1,600	–	72,000	Related to assets
R&D of technology and equipment of large gas purification (large-scaling of gas purification facilities)	72,528	–	2,576	–	69,952	Related to assets
Subsidy for redevelopment project in Chongqing Jiulongpo district	60,779	–	–	–	60,779	Related to assets
Financial support for the new industrial park	62,928	–	3,994	–	58,934	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	6,000	–	–	52,473	Related to assets
NDRC/MIIT (2013 second central budget allocations about Industrial revitalization and technological transformation projects)	50,250	–	–	–	50,250	Related to assets
Large-scale multiple stamp work heavy equipment independent industrial base	20,000	–	–	–	20,000	Related to assets
Others	695,499	129,668	172,020	11,608	641,539	Related to assets or incomes
Total	1,432,842	135,668	185,445	11,608	1,371,457	/

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44. Share capital

All amounts in RMB'000

	Movements during the current period						Closing balance
	Opening balance	Issue of new shares	Bonus issue	Shares converted from capital reserve	Others	Subtotal	
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.

CMGC made a commitment on 8 July 2015, that from 8 July 2015 to 31 December 2015, CMGC will not reduce its shares which can be sold in the same period.

45. Other equity instruments

- (1) The basic information of the perpetual bond or other financial instruments in issue at the end of the period

By the approval of Zhongshixiezhuzhu [2015] MTN164 from the National Association of Financial Market Institutional Investors, on 1 June 2015, the Company issued the first tranche of medium term notes of 2015. An actual aggregate amount of RMB5,000,000,000 were issued. The notes are on a long-term basis until redemption by the Company according to the issuance provisions. It will expire when the Company redeems the notes according to the issuance provisions. On or after the fifth interest payment date, the Company has the right to redeem the current medium-term notes at par plus accrued interest (including any deferred interest payments). The coupon is 5.70% for the first five interest accrual years. If the issuer does not exercise redemption right, the coupon rate is reset every five years from the sixth interest accrual year, which is determined by the current benchmark interest rate plus the initial difference of the interest rate and 300 basis points.

Unless mandatory interest payment event happens, at each of the interest payment date of medium-term notes, the Company can choose to have the current interest and all the deferred interest to be paid at the next interest payment date, which is not subject to any restrictions on the number of deferred interest payments. The foregoing deferred interest payment does not make the Company fail to pay the interest in full according to the contract. Each piece of deferred interest is interest bearing at the coupon rate of the medium-term notes during the interest deferral period.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45. Other equity instruments (Continued)

- (1) The basic information of the perpetual bond or other financial instruments in issue at the end of the period (Continued)

Within 12 months before the interest payment day, if the following events occur, the interest payments, both current and deferred, cannot be deferred by the Company:

- (i) Dividend declared to the holders of ordinary shares;
- (ii) Any form of payment to the securities which are subordinated to the payment order of the medium-term notes;
- (iii) Reduction of registered capital.

- (2) The increase and decrease of the perpetual bond or other financial instrument in issue

All amounts in RMB'000

Name of financial instrument	Opening balance		Increase		Decrease		Closing balance	
	Number	Carrying amount	Number	Carrying amount	Number	Carrying amount	Number	Carrying amount
	(ten thousand)	(ten thousand)	(ten thousand)	(ten thousand)	(ten thousand)	(ten thousand)	(ten thousand)	(ten thousand)
Perpetual bond (Note)	-	-	5,000	4,925,000	-	-	5,000	4,925,000
Total	-	-	5,000	4,925,000	-	-	5,000	4,925,000

Note: The perpetual bond was recognized as other equity instrument in full amount after deducting the issuing costs of RMB75,000,000.

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	(121,102)	2,434	-	(118,668)
Total	17,826,218	2,434	-	17,828,652

The increase of capital reserve was due from non-wholly owned subsidiaries of the Company performed business combinations under common control, which resulted in the changes of capital reserve of those subsidiaries. Accordingly, the capital reserve of the Group increased and non-controlling interests decreased.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47. Other comprehensive income

All amounts in RMB'000

Items	Opening balance	Movements during the current period					Closing balance
		Other comprehensive income before tax for the period	Less: Amount included in other comprehensive income in the prior periods that is transferred to profit or loss for current period	Less: Income tax expenses	Attributable to owners of the Company, net of income tax	Attributable to non-controlling interests, net of income tax	
1. Other comprehensive income that will not be reclassified to profit or loss subsequently	440,530	(130,228)	–	422	(125,351)	(5,299)	315,179
Including: Remeasurement of defined benefit obligations	440,530	(130,228)	–	422	(125,351)	(5,299)	315,179
2. Other comprehensive income that may be reclassified subsequently to profit or loss:	142,891	226,222	3,318	28,357	200,296	(5,749)	343,187
Including: Net (loss) gain on revaluation of available-for-sale financial assets	223,340	127,975	3,318	30,257	93,086	1,314	316,426
Exchange differences on translating foreign operations	(80,449)	98,247	–	(1,900)	107,210	(7,063)	26,761
Total comprehensive income	583,421	95,994	3,318	28,779	74,945	(11,048)	658,366

48. Special reserve

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
Production safety fee	12,550	903,563	903,563	12,550
Total	12,550	903,563	903,563	12,550

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49. Surplus reserve

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	529,549	–	–	529,549
Total	529,549	–	–	529,549

50. Retained earnings

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Closing balance for the prior period	9,275,519	6,585,181
Opening balance	9,275,519	6,585,181
Add: Net profit attributable to shareholders of the Company for the current period	2,172,265	1,809,335
Less: Declaration of dividends on ordinary shares (a)	955,500	1,165,710
Closing balance (b) (c)	10,492,284	7,228,806

(a) Distribution of dividends

In accordance with the resolution at the 2014 annual general meeting of shareholders on 26 June 2015, a final cash dividend of RMB0.50 (inclusive of tax) for every ten shares was approved after the appropriation to statutory surplus reserve, which amounted to RMB955,500,000. These dividends had been paid in July 2015.

(b) As at 30 June 2015, retained earnings of the Group contained statutory surplus reserve of subsidiaries of the Company amounting to RMB7,899,262,000 (as at 31 December 2014: RMB7,899,262,000).

(c) As at 30 June 2015, retained earnings include interests belong to the perpetual bond holders of RMB21,863,000 (as at 31 December 2014: nil).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

51. Operating revenue and operating costs

All amounts in RMB'000

Items	Amount for the current period		Amount for the prior period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Principal business	100,038,770	87,037,525	95,733,176	83,994,696
Other business	652,781	556,134	433,376	302,173
Total	100,691,551	87,593,659	96,166,552	84,296,869

(1) Classified by industries

All amounts in RMB'000

Items	Amount for the current period		Amount for the prior period	
	Principal operating revenue	Principal operating costs	Principal operating revenue	Principal operating costs
Engineering and construction	84,128,524	73,836,584	79,638,300	70,160,599
Property development	9,898,119	7,730,414	9,188,698	7,677,214
Equipment manufacturing	3,660,464	3,153,737	3,733,520	3,358,041
Resources development	1,236,246	1,350,941	1,842,730	1,580,271
Others	1,115,417	965,849	1,329,928	1,218,571
Total	100,038,770	87,037,525	95,733,176	83,994,696

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

51. Operating revenue and operating costs (Continued)

(2) Classified by geographic locations

All amounts in RMB'000

Items	Amount for the current period		Amount for the prior period	
	Principal operating revenue	Principal operating costs	Principal operating revenue	Principal operating costs
China	95,305,368	82,486,744	87,833,199	76,936,527
Other countries/regions	4,733,402	4,550,781	7,899,977	7,058,169
Total	100,038,770	87,037,525	95,733,176	83,994,696

(3) Operating revenue from the top five largest customers of the Group

The total amount of operating revenue from the top five largest customers of the Group is RMB11,745,677,000 (for the period ended 30 June 2014: RMB6,864,056,000), accounting for 11.67% of the total operating revenue of the Group (for the period ended 30 June 2014: 7.14%).

