

CHINA METALLURGICAL GROUP CORPORATION
Notes to the Consolidated Financial Statements
For the year ended 31 December 2013
(All amounts in RMB Ten Thousand Yuan unless otherwise stated)
[English translation for reference only]

1 General information

China Metallurgical Construction Group Corporation, the predecessor of China Metallurgical Group Corporation, was a wholly state-owned enterprise incorporated in Beijing in 1982. On 8 May 2006, China Metallurgical Construction Group Corporation was renamed as China Metallurgical Group Corporation. On 27 April 2009, upon the approval of the State-owned Assets Supervision and Administration Commission (hereafter referred to as "SASAC"), the Chinese name of China Metallurgical Group Corporation was renamed as China Metallurgical Construction Group Corporation (hereafter referred to as "the Company"). The Company's business license registration number is 100000000000942, its legal representative is Guo Wenqing, and its registered capital is RMB 853,855.59 ten thousand. The Company's registered office is at No. 28 Shuguang Xili, Chaoyang District, Beijing.

At December 31, 2013, the paid-in capital was as follow:

Investor	Subscribed Registered Capital	Percentage of Interest Held (%)
SASAC	853,855.59	100.00

The ultimate controlling party of the Company is SASAC. The management structure of the Company is board of directors.

The Company's organisation structure is led by its president and executive director under the direction of its Board of Directors. The Company has 6 subsidiaries comprises 4 wholly-owned subsidiaries, 2 partially-owned subsidiary.

The industries involved in the Company and its subsidiaries (hereinafter referred to as "the Group"): as an international comprehensive group of science, industry and trade, it engages in multiple specialties and industries, including EPC general contract project, resource development, paper industry, technical equipment manufacturing and real estate development, as well as their related services.

Business scope of the Group approved covers all kinds of EPC both domestic and overseas; various engineering technical advisory services and engineering equipment lease; new material, new process, technological development for new products, technical services, exchange of know-how and transfer of technology related to engineering construction; development, manufacture and marketing of the equipments required by metallurgical industry; real estate development and management; bidding agency; assuming engineering consultation, investigation, design and equipment lease of overseas' various industries and civil building; import and export business; sale, procurement service, consignment sale of mechanical and electric products, sedans, building materials, instruments and meters, as well as hardware and electrical equipments; architectural and electromechanical equipments installation and its related technical research, planning survey, design, supervision and service; development and sale of the raw material for papermaking and paper products; resource development, processing and utilization of metallic mineral products and the related services.

The Group's main operating segments are as follows: engineering and construction, equipment manufacturing, resources development and property development.

2 Summary of significant accounting policies and accounting estimates

(1) Basis of preparation

The Group has prepared its consolidated financial statements in accordance with the Basic Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standard for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter referred to as "the Accounting Standard for Business Enterprises" or "CAS").

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2 Summary of significant accounting policies and accounting estimates

(2) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Group for the year ended 31 December 2013 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Group as of 31 December 2013 and of its operating results, cash flows and other information for the year then ended.

(3) Accounting period

The Company's accounting year starts on 1 January and ends on 31 December.

(4) Recording currency

The recording currency of the Company and its domestic subsidiaries is Renminbi ("RMB"). Items included in the financial statements of its subsidiaries abroad are measured using the currency of the primary economic environment in which the entity operates. The financial statements are translated and presented in RMB. The currency used in the Company's financial statements is RMB.

(5) Business combinations

(a) Common control business combination

In a common control combination, assets and liabilities are transferred at book values. Any difference between the consideration given and the aggregate book value of the assets and liabilities acquired is included in equity to adjust capital reserve. Retained earnings should be adjusted when capital reserve is insufficient to offset. Acquisition related costs are expensed as incurred. Costs of issuing equity or debt for a business combination should be included in the initial recognition of equity or debt.

(b) Business combination other than common control combination

The acquisition method of accounting is used to account for business combinations other than common control combinations by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss. Acquisition related costs are expensed as incurred. Costs of issuing equity or debt for a business combination should be included in the initial recognition of equity or debt.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it together with the Company, come under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company. For subsidiaries acquired from a business combination involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant inter-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profits and losses for the period not attributable to Company are recognised as minority interests and presented separately in the consolidated financial statements within equity and net profits respectively.