All amounts in RMB'000

Customers	Operating revenue	As a percentage of total operating revenue of the Group (%)
Party 1	4,385,368	4.36
Party 2	2,863,954	2.85
Party 3	1,872,670	1.86
Party 4	1,372,768	1.36
Party 5	1,250,917	1.24
Total	11,745,677	11.67

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

52. Business taxes and levies

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Business tax	2,145,412	1,952,799
City construction and maintenance tax	168,885	165,513
Education surcharges	131,410	118,962
Land appreciation tax	83,998	85,242
Others	87,247	75,295
Total	2,616,952	2,397,811

53. Selling expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Packing charges	1,608	1,400
Employee compensation costs	229,065	210,277
Depreciation expenses	6,837	5,476
Travelling expenses	64,661	57,249
Office expenses	89,773	96,995
Transportation expenses	69,636	133,188
Advertising expenses	93,258	110,174
Others	51,182	74,525
Total	606,020	689,284

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

54. Administrative expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Employee compensation costs	1,849,148	1,740,401
Depreciation expenses	316,483	311,101
Travelling expenses	121,731	127,229
Office expenses	271,160	268,878
Lease rentals	49,899	50,842
Research and development expenses	838,291	663,664
Repairs and maintenance expenses	42,626	36,818
Amortization of intangible assets	84,944	82,757
Consulting expenses	57,212	102,419
Tax charges	154,916	170,305
Others	281,142	316,612
Total	4,067,552	3,871,026

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

55. Financial expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Interest expenses	3,251,890	3,368,235
Including: Interest of bank borrowings and other borrowings wholly repayable within five years	2,670,108	2,503,906
Interest of bank borrowings and other borrowings wholly repayable over five years	408,919	485,555
Interest on finance leases	8,856	4,982
Others	164,007	373,792
Less: Capitalized interests	1,369,933	1,262,480
Less: Interest income	622,527	576,349
Exchange losses (gains)	150,910	(199,415)
Bank charges	141,141	201,271
Others	215,915	100,975
Total	1,767,396	1,632,237

56. Impairment losses on assets

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
1. Bad debt provision	1,002,911	579,538
Including: Accounts receivable bad debts	729,146	455,534
Other accounts receivable bad debts	219,273	123,999
2. Impairment of inventories (Note VII10(2))	53,934	295,659
3. Impairment of available-for-sale financial assets (Note VII13(4))	–	1,109
4. Impairment of long-term equity investments (Note VII16)	–	38,737
5. Impairment of fixed assets (Note VII18(1))	608	140,052
6. Impairment of construction in progress (Note VII19(3))	–	42,211
7. Others	840	(3,280)
Total	1,058,293	1,094,026

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

57. Gains from changes in fair values

All amounts in RMB'000

Sources	Amount for the current period	Amount for the prior period
Gains arising on changes in fair value of financial assets designated as at FVTPL	12,633	160
Gains (losses) arising on changes in fair value of derivative financial assets	9,060	(5,404)
Total	21,693	(5,244)

58. Investment income

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Losses from long-term equity investments under equity method	(45,009)	(124,242)
Investment income on disposal of long-term equity investments	103,916	552,132
Investment income on disposal of financial assets at FVTPL	4,903	16,615
Investment income from holding available-for-sale financial assets	13,809	104,296
Investment income on disposal of available-for-sale financial assets	6,268	3,032
Others	39,976	(10,761)
Total	123,863	541,072

The investment income for the current period included income generated from listed securities of RMB12,709,000 (for the period ended 30 June 2014: RMB18,800,000) and income generated from unlisted securities of RMB111,154,000 (for the period ended 30 June 2014: RMB522,272,000).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

59. Non-operating income

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period	Recognized in non- recurring profit or loss for the current period
Total gains on disposal of non-current assets	22,916	26,459	22,916
Including: Gains on disposal of fixed assets	22,784	19,687	22,784
Gains on disposal of intangible assets	–	6,359	–
Income from penalty	6,892	2,730	6,892
Gains on inventory taking	76	–	76
Government grants (a)	312,531	502,502	312,531
Approved unpayable balances	32,896	7,340	32,896
Others	46,919	22,146	46,919
Total	422,230	561,177	422,230

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO 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 period	Amount for the prior period	Related to assets or income
Local development subsidies	48,550	20,000	Related to income
Government subsidy by Luodian government	38,509	–	Related to income
Finance government Allocation	25,070	12,680	Related to income
Tax return by Baoshan Luodian development	8,335	5,461	Related to income
Export subsidies of No. 1&2 Blast furnace project in Taisuhejing	6,264	–	Related to income
Special funds for the construction of the national secondary vocational education school on reform and development	4,929	1,822	Related to income
Financial support funds for new industrial Reconstruction project grants for Chongqing Dadukou District	3,994	4,988	Related to assets
Computer simulation laboratory and remote diagnosis center construction (Grant)	3,824	–	Related to assets
Financial incentives for enterprises to support the Financial Bureau	3,407	2,094	Related to income
Others	3,316	3,250	Related to income
	166,333	452,207	Related to assets or income
Total	312,531	502,502	/

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

60. Non-operating expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period	Recognized in non-recurring profit or loss for the current period
Losses on disposal of non-current assets	13,247	20,513	13,247
Including: Losses on disposal of fixed assets	9,815	16,529	9,815
Losses on disposal of intangible assets	3,429	3,982	3,429
Non-recurring losses	4,228	54,560	4,228
Fines and surcharges for overdue payments	11,589	14,626	11,589
Compensation and default payments	3,570	2,419	3,570
Losses on written-off of fixed assets	83	1	83
Others	12,608	12,572	12,608
Total	45,325	104,691	45,325

61. Income tax expense

(1) Income tax expense

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Current period tax expense	1,211,697	1,262,587
Deferred tax expenses	(168,374)	(46,480)
Total	1,043,323	1,216,107

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

61. Income tax expense (Continued)

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

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Total profit	3,504,140	3,177,613
Income tax expenses calculated at the statutory tax rate (25%)	876,035	794,403
Effect of difference between applicable tax rate and statutory tax rate	(167,476)	(234,240)
Income not subject to tax	(87,172)	(60,715)
Expenses not deductible for tax purposes	128,178	143,641
Utilization of previously unrecognized tax losses and other temporary differences for which no deferred income tax assets were recognized	(78,099)	(54,996)
Tax losses and other temporary differences for which no deferred income tax assets were recognized	560,670	595,192
Others	(188,813)	32,822
Income tax expense	1,043,323	1,216,107

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

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

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

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

62. Other comprehensive income

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
(I) Items that will not be reclassified subsequently to profit or loss		
1. Re-measurement of defined benefit obligations	(130,228)	(120,452)
Less: Income tax effects on re-measurement of defined benefit obligations	422	(10,371)
Subtotal	(130,650)	(110,081)
(II) Items that may be reclassified subsequently to profit or loss		
1. Changes in fair value of available-for-sale financial assets	127,975	9,156
Amount included in other comprehensive income in prior periods that is transferred to profit or loss for the current period	3,318	2,810
Less: Income tax effects on available-for-sale financial assets	30,257	1,587
Subtotal	94,400	4,759
2. Exchange differences on translating foreign operations	98,247	(152,045)
Less: Income tax effects on the exchange differences on translating foreign operations	(1,900)	–
Subtotal	100,147	(152,045)
Total	63,897	(257,367)

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 period	Amount for the prior period
Receipts of guarantee funds	192,433	–
Interest income	205,249	576,349
Recovery of receivables	239,796	907,598
Government grants received	215,805	465,652
Receipts of withholding payments	76,914	745,955
Others	88,057	534,610
Total	1,018,254	3,230,164

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO 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 period	Amount for the prior period
Payments of deposits and guarantee funds	3,045,952	5,758,417
Research and development expenses	465,020	663,665
Payments for retirement benefits	266,787	276,959
Travelling expenses	186,392	550,423
Office expenses	321,645	463,513
Utility expenses	705,946	766,671
Repairment and maintenance expenses	44,656	77,041
Advertising and media services expenses	93,257	36,186
Settlements for payables	199,132	279,296
Conference expenses and association fees	7,177	13,228
Others	101,804	26,364
Total	5,437,768	8,911,763

- (3) Other cash receipts relating to investing activities

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Cash receipts on interest incomes of receivables and financial investments	35,204	–
Cash receipts from asset-related government grants	18,300	61,568
Total	53,504	61,568

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO 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 period	Amount for the prior period
Providing loans to related parties and third parties	552,231	162,040
Total	552,231	162,040

- (5) Other cash receipts relating to financing activities

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Reduction of restricted deposits	1,102,534	–
Total	1,102,534	–

- (6) Other cash payments relating to financing activities

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Settlements of finance lease obligations	47,665	11,000
Transactions with non-controlling interests	–	1,029,709
Total	47,665	1,040,709

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO 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 period	Amount for the prior period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	2,460,817	1,961,506
Add: Provision for impairment losses of assets	1,058,293	1,094,026
Depreciation of fixed assets and amortization of investment properties	1,289,768	1,322,310
Amortization of intangible assets	169,127	158,898
Amortization of long-term prepayments	20,518	26,838
Gains on disposal of fixed assets, intangible assets and other long-term assets	(9,669)	(5,946)
Losses on written-off of fixed assets	83	1
(Gains) losses on changes in fair values	(21,693)	5,244
Financial expenses	2,133,663	2,996,088
(Gains) losses arising from investments	(123,863)	11,061
(Increase) decrease in deferred tax assets	(179,808)	19,771
Increase (decrease) in deferred tax liabilities	11,434	(66,251)
Increase in inventories	(17,018,427)	(6,316,970)
Increase in receivables from operating activities	(1,888,153)	(14,793,760)
Increase in payables from operating activities	8,044,321	7,854,648
Net cash flows from operating activities	(4,053,589)	(5,732,536)
2. Significant non-cash investing and financing activities:		
None	-	-
3. Net changes in cash and cash equivalents:		
Closing balance of cash	24,450,822	23,508,980
Less: Opening balance of cash	28,571,177	31,242,554
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net decrease in cash and cash equivalents	(4,120,355)	(7,733,574)

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

64. Supplementary information of the cash flow statements (Continued)

(2) The composition of cash and cash equivalents

All amounts in RMB'000

Items	Closing balance	Opening balance
I. Cash	24,450,822	28,571,177
Including: Cash on hand	31,249	23,660
Bank deposits without restriction	22,088,384	26,732,332
Other monetary funds without restriction	2,331,189	1,815,185
II. Cash equivalents	–	–
Including: Investments in debt securities due within three months	–	–
III. Closing balance of cash and cash equivalents	24,450,822	28,571,177
Including: Cash and cash equivalents of the Company or within the Group with restriction	–	–

65. Assets with title restrictions

All amounts in RMB'000

Items	Closing book value	Reasons
Cash and bank balances	3,735,769	Pledge/Freeze/Control
Bills receivable	314,698	Pledge
Accounts receivable	1,579,236	Pledge
Inventories	7,958,616	Mortgage
Investment properties	379,440	Mortgage
Fixed assets	434,989	Mortgage
Intangible assets	176,435	Mortgage
Intangible assets	140,369	Others–Guarantee mortgage
Long-term receivables	174,172	Mortgage
Total	14,893,724	/

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

66. Foreign currencies denominated items

(1) Foreign currencies denominated items

All amounts in RMB'000

Items	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
Cash and bank balances	/	/	2,616,792
Including: USD	324,620	6.1136	1,984,599
EUR	7,811	6.8699	53,661
AUD	41,680	4.6993	195,867
RMB	83,364	1.0000	83,364
Others	/	/	299,301
Accounts receivable	/	/	863,220
Including: USD	62,313	6.1136	380,959
EUR	1,800	6.8699	12,366
Others	/	/	469,895
Other receivables	/	/	82,608
Including: USD	4,746	6.1136	29,016
EUR	568	6.8699	3,900
AUD	53	4.6993	248
RMB	18,380	1.0000	18,380
Others	/	/	31,064
Short-term borrowings	/	/	392,154
Including: USD	17,588	6.1136	107,528
Others	/	/	284,626
Accounts payable	/	/	691,990
Including: USD	9,667	6.1136	59,100
EUR	20,337	6.8699	139,711
AUD	726	4.6993	3,414
RMB	17,885	1.0000	17,885
Others	/	/	471,880
Other payables	/	/	8,538,233
Including: USD	285,471	6.1136	1,745,255
RMB	6,680,384	1.0000	6,680,384
Others	/	/	112,594
Long-term borrowings	/	/	2,268,990
Including: USD	371,138	6.1136	2,268,990

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

VII NOTES TO 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	
MCC Mining (Western Australia) Pty Ltd.	Australia	US Dollar	
MCC Australia Holding Pty Ltd.	Australia	Australian Dollar	The functional currency of the overseas subsidiaries is selected based on the primary economic environment where they operate.
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	
China Jingye Engineering Corporation Ltd. (Singapore Branch)	Singapore	Singapore Dollar	

The functional currencies of the Group's major foreign operations have not changed during the reporting period.

VIII CHANGES OF THE SCOPE OF CONSOLIDATION

There were no significant changes of the scope of consolidation for the current period compared with prior period.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

IX INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) The constitution of the Group

Details of subsidiaries of the Group:

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 Construction Group Co., Ltd. (Original name: 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
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

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

IX INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

Details of subsidiaries 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	
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

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

IX INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

Details of subsidiaries 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 (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	China	Wuzhou	Infrastructure investment	100.00	–	Invested by shareholders
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

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

IX INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

Details of subsidiaries 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-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
MCC Australia Holding Pty Ltd.	Australia	Australia	Resource development	100.00	-	Invested by shareholders
MCC Finance Leasing Co., Ltd.	China	Zhuhai	Finance lease	51.00	49.00	Established through investments
MCC Northeast Construction Development Co., Ltd.	China	Shenyang	Project contracting	100.00	-	Established through investments
Qianhai MCC (Shenzhen) International Trading Co., Ltd.	China	Shenzhen	Trading	75.00	25.00	Established through investments

Notes: Except for the Company, MCC Holding (Hong Kong) Corporation Limited and MCC Capital Engineering & Research Incorporation Limited, other subsidiaries have not issued any bonds.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

IX INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

(a) There is no difference between proportion of ownership interest and proportion of voting power in subsidiaries in the current period.

(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, recognized as a joint venture (Note IX2(1))

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 period	Declaration of cash dividends to non-controlling interests	Non-controlling interests at the end of the period
China First Metallurgical Group Co., Ltd.	6.93	11,875	–	1,483,769
China MCC 20 Group Co., Ltd.	31.00	30,137	–	1,439,772
WISDRI Engineering & Research Incorporation Ltd.	17.44	54,456	–	1,291,370
MCC Capital Engineering & Research Incorporation Limited	13.00	1,838	–	825,723
China MCC 17 Group Co., Ltd.	33.30	61,708	–	717,545

- (a) There is no difference between proportion of ownership interest and proportion of voting power in subsidiaries in the current period.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
China First Metallurgical Group Co., Ltd.	18,257,150	3,234,295	21,491,445	16,522,779	1,260,246	17,783,025	16,937,339	3,106,152	20,043,491	14,948,971	1,540,861	16,489,832
China MCC 20 Group Co., Ltd.	18,328,427	6,682,431	25,010,858	18,968,327	2,058,920	21,027,247	26,736,739	7,555,265	34,292,004	26,384,255	2,781,953	29,166,208
WISDRI Engineering & Research Incorporation Ltd.	11,452,591	2,284,590	13,737,181	8,535,453	86,936	8,622,389	10,079,665	2,572,559	12,652,224	7,661,642	91,046	7,752,688
MCC Capital Engineering & Research Incorporation Limited	12,320,112	3,967,806	16,287,918	11,313,276	789,790	12,103,066	12,139,461	4,098,387	16,237,848	11,194,505	904,765	12,099,270
China MCC 17 Group Co., Ltd.	9,181,815	1,242,734	10,424,549	7,694,833	583,085	8,277,918	8,097,437	1,090,813	9,188,250	6,706,204	518,939	7,225,143

All amounts in RMB'000

Company name	Amount for the current period				Amount for the prior period			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
China First Metallurgical Group Co., Ltd.	5,086,773	139,575	154,761	(689,306)	6,117,753	129,815	121,162	157,742
China MCC 20 Group Co., Ltd.	15,180,022	225,376	204,396	(2,428,831)	13,341,961	384,048	371,712	(2,629,999)
WISDRI Engineering & Research Incorporation Ltd.	4,009,281	215,259	215,256	876,668	3,688,809	157,694	157,667	307,111
MCC Capital Engineering & Research Incorporation Limited	3,303,138	46,307	46,273	(199,177)	3,540,170	135,513	135,487	505,337
China MCC 17 Group Co., Ltd.	6,271,476	185,296	183,523	(836,140)	5,516,756	171,816	169,974	(193,463)

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

IX INTERESTS IN OTHER ENTITIES (Continued)

2. Interests in joint ventures and associates

(1) Details of the Group's material joint ventures and associates

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

The Group has no significant interests in any single joint venture or associate above.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

IX INTERESTS IN OTHER ENTITIES (Continued)

2. 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:

(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

(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
Tangshan Stainless Steel Co., Ltd.	23.89	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.
Beris Engineering And Research Corporation Jiangsu Heavy Industry Co., Ltd.	20.00	
Harbin Shuangqi Environmental Resources Co., Ltd.	20.00	
Shanxi Sanjin Mining Holdings Co., Ltd.	20.00	
Shanghai Xinpu Transportation Co., Ltd.	40.00	

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

IX INTERESTS IN OTHER ENTITIES (Continued)

2. 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 period	Opening balance/ amount recognized in the prior period
Joint ventures:		
Total carrying amount	585,302	602,971
The Group's share of the following items:		
– Net profit	(17,669)	(3,869)
– Other comprehensive income	–	–
– Total comprehensive income	(17,669)	(3,869)
Associates:		
Total carrying amount	3,337,594	3,336,240
The Group's share of the following items:		
– Net profit	(40,501)	(123,647)
– Other comprehensive income	–	–
– Total comprehensive income	(40,501)	(123,647)

(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.

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 30 June 2015 are set out in Note VII66.

As at 30 June 2015, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, the profit after tax of the Group for the period ended 30 June 2015 would have been approximately RMB216,198,000 lower/higher (as at 31 December 2014: RMB226,447,000 lower/higher).

(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 XI6.

(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 30 June 2015, short-term borrowings of the Group were amounting to RMB36,963,528,000 (as at 31 December 2014: RMB36,461,263,000). Long-term interest bearing debts at floating rates due within one year were amounting to RMB6,072,264,000 (as at 31 December 2014: RMB5,300,330,000); long-term interest bearing debts at floating rates due over one year were amounting to RMB15,940,070,000 (as at 31 December 2014: RMB17,783,516,000). Long-term interest bearing debts at fixed rates due within one year were amounting to RMB8,342,944,000 (as at 31 December 2014: RMB6,024,542,000); long-term interest bearing debts at fixed rates due over one year were amounting to RMB26,005,308,000 (as at 31 December 2014: RMB25,871,271,000) (Notes VII26, 35, 37, 38, 39).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

X FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

1. Market risk *(Continued)*

(2) Interest rate risk *(Continued)*

To monitor the impact of interest rate fluctuations, the Group continually assesses and monitors its exposure to interest rate risk and entered into fixed rate borrowings arrangements. Any rise in interest rate would increase the cost of new 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 period and the period ended 30 June 2014, the Group has not involved in any interest rate swap arrangements.