In the consolidated financial statements, if the minority shareholders of subsidiary share a current loss larger than the beginning balance during the period, the remaining balance should be offset against the minority interest.

(7) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, call deposits with banks and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current year, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(8) Foreign currency transactions

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the owners' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the average exchange rates of the transaction period. The differences arising from the above translation are presented separately in the owners' equity. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(9) Financial instruments

(a) Financial assets

(i) Classification of financial assets

Financial assets should be classified into below categories when they are initially recognized: Financial assets at fair value through profit or loss, loans and receivables, financial assets available for sale and investments that are held to maturity. Classification of financial assets depends on the Group's intention and ability to hold the financial assets.

--Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for the purpose of selling in the short term. They are presented as financial assets held for trading on the balance sheet.

--Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

--Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories at initial recognition. Available-for-sale financial assets are included in other current assets on the balance sheet if management intends to dispose of them within 12 months of the balance sheet date.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(i) Classification of financial assets (Continued)

--Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that management has the positive intention and ability to hold to maturity. Held-to-maturity investments with maturities of over 12 months when the investments were made but are due within 12 months at the balance sheet date are included in the current portion of non-current assets; held-to maturity investments with maturities no more than 12 months when the investments were made are included in other current assets.

(ii) Recognition and measurement

Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current year. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initial recognition amounts.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value could not be reliably measured. Receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.

Gain or loss arising from change in the fair value of financial assets at fair value through profit or loss is recognised in profit or loss. Interests and cash dividends received during the year in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognised in profit or loss for the current year.

Gain or loss arising from change in fair value of available-for-sale financial assets is recognised directly in equity, except for impairment losses and foreign exchange gains and losses arising from translation of the monetary financial assets. When such financial assets are derecognised, the cumulative gain or loss previously recognised directly into equity is recycled into profit or loss for the current year. Interests on available-for-sale investments in debt instruments calculated using the effective interest method during the year in which such investments are held and cash dividends declared by the investee on available-for-sale investments in equity instruments are recognised as investment income, which is recognised in profit or loss for the year.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(iii) Impairment of financial assets

The Group assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, the Group should determine the amount of impairment loss.

The objective evidence indicating the impairment loss of financial asset refers to the matters which actually happen after the initial recognition of the financial asset, and has an influence on the expected future cash flow; furthermore, the reliable measurement could be conducted by the Group towards the influence.

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is measured at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

If there is objective evidence that an impairment loss occurred on an available-for-sale financial asset, the cumulative loss arising from the decline in fair value that had been recognised directly in equity is removed from equity and recognised as an impairment loss in profit or loss. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognised, if in a subsequent period, its fair value increases and the increase could be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the previously recognised impairment loss is reversed and recognised in profit or loss for the current year. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised in equity directly.

(iv) Cessation of financial assets

If a financial assets meets any of the following requirements, it should not be recognised: (1) If the contractual rights for collecting the cash flow of the said financial asset are terminated; (2) If the financial assets is transferred and the Group has transferred nearly all of the risks and rewards relating to the ownership of the financial assets to the transferee; (3) If the financial assets is transferred and the Group waive its control over the financial assets though it does not transfer or retain nearly all of the risks and rewards relating to the ownership of the financial assets.

If the recognition of a financial asset ceased, the difference between the carrying amount and the sum of the consideration received and any cumulative gains or losses that had been recognised directly in equity is included in the profit or loss.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(9) Financial instruments (Continued)

(b) Financial liabilities

Financial liabilities should be classified into the following categories when they are initially recognised: Financial liabilities at fair value through profit or loss and other financial liabilities. The Group's financial liabilities mainly comprise other financial liabilities such as loans and payables.

Payables comprise mainly accounts and other payables are initially recognised at fair values and subsequently measured at amortised cost using the effective interest method.

Loans are initially recognised at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities are classified as current liabilities except for those with maturities greater than 1 year after the balance sheet date are classified as non-current liabilities.

Financial liabilities are derecognised when it is extinguished, that is when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished and the consideration paid should be recognised in profit or loss.

(c) Fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted prices that are readily and regularly available in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique, including using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same with this instrument, and discounted cash flow analysis. When using valuation techniques to estimate fair value of a financial instrument, the Group makes maximum use of market inputs and rely as little as possible on entity-specific inputs.