During the current period, 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 30 June 2015 would have been RMB172,279,000 lower/higher (for the period ended 30 June 2014: approximately RMB258,123,000).

During the current period, 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 period ended 30 June 2015 would have been RMB22,435,000 lower/higher (for the period ended 30 June 2014: approximately RMB20,904,000).

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.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

X FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

3. Liquidity risk

Subsidiaries of the Group take responsibility of their own cash flow forecast. On the basis of summarizing cash flow forecasts from subsidiaries, the 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.

Analysis of the maturity profile of financial assets and financial liabilities of the Group based on the undiscounted remaining contractual obligations as at 30 June 2015 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	28,186,591	–	–	–	28,186,591
Bills receivable	7,859,456	–	–	–	7,859,456
Accounts receivable	59,019,351	–	–	–	59,019,351
Interest receivables	9,658	–	–	–	9,658
Dividends receivable	137,234	–	–	–	137,234
Other receivables	21,036,002	–	–	–	21,036,002
Non-current assets within a year	5,620,827	–	–	–	5,620,827
Available-for-sale financial assets	39,100	127,250	–	1,643,954	1,810,304
Held-to-maturity investments	–	–	–	20	20
Long-term receivables	73,845	12,066,177	2,793,348	2,230,506	17,163,876
Total	121,982,064	12,193,427	2,793,348	3,874,480	140,843,319
Financial liabilities					
Short-term borrowings	38,033,516	–	–	–	38,033,516
Bills payable	13,738,514	–	–	–	13,738,514
Accounts payable	82,585,895	–	–	–	82,585,895
Employee benefits payable	2,108,151	–	–	–	2,108,151
Interest payables	1,536,257	–	–	–	1,536,257
Dividends payable	1,442,356	–	–	–	1,442,356
Other payables	15,903,401	–	–	–	15,903,401
Other current liabilities	17,103,887	–	–	–	17,103,887
Non-current liabilities					
within a year	15,100,197	–	–	–	15,100,197
Long-term borrowings	1,224,577	8,909,962	7,118,993	6,277,368	23,530,900
Bonds payable	1,022,062	8,524,863	8,659,110	10,509,000	28,715,035
Long-term payables	18,000	239,529	682,124	21,893	961,546
External guarantee (excluding real estate bank mortgage guarantee)	557,031	–	–	–	557,031
Total	190,373,844	17,674,354	16,460,227	16,808,261	241,316,686

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

X FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

4. Transfer of financial assets

As at 30 June 2015, the Group endorsed bills receivables amounting to RMB3,681,440,000 (as at 31 December 2014: RMB6,988,178,000) to its suppliers for settlements of payables to these suppliers. The Group also discounted bills receivable amounting to RMB1,613,656,000 (as at 31 December 2014: RMB1,151,293,000) 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. 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. 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 joint liability. As at 30 June 2015, 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 30 June 2015, the Group had transferred accounts receivable amounting to RMB1,836,000,000 (as at 31 December 2014: RMB1,002,279,000), and long-term receivables amounting to RMB4,000,000,000 (as at 31 December 2014: RMB5,024,000,000) 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 Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 period**

All amounts in RMB'000

Items	Fair value at the end of the period			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	413,188	–	–	413,188
1. Held-for-trading financial assets	413,188	–	–	413,188
(1) Currency funds	412,327	–	–	412,327
(2) Equity instruments	861	–	–	861
(II) Derivative financial assets	–	27,592	–	27,592
(III) Available-for-sale financial assets	576,280	166,350	–	742,630
(1) Equity instruments	576,280	–	–	576,280
(2) Others	–	166,350	–	166,350
Total assets that are measured at fair value on a recurring basis	989,468	193,942	–	1,183,410

2. **The basis of market prices determined on level 1 of the fair value hierarchy**

The fair values of held-for-trading financial assets are based on their prices of publicly traded market on 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**

	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

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.**

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XI FAIR VALUE MEASUREMENTS (Continued)

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 30 June 2015	Fair value as at 30 June 2015			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:	26,005,308	–	28,230,834	–	28,230,834
1. Long-term borrowings at fixed interest rate	2,637,886	–	2,683,045	–	2,683,045
2. Bonds payable	23,367,422	–	25,547,789	–	25,547,789

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

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 IX2.

Joint ventures and associates entered into transactions with the Group during the period, or during the prior period 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.	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. (Note 1)	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. (Note 2)	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
Shanghai Zhihu Real Estate Co., Ltd.	Associates

Note 1: Beijing Xinghua Zhiben Investment Co., Ltd. has been disposed in January 2015.

Note 2: Beijing Times Antai Real Estate Co., Ltd has been disposed in January 2015.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XII RELATED PARTIES AND TRANSACTIONS (Continued)

4. Other related parties of the Company

Other related parties entered into transactions with the Group during the period, or during the prior period with remaining closing balance were as follows:

Name of other related parties	Relationship with the Group
MCC Huludao Nonferrous Metals Group Co., Ltd.	Fellow subsidiary
MCC Asset Management Co., Ltd.	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 Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 period	Amount for the prior period
With companies under common control:			
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Purchase of intangible assets	40,629	964
		40,168	–
Beijing Dongxing Metallurgical New-Tech & Development Corp. (note)	Purchase of goods and receiving services	304	832
Beijing China Metallurgical Construction Taxi Company (note)	Receiving services	157	132
With joint ventures and associates:			
CERI Yingkou Equipment Technology Co., Ltd.	Purchase of goods	9,727	156,796
		8,850	17,241
Shanghai Tongji Baoye Construction Robot Co., Ltd.	Purchase of goods and receiving services	650	915
Tianjin Zhongji Equipment Manufacture Co., Ltd.	Purchase of goods and receiving services	150	37,333
Wuhan Zhonghe Engineering Technique Co., Ltd.	Receiving services	77	–
Shanghai Zhong Ye Xiangteng Investment Company Ltd.	Purchase of fixed assets	–	99,110
Tianjin SERI Machinery Equipment Corporation Ltd.	Purchase of goods and receiving services	–	1,556
Shanghai Yuepu South Concrete Co., Ltd.	Purchase of goods and receiving services	–	641
Total		50,356	157,760

Note: These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 period	Amount for the prior period
With companies under common control:		5,188	17
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Providing services	5,188	17
With the joint ventures and associates:		544,336	722,033
Wuhan Zhong Yi Investment Construction Company Ltd.	Providing services	306,301	441,548
MCC Suzhou SUMA Construction Development Co., Ltd.	Providing services	104,448	159,607
Tianjin MCC and Xinhua Real Estate Development Co., Ltd.	Providing services	92,372	–
Tangshan Wanzhu 22nd Metallurgical Construction Technique Co., Ltd.	Providing services	18,437	–
Maanshan MCC Economic Development Company Ltd.	Providing services	12,364	64,504
Baotou MCC Real Estate Co., Ltd.	Providing services	7,133	48,644
MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	Providing services	2,255	–
Tianjin Zhongji Equipment Manufacture Co., Ltd.	Providing services	536	–
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Providing services	490	–
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Providing services	–	7,721
Tianjin SERI Machinery Equipment Corporation Ltd.	Providing services	–	9
Total		549,524	722,050

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XII RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(2) Lease

(a) As lessor

All amounts in RMB'000

Name of lessee	Type of leased assets	Leasing income recognized in the current period	Leasing income recognized in the prior period
Beijing China Metallurgical Construction Taxi Company	Buildings and structures	55	55
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Buildings and structures	233	–
Total		288	55

(b) As lessee

All amounts in RMB'000

Name of lessor	Type of leased assets	Leasing expense recognized in the current period	Leasing expense recognized in the prior period
China Metallurgical Group Corporation (note)	Buildings and structures	16,961	24,037
Beijing Dongxing Metallurgical New-Tech Buildings, structures and & Development Corp. (note)	New-Tech Buildings, structures and equipment	6,443	4,813
Total		23,404	28,850

Note: These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XII RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(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	2017-12-10	No
CERI Yingkou Equipment Technology Co., Ltd.	186,200	2010-02-02	2017-12-02	No
CERI Yingkou Equipment Technology Co., Ltd.	55,490	2009-01-14	2015-07-14	No

(b) Guarantees be granted

All amounts in RMB'000

Guarantor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
China Metallurgical Group Corporation	3,056,800	2011-07-29	2016-07-29	No
China Metallurgical Group Corporation	427,952	2015-01-22	2016-01-22	No
China Metallurgical Group Corporation	305,680	2015-03-24	2016-03-24	No
China Metallurgical Group Corporation	1,367,400	2015-05-21	2017-05-21	No

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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:				
None				
Loans to related parties:				
Wuhan Zhong Yi Investment Construction Company Ltd.	835,000	2015-01-07	2015-07-06	General loan
Sichuan HangYe Industrial Co., Ltd.	40,700	2015-01-23	2016-01-22	Entrusted loan
Sichuan HangYe Industrial Co., Ltd.	19,000	2015-06-03	2015-09-03	General loan
Total	894,700			

Certain of the loans from/to related parties mentioned above are interest bearing. The interest rates ranged from 5.35% to 15%.

(5) Compensation of key management personnel

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Compensation of key management personnel	2,241	2,086

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 period	Amount for the prior period
Interest income	Zhuhai Kaduhaijun Real Estate Development Co., Ltd.	39,635	40,918
Interest income	Tianjin Tuanbo Urban Development Co., Ltd.	7,510	19,067
Interest income	Sichuan HangYe Industrial Co., Ltd.	7,504	–
Interest income	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	4,797	4,960
Interest income	Wuhan Zhong Yi Investment Construction Company Ltd.	4,770	2,194
Interest income	Tianjin MCC Heyuan Real Estate Co., Ltd.	2,851	–
Interest income	Mudanjiang MCC Real Estate Co., Ltd.	2,700	2,669
Interest income	MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	1,676	1,155
Interest income	Baotou MCC Real Estate Co., Ltd.	–	18,781
Interest income	Zhong Ye(Fujian) Real Estate Development Co., Ltd.	–	13,908
Interest income	Beijing Xinghua Zhiben Investment Co., Ltd.	–	1,631
Total interest income		71,443	105,283
Interest expense	China Metallurgical Group Corporation	10,819	1,719
Total interest expense		10,819	1,719

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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.	269,137	105,441	310,070	77,958
Accounts receivable	Wuhan Zhong Yi Investment Construction Company Ltd.	251,110	-	118,989	-
Accounts receivable	Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	153,705	55,232	155,668	55,955
Accounts receivable	Tianjin MCC Xinhua Real Estate Co., Ltd	124,530	6,402	31,767	1,634
Accounts receivable	Tianjin Tuanbo Urban Development Co., Ltd.	92,385	-	99,385	-
Accounts receivable	MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	72,385	5,407	42,094	1,716
Accounts receivable	Baotou MCC Real Estate Co., Ltd.	70,089	-	73,119	-
Accounts receivable	Shanghai United Automobile Road Construction Development Co., Ltd.	22,735	6,307	22,735	5,108
Accounts receivable	Tangshan Wanzhu 22nd Metallurgical Construction Technique Co., Ltd.	16,739	112	-	-
Accounts receivable	Shanghai MCC Xiangqi Investment Co., Ltd.	4,414	-	4,414	-
Accounts receivable	MCC Huludao Nonferrous Metals Group Co., Ltd.	3,504	3,504	3,504	3,504
Accounts receivable	Tianjin MCC Heyuan Real Estate Co., Ltd.	648	-	149,155	202
Accounts receivable	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	490	-	-	-
Accounts receivable	Tianjin Zhongji Equipment Manufacture Co., Ltd.	375	19	-	-
Accounts receivable	Tianjin SERI Machinery Equipment Corporation Ltd.	1	-	1	-
Accounts receivable	MCC Suzhou SUMA Construction Development Co., Ltd.	-	-	72,912	-
Accounts receivable	Beijing Xinghua Zhiben Investment Co., Ltd.	-	-	39,920	1,996
Total		1,082,247	182,424	1,123,733	148,073

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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	Wuhan Zhong Yi Investment Construction Company Ltd.	914,578	–	509,807	–
Other receivables	Zhuhai Kaduhaijun Real Estate Development Co., Ltd.	900,485	–	860,676	–
Other receivables	Tianjin Tuanbo Urban Development Co., Ltd.	444,006	–	435,859	–
Other receivables	Baotou MCC Real Estate Co., Ltd.	415,680	81	415,581	40,222
Other receivables	CERI Yingkou Equipment Technology Co., Ltd.	250,428	26,934	250,428	26,097
Other receivables	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	193,722	18,831	188,873	9,444
Other receivables	Sichuan HangYe Industrial Co., Ltd.	159,750	–	100,050	–
Other receivables	Tianjin MCC Heyuan Real Estate Co., Ltd.	107,366	–	104,511	–
Other receivables	Mudanjiang MCC Real Estate Co., Ltd.	87,237	–	84,537	–
Other receivables	Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	83,411	2	83,920	2
Other receivables	Shanghai Yuepu South Concrete Co., Ltd.	81,841	38,961	81,841	31,667
Other receivables	Tianjin MCC Xinhua Real Estate Co., Ltd.	64,003	5,155	43,591	3,784
Other receivables	MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	59,182	–	42,470	–
Other receivables	Tangshan Wanzhu 22nd Metallurgical Construction Technique Co., Ltd.	48,337	171	56,484	–
Other receivables	Inner Mongolia Zhongye DeBang Real Estate Co., Ltd.	12,765	6,768	12,475	4,928
Other receivables	Tianjin Zhongji Equipment Manufacture Co., Ltd.	5,323	266	–	–
Other receivables	MCC Suzhou SUMA Construction Development Co., Ltd.	3,067	–	1,260	–
Other receivables	Shanghai United Automobile Road Construction Development Co., Ltd.	2,987	150	91,472	672
Other receivables	Beijing Zhongye HengSheng Real Estate Co., Ltd.	514	–	67	–

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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	Maanshan MCC Economic Development Company Ltd.	219	-	-	-
Other receivables	Shanghai Zhihu Real Estate Co., Ltd.	65	-	-	-
Other receivables	Beijing Xinghua Zhiben Investment Co., Ltd.	-	-	48,843	-
Other receivables	Beijing Times Antai Real Estate Co., Ltd.	-	-	45,668	-
Total		3,834,966	97,319	3,458,413	116,816
Prepayments	CERI Yingkou Equipment Technology Co., Ltd.	217,882	-	217,711	-
Prepayments	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	30,158	-	27,125	-
Prepayments	Tianjin SERI Machinery Equipment Corporation Ltd.	102	-	102	-
Total		248,142	-	244,938	-
Dividends receivable	Tianjin Tuanbo Urban Development Co., Ltd.	18,000	-	-	-
Dividends receivable	Tianjin MCC Heyuan Real Estate Co., Ltd.	17,097	-	17,097	-
Dividends receivable	Wuhan Zhonghe Engineering Technique Co., Ltd.	720	-	720	-
Total		35,817	-	17,817	-
Non-current assets due within one year	CERI Yingkou Equipment Technology Co., Ltd.	819,366	-	791,509	-
Total		819,366	-	791,509	-

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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.	18,986	18,599
Accounts Payable	Beijing Dongxing Metallurgical New-Tech & Development Corp.	14,144	–
Accounts payable	Tianjin SERI Machinery Equipment Corporation Ltd.	12,926	12,926
Accounts payable	Shanghai Yuepu South Concrete Co., Ltd.	11,665	12,639
Accounts payable	Handan Equipment Leasing Co., Ltd.	5,577	5,626
Accounts payable	Tianjin Zhongji Equipment Manufacture Co., Ltd.	5,239	5,089
Accounts payable	Shahe Huagang Leasing Co., Ltd.	2,531	2,961
Accounts payable	Handan Huaye Property Services Co., Ltd.	1,712	1,561
Accounts payable	Handan Huaye New Type Building Material Co., Ltd.	882	1,039
Accounts payable	Wuhan Zhonghe Engineering Technique Co., Ltd.	842	765
Accounts payable	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	37	37
Accounts payable	Shanghai Tongji Baoye Construction Robot Co., Ltd.	–	760
Total		74,541	62,002
Other payables	MCC Huludao Nonferrous Metals Group Co., Ltd.	368,471	368,471
Other payables	Tianjin MCC Heyuan Real Estate Co., Ltd.	136,610	196,810
Other payables	China Metallurgical Group Corporation	121,246	117,380
Other payables	Shanghai Zhong Ye Xiangteng Investment Company Ltd.	117,292	117,292
Other payables	Beijing Dongxing Metallurgical New-Tech & Development Corp.	46,606	59,436
Other payables	Shanghai MCC Xiangqi Investment Co., Ltd.	20,853	20,853
Other payables	Chengdu MCC 5 Rongshen Real Estate Development Co., Ltd.	5,891	5,891
Other payables	CERI Yingkou Equipment Technology Co., Ltd.	3,190	3,190
Other payables	Handan Huaye property services Co., Ltd.	2,169	2,226
Other payables	Maanshan MCC Economic Development Company Ltd.	900	900
Other payables	Handan Huaye New Type Building Material Co., Ltd.	848	234
Other payables	MCC Asset Management Co., Ltd.	367	367
Other payables	MCC Suzhou SUMA Construction Development Co., Ltd.	175	50,175
Other payables	Shahe Huagang Leasing Co., Ltd.	123	68

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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	Beijing Tiancheng GUYUN Property Management Co., Ltd.	10	5
Other payables	Beijing Xinghua Zhiben Investment Co., Ltd.	–	5,000
Total		824,751	948,298
Receipts in advance	Tianjin Tuanbo Urban Development Co., Ltd.	16,500	15,500
Receipts in advance	CERI Yingkou Equipment Technology Co., Ltd.	12,741	15,689
Receipts in advance	Handan Huaye property services Co., Ltd.	1,800	1,800
Receipts in advance	Tianjin MCC Heyuan Real Estate Co., Ltd.	243	243
Receipts in advance	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	72	72
Total		31,356	33,304
Dividends payable	China Metallurgical Group Corporation	613,255	–
Dividends payable	Beijing China Metallurgical Construction Taxi Company	7	7
Total		613,262	7
Non-current liabilities due in one year	China Metallurgical Group Corporation	78,980	–
Total		78,980	–
Long-term payable	China Metallurgical Group Corporation	300,000	378,980
Total		300,000	378,980