(10) Receivables

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(10) Receivables (Continued)

(a) Individually significant receivables subject to separate impairment assessment

Receivables that are individually significant are subject to separate impairment assessment. If there is objective evidence that the Group will not be able to collect the full amount under the original terms, a provision for impairment of that receivable should be established.

For the above mentioned impairment assessment, management regards any receivable that is greater than RMB 100 million is individually significant.

For receivables that are individually significant are subject to separate impairment assessment, a provision for their impairment is established at the difference between their carrying amount and the present value of their estimated future cash flows.

(b) Receivables subject to impairment assessment by groups

Receivables that are not individually significant and those receivables that have been individually evaluated for impairment and have been found not impaired are combined into certain groups based on their credit risk characteristics. The provision for impairment losses are determined based on the historical loss experience for the groups of receivables with the similar credit risk characteristics and taking into consideration of the current circumstances.

Groups are determined as follows:

- Combination 1 According to the business nature, affirm credit risk characteristics
Combination 2 According to the business nature, affirm non-credit risk characteristics

Provision for the impairment assessment is determined as follows:

- Combination 1 Aging analysis
Combination 2 No provision for bad debts

For credit risk characteristics Combination 1, the provision of those receivables of credit risk characteristics should be based on their aging and determined by Aging analysis. Provision for impairment is as follows:

	Provision for impairment of receivables	Provision for impairment of other receivables
Within 1 year	5%	5%
1 to 2 years	10%	10%
2 to 3 years	30%	30%
3 to 4 years	50%	50%
4 to 5 year	80%	80%
Over 5 years	100%	100%

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2 Summary of significant accounting policies and accounting estimates (Continued)

(10) Receivables (Continued)

(c) Individually insignificant receivables subject to separate impairment assessment:

Reason for separate impairment assessment: there is objective evidence that the Group will not be able to collect the full amount under the original terms.

A provision for impairment is established at the difference between the carrying amount of receivables and the present value of their estimated future cash flows.

(d) When the Group transfers its accounts receivable to financial institutions without recourse, the difference between the carrying amounts of the accounts receivable and the proceeds received for the transfer should be recognised in profit or loss.

(11) Inventories

(a) Classification

Inventories include raw materials, work in progress, finished goods, consumable development costs, properties under development and construction contract-completed and unsettled. Inventories are presented at the lower of cost or net realisable value.

(b) Measurement method of inventories

Cost of inventories is determined using first-in, first-out method or weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour and an allocation of production overheads incurred based on normal operating capacity.

(c) The determination of inventories net realizable value of and withdrawing of Inventory revaluation reserve

The inventory revaluation reserve is withdrawn by the balance according to inventories cost higher than inventories net realizable value. The amount of inventories net realizable value is depended on estimated selling price minus the estimated cost until project completion, estimated selling expenses and related taxes and duties.

(d) The Group adopts the perpetual inventory system.

(e) Amortization of low cost consumables and packaging materials

Consumable items comprise low cost consumables and packaging materials that are sold by one-time write-off or sub-amortization according to the actual situation.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(11) Inventories

(f) Accounting policy of properties under development and development cost

Development cost and properties under development mainly include payments for the land transferring fees, basic facilities expenditure, construction and installation expenses, capitalised borrowing costs before development project completion and other expenses in the development process. development cost is recorded as actually occurred; expenses of public facilities approved by the related government authorities, such as roads, should be included in the development costs, and specified clearly by accounting objects and projects; costs of the land development is also included in the development costs.

(g) Construction contract-completed and unsettled

Construction contracts are presented at aggregate costs incurred and aggregate profits (or losses) recognised less settled payments and anticipated loss.

The excess of aggregate cost incurred and aggregate profits (or losses) over settled payments are presented as completed and unsettled. The excess of settled payments over aggregate costs incurred and aggregate profits (or losses) are presented as settled and uncompleted.

(12) Long-term equity investments

Long-term equity investments comprise investments in subsidiaries, joint ventures, associates, and other long-term investments where the Group does not have control, joint control or significant influence over the investees and which are not quoted in an active market and whose fair value could not be reliably measured.

Subsidiaries are the investees over which the Company is able to exercise control; Joint ventures are the investees over which the Group is able to exercise joint control together with other venturers. Associates are the investees that the Group has significant influence on their financial and operating policies.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted for preparing the consolidated financial statements using the equity method; Investments in joint ventures and associates are accounted for using the equity method; Other long-term equity investments, where the Group does not have control, joint control or significant influence over the investee and which are not quoted in an active market and whose fair value could not be reliably measured, are accounted for using the cost method.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(12) Long-term equity investments

(a)

For the long-term equity investment formed by business merger of the same control, the book value share of stockholders' equity acquired from the combined party on merger day should be treated as the investment cost; while for the long-term equity investment formed by business merger of non common control, the combined cost should be treated as the investment cost of the long-term equity investment.

The long-term equity investment acquired from the ways other than business merger: for the long-term equity investment acquired from cash payment, the purchase price actually paid should be treated as the initial investment cost; for the long-term equity investment acquired from the issue of equity securities, the fair value of the issued equity securities should be treated as the initial investment cost.

(b) Subsequent measurement

For long-term equity investments accounted for using the cost method, investment income is recognised in profit or loss for the cash dividends or profit distribution declared by the investees.

For the long-term equity investment calculated through equity method, the initial investment cost should be the long-term equity investment cost in the case that it is more than the fair value share of investee's net identifiable assets which should be enjoyed at the time of investment; while the balance should be included in current profits and loss and the long-term equity investment cost should be increased accordingly in the case that the initial investment cost is less than the fair value share of investee's net identifiable assets which should be enjoyed at the time of investment.

Under the equity method of accounting, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in owners' equity of the investee other than those arising from its net profit or loss, the Group records its proportionate share directly into capital surplus, provided that the Group's proportion of shareholding in the investee remains unchanged. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, and then based which the investment gain or losses are recognised. The loss on the intra-group transaction amongst the Group and its investees, of which the nature is asset impairment, is recognised in full, and the related unrealised loss is not eliminated.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(12) Long-term equity investments

(c) Basis of control over long-term equity investment

Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities. The existence and effect of potential voting rights, including that derived from the convertible bonds and warrants that are currently convertible or exercisable, is considered in determining whether the Group has control over the investee.

Jointly controlled operation means a certain economic activity collectively conducted with the other partners through the utilization of the Group's property and other economic resources (the economic activity does not form a separate accounting entity); in addition, the joint control should be carried out towards the economic activity according to the convention of the contract or agreement.

With regard to jointly controlled operation, the partner should confirm the relevant assets, liabilities, income and expense based on his share of jointly controlled assets, liabilities, income and expense stipulated in the contract. See the significant presentation of jointly controlled operation of the Group in Note 6(14) (d).

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.

(d) Impairment of long-term equity investment

An impairment loss is recognised in profit or loss for the amount by which the carrying amount of a long-term equity investment exceeds its recoverable amount (Note 2(19)). When an impairment event occurs and if the equity investment is not traded in an active market and does not have a readily available quoted prices, the Group measures the recoverable amount of the long-term equity investment based on its estimated discounted future cash flows. Once the above impairment loss is recognised, it should not be reversed for the value recovered in subsequent periods.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(13) Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of lease, and buildings under construction or development that are held for future lease, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property is included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and its cost could be reliably measured; otherwise, the expenditures are recognised in profit or loss in the year in which they are incurred.

The Group adopts the cost model for subsequent measurement of the investment properties. Buildings and land use rights are depreciated or amortised to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation (amortisation) rates of the investment properties are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation (amortisation) rate
Buildings	15-40years	3% to 5%	2.38% to 6.47%
Land use rights	40-70years	-	1.43% to 3.33%

When an investment property is transferred to an owner-occupied property, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment property at its carrying amount at the date of the transfer.

The estimated useful life, net residual value of the investment property and the depreciation (amortisation) method applied are reviewed and adjusted as appropriate at each year-end.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current year.

An impairment loss is recognised in profit or loss for the amount by which the carrying amount of investment properties exceeds its recoverable amount (Note 2(19).)

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2 Summary of significant accounting policies and accounting estimates (Continued)

(14) Fixed assets

Fixed assets recognition and initial measurement

(a) Fixed asset includes houses and buildings, machinery and equipment, motor vehicles and other equipment.