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XII RELATED PARTIES AND TRANSACTIONS (Continued)

7. Commitments with related parties

At the balance sheet date, the Group had the following commitments with related parties:

Lease:

All amounts in RMB'000

Items	Related parties	Closing balance	Opening balance
Leases from	China Metallurgical Group Corporation	16,242	18,170
	Beijing Dongxing Metallurgical		
Leases from	New-Tech & Development Corp.	6,227	5,097
Total		22,469	23,267

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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	25,076,904	25,047,770
Intangible assets	4,410,019	4,453,130
Total	29,486,923	29,500,900

(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	27,575	25,767
1 to 2 years	5,896	5,903
2 to 3 years	3,454	4,972
Over 3 years	32,151	33,137
Total	69,076	69,779

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XIII COMMITMENTS AND CONTINGENCIES (Continued)

2. Contingencies

(1) Significant contingencies at the balance sheet date

(a) Pending litigation or arbitration

As at 30 June 2015, objects of pending litigation or arbitration in which the Group acts as defendant were amounting to RMB1,179,584,000.

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 30 June 2015, management has made provision for pending lawsuits of RMB14,874,000, details of which are set out in Note VII42.

(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	507,690
China Huaye Group Co., Ltd.	Handan Iron and Steel Group Co., Ltd.	Guarantee	Joint Liability	Borrowing guarantees	28,761
China 22 MCC Group Co., Ltd.	Hebei Steel Luan County Sijaying Iron Ore Co., Ltd.	Guarantee	Joint Liability	Borrowing guarantees	20,580
Mortgage guarantees (Note)					3,529,221

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 Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XIII COMMITMENTS AND CONTINGENCIES *(Continued)*

2. Contingencies *(Continued)*

(1) Significant contingencies at the balance sheet date *(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

As of the approval date of these financial statements, no significant events took place subsequent to 30 June 2015.

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 Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XV OTHER SIGNIFICANT ITEMS (Continued)

1. Segment information (Continued)

(2) Summarized financial information of reporting segment

(a) Segment information for the period ended 30 June 2015 and as at 30 June 2015:

All amounts in RMB'000

Items	Engineering	Property	Equipment	Resources	Others	Unallocated	Elimination	Total
	and construction	development	manufacturing	development		amounts	between segments	
Operating revenue	85,377,452	9,986,562	3,823,682	1,282,808	1,365,419	-	1,144,372	100,691,551
Including: Revenue from external customers	84,616,213	9,957,479	3,730,625	1,266,535	1,120,699	-	-	100,691,551
Revenue from inter-segments	761,239	29,083	93,057	16,273	244,720	-	1,144,372	-
Operating costs	74,946,935	7,776,339	3,288,824	1,400,015	1,198,448	-	1,016,902	87,593,659
Including: External costs	74,297,035	7,754,683	3,195,767	1,378,886	967,288	-	-	87,593,659
Costs between segments	649,900	21,656	93,057	21,129	231,160	-	1,016,902	-
Operating profit/(loss)	2,828,953	1,164,472	(28,273)	(850,981)	168,091	(61,463)	93,564	3,127,235
Including: Interest income	336,308	58,315	32,561	14,160	512,406	-	331,223	622,527
Interest expense	1,239,106	130,921	112,125	306,944	424,084	-	331,223	1,881,957
Investment income/(loss) from associates and joint ventures	(94,779)	153,669	-	-	17	-	-	58,907
Non-operating income	215,995	82,800	117,108	3,534	2,793	-	-	422,230
Non-operating expenses	27,743	7,219	8,862	974	527	-	-	45,325
Total profit/(loss)	3,017,205	1,240,053	79,973	(848,421)	170,357	(61,463)	93,564	3,504,140
Income tax expense	613,073	338,543	45,572	(313)	46,448	-	-	1,043,323
Net profit/(loss)	2,404,132	901,510	34,401	(848,108)	123,909	(61,463)	93,564	2,460,817
Assets	216,112,503	98,221,814	18,243,800	20,759,009	37,215,252	3,424,298	56,455,612	337,521,064
Including: Long-term equity investments in associates and joint ventures	3,137,848	721,357	-	-	63,691	-	-	3,922,896
Non-current assets	25,855,726	3,005,104	5,465,129	15,588,811	12,821,198	-	7,698,695	55,037,273
Liabilities	196,774,347	76,761,125	11,291,694	19,963,236	29,234,725	450,450	61,447,003	273,028,574
Depreciation and amortization expenses	761,682	36,477	178,027	451,322	51,905	-	-	1,479,413
Assets impairment losses	990,403	(6,227)	27,170	45,367	1,580	-	-	1,058,293
Increase in other non-current assets other than long-term equity investments	1,034,487	99,210	134,371	128,611	7,662	-	-	1,404,341

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XV OTHER SIGNIFICANT ITEMS (Continued)

1. Segment information (Continued)

(2) Summarized financial information of reporting segment (Continued)

(b) Segment information for the period ended 30 June 2014 and as at 31 December 2014:

All amounts in RMB'000

Items	Engineering	Property	Equipment	Resources	Others	Unallocated	Elimination	Total
	and construction	development	manufacturing	development		amounts	between segments	
Operating revenue	80,747,409	9,283,858	4,215,599	1,940,565	1,469,568	-	1,490,447	96,166,552
Including: Revenue from external customers	79,908,341	9,230,985	3,844,317	1,848,007	1,334,902	-	-	96,166,552
Revenue from inter-segments	839,068	52,873	371,282	92,558	134,666	-	1,490,447	-
Operating costs	71,236,504	7,765,225	3,764,508	1,657,874	1,356,161	-	1,483,403	84,296,869
Including: External costs	70,370,850	7,703,375	3,420,885	1,583,083	1,218,676	-	-	84,296,869
Costs between segments	865,654	61,850	343,623	74,791	137,485	-	1,483,403	-
Operating profit/(loss)	2,244,439	1,210,385	(191,988)	(577,824)	117,265	(74,672)	6,478	2,721,127
Including: Interest income	549,794	70,932	44,285	(155,685)	317,624	-	250,601	576,349
Interest expense	1,753,321	98,516	104,790	126,562	273,167	-	250,601	2,105,755
Investment income/(loss) from associates and joint ventures	(21,592)	(5,895)	(97,136)	-	381	-	-	(124,242)
Non-operating income	231,480	247,942	55,375	22,754	3,626	-	-	561,177
Non-operating expenses	91,930	1,957	3,687	6,812	305	-	-	104,691
Total profit/(loss)	2,383,989	1,456,370	(140,300)	(561,882)	120,586	(74,672)	6,478	3,177,613
Income tax expense	754,753	402,827	35,868	(9,841)	32,500	-	-	1,216,107
Net profit/(loss)	1,629,236	1,053,543	(176,168)	(552,041)	88,086	(74,672)	6,478	1,961,506
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	761,943	32,734	185,227	489,620	38,522	-	-	1,508,046
Assets impairment losses	897,154	(3,664)	25,784	233,074	(58,322)	-	-	1,094,026
Increase in other non-current assets other than long-term equity investments	752,653	122,475	39,630	355,521	38,470	-	-	1,308,749

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 period	Amount recognized in the prior period
Engineering and construction	84,616,213	79,908,341
Property development	9,957,479	9,230,985
Equipment manufacturing	3,730,625	3,844,317
Resources development	1,266,535	1,848,007
Others	1,120,699	1,334,902
Total	100,691,551	96,166,552

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

All amounts in RMB'000

Operating revenue	Amount recognized in the current period	Amount recognized in the prior period
China	95,860,142	88,189,598
Other countries/regions	4,831,409	7,976,954
Total	100,691,551	96,166,552

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XV OTHER SIGNIFICANT ITEMS (Continued)

1. Segment information (Continued)

(3) Other notes (Continued)

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

All amounts in RMB'000

Non-current assets	Closing balance	Opening balance
China	42,260,484	41,974,828
Other countries/regions	12,776,789	14,574,564
Total	55,037,273	56,549,392

- (c) The dependency on major customers

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

2. Net current assets and total assets less current liabilities

(1) Net current assets

All amounts in RMB'000

	Closing balance	Opening balance
Current assets	260,524,606	247,086,564
Less: Current liabilities	224,457,156	217,564,185
Net current assets	36,067,450	29,522,379

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XV OTHER SIGNIFICANT ITEMS (Continued)

2. Net current assets and total assets less current liabilities (Continued)

(2) Total assets less current liabilities

All amounts in RMB'000

	Closing balance	Opening balance
Total Assets	337,521,064	325,978,479
Less: Current liabilities	224,457,156	217,564,185
Total assets less current liabilities	113,063,908	108,414,294

3. Earnings per share

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

All amounts in RMB'000

	Amount for the current period	Amount for the prior period
Net profit for the current period attributable to shareholders of the Company	2,172,265	1,809,335
Including: Net profit from continuing operations	2,172,265	1,809,335
Less: Net profit belong to the perpetual bond holders	21,863	-
Net profit for the current period attributable to ordinary shareholders	2,150,402	1,809,335

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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

All amounts in thousand shares

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

- (3) Earnings per share

All amounts in RMB

	Amount for the current period	Amount for the prior period
Calculated based on net profit attributable to ordinary shareholders:		
Basic earnings per share	0.11	0.09
Diluted earnings per share	Not applicable	Not applicable
Calculated based on net profit from continuing operations attributable to ordinary shareholders:		
Basic earnings per share	0.11	0.09
Diluted earnings per share	Not applicable	Not applicable
Calculated based on net profit from discontinued operations attributable to ordinary shareholders:		
Basic earnings per share	Not applicable	Not applicable
Diluted earnings per share	Not applicable	Not applicable

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) Aging analysis of accounts receivable

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	–	63,691
1 to 2 years	49,925	51,774
2 to 3 years	22,940	34,127
3 to 4 years	45,404	87,239
4 to 5 years	107,328	65,604
Over 5 years	224,251	211,334
Total	449,848	513,769

(2) Accounts receivable disclosed by category

All amounts in RMB'000

Category	Closing balance					Opening balance				
	Book value		Provision for bad debts		Carrying amount	Book value		Provision for bad debts		Carrying amount
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Individually significant and subject to provision individually	–	–	–	–	–	–	–	–	–	–
Subject to provision by groups with credit risk	443,050	/	117,909	/	325,141	506,971	/	117,909	/	389,062
Group 1 (a)	118,382	26.32	117,909	99.60	473	118,382	23.04	117,909	99.60	473
Group 2	324,668	72.17	–	–	324,668	388,589	75.64	–	–	388,589
Accounts receivable which are individually insignificant but subject to provision individually	6,798	1.51	6,798	100.00	–	6,798	1.32	6,798	100.00	–
Total	449,848	/	124,707	/	325,141	513,769	/	124,707	/	389,062

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(2) Accounts receivable disclosed by category (Continued)

(a) In Group 1, aging analysis of accounts receivable which are subject to provision for bad debts

All amounts in RMB'000

Aging	Closing balance			Opening balance		
	Book value	Provision for bad debts	Proportion of provision (%)	Book value	Provision for bad debts	Proportion of provision (%)
Within 1 year	-	-	-	-	-	-
1 to 2 years	525	52	10.00	525	52	10.00
2 to 3 years	-	-	-	-	-	-
3 to 4 years	-	-	-	-	-	-
4 to 5 years	-	-	-	-	-	-
Over 5 years	117,857	117,857	100.00	117,857	117,857	100.00
Total	118,382	117,909	/	118,382	117,909	/

(3) There was no provision for bad debts, recovery and reversal of bad debts for the current period.

(4) There was no accounts receivable written off during the current period.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(5) The top 5 largest accounts receivable at the end of the period

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 period
Party 1	Subsidiary	259,920	57.78	–
Party 2	Third Parties	118,382	26.32	117,909
Party 3	Third Parties	46,454	10.33	–
Party 4	Subsidiary	18,294	4.06	–
Party 5	Third Parties	6,798	1.51	6,798
Total		449,848	100.00	124,707

(6) As at 30 June 2015, there was no accounts receivable derecognized due to the transfer of financial assets (as at 31 December 2014: nil).

2. Interest receivable

All amounts in RMB'000

Items	Closing balance	Opening balance
Subsidiaries of the Company	1,659,524	1,269,588
Less: Provision for bad debts	313,860	314,027
Total	1,345,664	955,561

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Dividends receivable

(1) Dividends receivable

All amounts in RMB'000

The name of investee	Closing balance	Opening balance
China 22 MCC Group Co., Ltd.	286,166	286,166
CISDI Group Co., Ltd.	236,656	236,656
MCC Finance Corporation Ltd.	232,181	232,181
MCC Hi-Tech Engineering Co., Ltd.	182,141	182,141
WISDRI Engineering & Research Incorporation Ltd.	93,069	93,069
Beris Group Corporation	92,167	92,167
China ENFI Engineering Co., Ltd.	60,076	60,076
China MCC 17 Group Co., Ltd.	55,983	55,983
Northern Engineering & Technology Corporation, MCC	13,876	13,876
MCC Overseas Ltd.	6,705	6,705
MCC-SFRE Heavy Industry Equipment Co., Ltd.	5,797	5,797
Total	1,264,817	1,264,817

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Dividends receivable (Continued)

(2) Dividends receivable aged over 1 year

All amounts in RMB'000

The name of investee	Closing balance	Aging	Reasons for not yet received	Impairment required
CISDI Group Co., Ltd.	236,656	1-2 year	Announced but not paid	No
MCC Finance Corporation Ltd.	232,181	1-2 year	Announced but not paid	No
China 22 MCC Group Co., Ltd.	136,376	1-2 year	Announced but not paid	No
MCC Hi-Tech Engineering Co., Ltd.	132,471	1-2 year	Announced but not paid	No
WISDRI Engineering & Research Incorporation Ltd.	93,069	1-2 year	Announced but not paid	No
Beris Group Corporation	69,567	1-2 year	Announced but not paid	No
Northern Engineering & Technology Corporation, MCC	13,876	1-2 year	Announced but not paid	No
China ENFI Engineering Co., Ltd.	8,026	1-2 year	Announced but not paid	No
MCC Overseas Ltd.	6,705	1-2 year	Announced but not paid	No
MCC-SFRE Heavy Industry Equipment Co., Ltd.	5,797	2-3 year	Announced but not paid	No
Total	934,724	/	/	/

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Other receivables

(1) Aging analysis of other receivables

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	23,217,150	18,347,429
1 to 2 years	3,846,512	4,006,292
2 to 3 years	4,031,216	4,033,985
3 to 4 years	3,808,514	5,505,921
4 to 5 years	304,171	305,423
Over 5 years	52,262	51,895
Total	35,259,825	32,250,945

(2) Other receivables disclosed by category

All amounts in RMB'000

Category	Closing balance					Opening balance				
	Book value		Provision for bad debts		Carrying amount	Book value		Provision for bad debts		Carrying amount
Amount	Ratio (%)	Amount	Ratio (%)	Amount		Ratio (%)	Amount	Ratio (%)		
Individually significant and subject to provision individually (a)	9,062,277	25.70	5,802,287	64.03	3,259,990	9,078,998	28.15	5,802,287	63.91	3,276,711
Subject to provision by groups with credit risk	26,145,653	/	-	/	26,145,653	23,120,052	/	-	/	23,120,052
Group 1	-	-	-	-	-	-	-	-	-	-
Group 2	26,145,653	74.15	-	-	26,145,653	23,120,052	71.69	-	-	23,120,052
Other receivables which are individually insignificant but subject to provision individually	51,895	0.15	51,895	100.00	-	51,895	0.16	51,895	100.00	-
Total	35,259,825	/	5,854,182	/	29,405,643	32,250,945	/	5,854,182	/	26,396,763

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Other receivables (Continued)

(2) Other receivables disclosed by category (Continued)

(a) At the end of the period, analysis of other receivables which are individually significant and subject to provision for bad debts individually

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.	6,754,368	3,719,055	55.06	(i)
MCC Australia Holding Pty Ltd.	2,307,909	2,083,232	90.26	(ii)
Total	9,062,277	5,802,287	/	/

(i) As at 30 June 2015, based on the estimated recoverable amount of the receivable from MCC Mining (Western Australia) Pty Ltd., the Company has not made any further provision for bad debt on receivable from MCC Mining (Western Australia) Pty Ltd. (for the period ended 30 June 2014: nil).

(ii) As at 30 June 2015, based on the estimated recoverable amount of the receivables from MCC Australia Holding Pty Ltd., the Company has not made provision for bad debt on the receivables from MCC Australia Holding Pty Ltd. (for the period ended 30 June 2014: RMB4,175,000).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Other receivables (Continued)

- (3) Provision for bad debts for the current period was nil. Recovery or reversal of bad debts for the current period was nil.
- (4) There were no other receivables written off during the current period.
- (5) Other receivables classified by nature

All amounts in RMB'000

Nature of other receivables	Closing book value	Opening book value
Subsidiaries of the Company	35,171,607	32,185,521
Guarantees and deposits	51,913	52,811
Others	36,305	12,613
Total	35,259,825	32,250,945

- (6) The top 5 largest other receivables at the end of the period

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 period
Party 1	Subsidiaries	Others Others/Advance	18,075,712	Within 4 years	51.26	-
Party 2	Subsidiaries	Money	6,754,368	Within 3 years	19.15	3,719,055
Party 3	Subsidiaries	Others	2,403,965	Within 2 years	6.82	-
Party 4	Subsidiaries	Others	2,307,909	Within 4 years	6.55	2,083,232
Party 5	Subsidiaries	Others	855,870	Within 5 years	2.43	-
Total	/	/	30,397,824	/	86.21	5,802,287

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

5. Long-term receivables

All amounts in RMB'000

Items	Closing balance			Opening balance			
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount	Discount rate interval
Receivables from related parties and third parties	10,783,354	140,979	10,642,375	11,494,098	150,522	11,343,576	/
Others	2,037	-	2,037	10,040	-	10,040	/
Total	10,785,391	140,979	10,644,412	11,504,138	150,522	11,353,616	/
Less: Long term receivables due within one year	6,022,038	-	6,022,038	6,780,040	-	6,780,040	/
Long term receivables due after one year	4,763,353	140,979	4,622,374	4,724,098	150,522	4,573,576	/

As at 30 June 2015, due to exchange realignment, the carrying amount of long-term receivable from MCC Mining (Western Australia) Pty Ltd. and the provision for bad debt decreased by RMB9,543,000 (as at 31 December 2014: decreased by RMB12,381,000).