Fixed assets are recognised when it is probable that the associated economic benefits will flow to the Group and the related cost could be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition. During the restructuring of the company, the fixed assets invested by state-owned share holders are recognized using assessed value approved by state-owned assets administration department.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost could be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the year in which they are incurred.

(b) Fixed assets depreciation method

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	15-40year	3%to5%	2.38%to6.47%
Temporary buildings structure	3-5year	3%to5%	19.00%to32.33%
Machinery and equipment	3-14year	3%to5%	6.79%to32.33%
Motor vehicles	5-12year	3%to5%	7.92%to19.40%
others	5-12year	3%to5%	7.92%to19.40%

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at least at each year-end.

(c) An impairment loss is recognised in profit or loss for the amount by which the carrying amount of fixed assets exceeds its recoverable amount (Note 2(19)).

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2 Summary of significant accounting policies and accounting estimates (Continued)

(14) Fixed assets

(d) Recognition and measurement of finance lease

The finance lease is a lease that transfers substantially all the risks and rewards incidental to the ownership of an asset. A lessee usually should record the leased asset at an amount equal to the fair value of the leased asset or the present value of the minimum lease payments, whichever is lower, should recognise a long-term account payable at an amount equal to the amount of the minimum lease payments, and should treat the difference between the recorded amount of the leased asset and the long-term account payables as unrecognised finance charges. (Note 2(26)(b))

.In calculating the depreciation of a leased asset, the lessee should adopt a depreciation policy for leased assets consistent with that for depreciable assets which are owned by the lessee. If there is reasonable certainty that the lessee will obtain ownership of the leased asset when the lease term expires, the leased asset should be fully depreciated over its useful life. If there is no reasonable certainty that the lessee will obtain ownership of the leased asset at the expiry of the lease term, the leased asset should be fully depreciated over the lease term or its useful life, whichever is shorter.

(e) Recognition and measurement of finance lease (Continued)

Fixed assets are derecognized on disposal or when no future economic benefits are expected from its use or disposal. The disposal proceeds less the carrying value and taxes are included in profit or loss for the current year.

(15) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. When the cost of construction in progress exceeds the recoverable amount, the construction in progress should be impaired and adjusted to the recoverable amount (Note 2(19)).

(16) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time of acquisition and construction for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognised in profit or loss for the current year. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For specific borrowings that have been taken out for the acquisition or construction of qualifying assets, the amount of interest to be capitalised are the actual interest expense incurred on that borrowing for the period less any interest earned from depositing the unused borrowed funds in the banks or any investment income arising on the temporary investment of those funds.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(16) Borrowing costs(Continued)

For general borrowings that have been taken out for the acquisition or construction of qualifying assets, the amount of interest to be capitalised are determined by applying a capitalisation rate of general borrowings to the weighted average of the excess amounts of cumulative expenditures on the asset over the amounts of specific borrowings during the capitalisation period.

(17) Intangible assets

Intangible assets include land use rights, the mining right, the franchise use, software, patent and proprietary technology. etc., and measured at cost. During the restructuring of the company, the intangible assets invested by state-ownedshare holders are recognized using assessed value approved by state-owned assets administration department.

(a) Land use rights

Land use rights are amortised on the straight-line basis over their approved useful period of 40 to 70 years.

(b) Mining rights

Mining rights are amortised on the unit-of-production basis according to proved reserves.

(c) Concession assets

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

During a certain period after the completion of the construction, the assets are classified as financial assets if certain amount of money or other financial assets are receivable unconditionally from the authorizing authorities. Also, if the authorizing authorities should compensate the difference between the service charge and a certain limited amount, financial assets are also recognized at the same time when revenue is recognized.

If the contract provides that in a certain operating period after the completion of the construction, the company has the right to charge uncertain amount of service fees from customers, and this right does not constitute an unconditional right to collect cash, intangible assets are also recognized at the same time when revenue is recognized.