6. Long-term equity 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
Subsidiaries	73,373,688	175,034	73,198,654	72,724,372	175,034	72,549,338
Joint ventures and associates	563,146	113,146	450,000	113,146	113,146	-
Total	73,936,834	288,180	73,648,654	72,837,518	288,180	72,549,338

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

6. 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 period	Impairment provision at the end of the period
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	15,000	-	82,058	-	-
MCC Overseas Ltd.	146,518	329,125	-	475,643	-	-
MCC Communication Engineering Technology Co., Ltd.	2,677,711	-	-	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.	3,462,899	-	-	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.	3,914,517	-	-	3,914,517	-	-
China 13th Metallurgical Construction Corporation	372,399	-	-	372,399	-	-
MCC TianGong Group Co., Ltd.	2,015,650	-	-	2,015,650	-	-
China 22 MCC Group Co., Ltd.	3,407,199	-	-	3,407,199	-	-
Beris Group Corporation	774,227	-	-	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	2,103,939	-	-	2,103,939	-	-
MCC Hi-Tech Engineering Co., Ltd.	916,644	-	-	916,644	-	-
China Huaye Group Co., Ltd.	2,257,137	-	-	2,257,137	-	-
Beijing MCC Equipment Research & Design Corporation Ltd.	473,303	-	-	473,303	-	-

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

6. Long-term equity investments (Continued)

(1) Subsidiary (Continued)

All amounts in RMB'000

Company name	Opening balance	Increase	Decrease	Closing balance	Provision for impairment losses for the current period	Impairment provision at the end of the period
CISDI Group Co., Ltd.	4,368,886	-	-	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	-	-
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.	824,010	-	-	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
MCC Australia Holding Pty Ltd.	-	-	-	-	-	48,227
MCC Finance Leasing Co., Ltd.	127,500	-	-	127,500	-	-
MCC Northeast Construction Development Co., Ltd.	-	305,191	-	305,191	-	-
Total	72,549,338	649,316	-	73,198,654	-	175,034

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

6. Long-term equity investments (Continued)

(2) Joint ventures and associates

All amounts in RMB'000

Name of joint ventures and associates	Movements during the current period									Closing balance	Impairment Provision at the end of the period
	Opening balance	Increasing investments	Decreasing investments	Share of (losses)/ profits	Other comprehensive income	Other equity movements	Declaration of cash dividends	Provision for impairment for the current period	Other		
MCC International Investment Development Co., Ltd	-	450,000	-	-	-	-	-	-	-	450,000	-
MCC Xiangxi Mining Industry Co., Ltd.	-	-	-	-	-	-	-	-	-	-	113,146
Total	-	450,000	-	-	-	-	-	-	-	450,000	113,146

In the reporting period, there are no significant restrictions on the ability of the long-term equity investment to declare dividends to its shareholders.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

7. Short-term borrowings

- (1) Categories of short-term borrowings

All amounts in RMB'000

Items	Closing balance	Opening balance
Credit loans:	7,284,626	8,378,860
RMB	7,000,000	7,769,855
USD	–	293,712
Other currency	284,626	315,293
Total	7,284,626	8,378,860

- (2) As the end of the period, there were no significant short-term borrowings overdue but not yet paid.
- (3) As at 30 June 2015, the weighted average interest rate of short-term borrowings was 4.85% per annum (as at 31 December 2014: 5.47% per annum).

8. Other payables

- (1) Other payables disclosed by nature

All amounts in RMB'000

Items	Closing balance	Opening balance
Subsidiaries	8,734,879	10,246,963
Other related parties	368,471	368,471
Others	108,872	82,214
Total	9,212,222	10,697,648

- (2) At the end of the period, the Company had no significant other payables aged over 1 year.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

9. Non-current liabilities due within one year

All amounts in RMB'000

Items	Closing balance	Opening balance
Long-term borrowings due within one year (Note XVI10)	4,341,548	2,399,520
Bonds payable due within one year (Note VII38)	4,751,030	4,722,403
Long-term employee benefits due within one year	2,580	2,580
Long-term payable within one year	78,980	–
Total	9,174,138	7,124,503

10. Long-term borrowings

All amounts in RMB'000

Items	Closing balance	Opening balance
Guaranteed loans (a):	210,000	240,000
RMB	210,000	240,000
Credit loans:	7,311,450	7,563,454
RMB	5,042,460	5,292,460
USD	2,268,990	2,270,994
Total	7,521,450	7,803,454
Less: Long-term borrowings due within one year (Note XVI9):	4,341,548	2,399,520
Including: Guaranteed loans	60,000	60,000
Credit loans	4,281,548	2,339,520
Long-term borrowings due over one year	3,179,902	5,403,934

(a) As at 30 June 2015, certain guaranteed loans of RMB210,000,000 (as at 31 December 2014: RMB240,000,000) were guaranteed by a subsidiary of the Company, MCC Finance Corporation Ltd.

(b) As at 30 June 2015, the weighted average interest rate of long-term loans were 5.11% per annum (as at 31 December 2014: 5.34% per annum).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

11. Operating revenue and operating costs

All amounts in RMB'000

Items	Amount for the current period		Amount for the prior period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Principal business	842,868	842,868	707,956	706,465
Other business	250,309	118,773	–	–
Total	1,093,177	961,641	707,956	706,465

(a) Classified by industries:

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Engineering and construction	842,868	707,956
Total	842,868	707,956

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

11. Operating revenue and operating costs (Continued)

(b) Classified by geographic locations

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Other countries/regions	842,868	707,956
Total	842,868	707,956

(c) Information of major customers from which revenue generated accounted for more than 10% of the total revenue

All amounts in RMB'000

	Operating revenue	As a percentage of total operating revenue of the Company
Party 1	842,868	77.10

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

12. Impairment losses on assets

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Provision for bad debts	(9,710)	28,901
Total	(9,710)	28,901

13. Investment Income

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Investment incomes under equity method	–	(40)
Total	–	(40)

There is no major restriction of investment income repatriation to the Company.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

14. 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 period	Amount for the prior period
1. Reconciliation of net profit to cash flows from operating activities:		
Net losses	(194,397)	(704,726)
Add: Provision for impairment losses of assets	(9,710)	28,901
Depreciation of fixed assets and amortization of investment properties	1,708	6,781
Amortization of intangible assets	1,320	1,427
Gains on disposal of fixed assets, intangible assets and other long-term assets	(173,484)	–
Losses on written-off of fixed assets	–	24
Financial expenses	319,642	611,776
Losses arising from investments	–	40
Increase in inventories	(501,773)	(101,721)
Decrease in receivables from operating activities	70,390	370,755
Increase (decrease) in payables from operating activities	551,454	(587)
Net cash flows from operating activities	65,150	212,670
2. Net changes in cash and cash equivalents:		
Closing balance of cash	2,984,996	4,229,278
Less: Opening balance of cash	7,025,950	6,494,604
Net decrease in cash and cash equivalents	(4,040,954)	(2,265,326)

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

14. 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	2,984,996	7,025,950
Including: Cash on hand	1,078	227
Bank deposits without restriction	2,983,918	7,025,723
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	2,984,996	7,025,950

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

XVII SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss

All amounts in RMB'000

Items	Amount for the current period
Profit or loss on disposal of non-current assets	9,669
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)	312,531
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	32,864
Other non-operating income or expenses other than the above items	54,705
Profit or loss on disposal of long-term equity investments	103,916
Impact on income tax	(95,229)
Impact on non-controlling interests	(29,777)
Total	388,679

For the current period, 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 period	Weighted average rate of return on net assets (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	4.44	0.11	Not applicable
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	3.64	0.09	Not applicable

Definitions and Glossary of Technical Terms

DEFINITIONS

2014 AGM	the 2014 annual general meeting of the Company held on 26 June 2015
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
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

Definitions and Glossary of Technical Terms

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)	the connected party/parties under A Share listing requirements and the connected person(s) under Listing Rules of H Shares
MCC Group, Parent	China Metallurgical Group Corporation
Renminbi or RMB	Renminbi, the lawful currency of the PRC
Reporting Period	from 1 January 2015 to 30 June 2015
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
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 as set out in Appendix 14 to the Hong Kong Listing Rules with 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 installments 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

* For identification purpose only



Address: No. 28 Shuguang Xili, Chaoyang District, Beijing, China
Website: www.mccchina.com
Tel: + 86 -10 - 5986 8666
Fax: + 86 -10 - 5986 8999
Postal Code: 100028
E-mail: ir@mccchina.com