If the intangible assets mode is applicable, the Group will classify non-current assets related to this concession arrangement as concession assets within intangible assets classification in the consolidated balance sheets. Once the underlying infrastructure of the concession arrangements has been completed, the concession assets will be amortised over the term of the concession period on the straight-line basis or the traffic flow method.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(17) Intangible assets (Continued)

(c) Intangible assets (Continued)

If the financial assets mode is applicable, the Group will classify assets related to this concession arrangement as financial assets in the consolidated balance sheets. Once the underlying infrastructure of the concession arrangements has been completed, interest and losses should be recognized during the concession period using actual interest rate method.

(d) Software

Software are amortised on the straight-line basis over their estimated useful period of 3 to 5 years.

(e) Patents

Patents are amortised on a straight-line basis over the patent protection period of 5 to 20 years as stated in contracts.

(f) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review and adjustment on its useful life and amortisation method are performed at each year-end.

(g) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities could form an intangible asset at end of the project.

Expenditure on the research phase is recognised in profit or loss in the year in which it is incurred. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset, and use or sell it;
- it could be demonstrated how the intangible asset will generate economic benefits;
- 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 could be reliably measured.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the year in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in subsequent year. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(17) Intangible assets (Continued)

(h) Impairment of intangible assets

In the case that the recoverable amount of the intangible assets is less than its book value, the book value should be written down to the recoverable amount (Note 2 (19)).

(18) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets under operating leases, and other expenditures that have been made but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(19) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that an asset may be impaired at the balance date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or group of asset groups, including the goodwill allocated, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset groups or groups of asset groups in proportion to the carrying amounts of other assets.

Once the above impairment of assets is recognized, it is not allowed to be reserved even if the value could be recovered in subsequent period.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(20) Employee compensation

Employee compensation refers to the various remuneration or compensation provided by the Group to obtain services or sever labor relation, including salary, bonus, allowance and subsidy, welfare expense of employee, social insurance charge and housing funds, labor union expenditure and personnel education fund, etc.

(a) Short-term compensation

During the accounting period that the employees provide service, the actual short-term compensation will be confirmed as liabilities by the Group, and will be included in current profit and loss or relevant asset cost.

(b) Basic endowment insurance

All the employees of the Group are involved and have the right to enjoy the retirement pension plan in which the defined contribution is provided by the local government. According to a certain percentage of the total wages, the Group will extract the endowment insurance within the scope of upper limit to pay to the local labor and social protection institution.

(c) Dismissal welfare and early retirement welfare

The dismissal welfare and employee retirement plan should be determined during the period that the Group stipulates termination of employment terms with relevant employees, or after the specific terms are notified to the employees. The dismissal welfare will be recognized by the Group when the following promises have been made: (i) when the labor relation or layoff proposal could not be unilateral withdrawn by the Group and (ii) conformation of the cost related to the recombination of payment of dismissal welfare, and confirming which one is earlier, the liabilities arising from compensation caused by the termination of labor relation, all of which should be included in current profit and loss. In the condition of encouraging voluntary severance, the dismissal welfare should be determined based on the expected number of employees who will accept the proposal. The specific terms for termination and early retirement varies with the position of employees, length of service, regions and other reasons.

The Group will provide early retirement welfare for the employees who accept the early retirement arrangement. The early retirement welfare refers to the wage and social insurance charges paid to the employees who haven't reached the retirement age prescribed by the State, that voluntarily leave the position after the approval of the Group's management. The Group will pay early retirement welfare to the early retired employees from the beginning of early retirement arrangement to the date on which the employee reaches the retirement age prescribed by the State. Accounting treatment will be handled towards early retirement welfare by the Group based on the dismissal welfare. When the conformation criteria related to dismissal welfare has been satisfied, the early retirement welfare that is planned to pay during the period from the cease of service to normal retirement will be treated as the liabilities and included in current profit and loss.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(20) Employee compensation (Continued)

(d) Supplementary retirement welfare

The Group will provide supplementary retirement allowance, and such allowance is regarded as defined benefit plans. Adjust the liabilities confirmed by such defined benefit plans on balance sheet date, including the current value of defined benefit liability on balance sheet date, remeasured and previous service cost. The defined benefit liability will be calculated by the independent and qualified actuary annually in the way of unit credit method.

The current value of defined benefit liability will be determined based on the the interest rate for government bonds related to retirement allowance and the discount of the estimated future cash outflow. If the actuarial profit and loss, as well as assumptive changes before 2013, which are caused by the adjustment of the Group according to experience, is more than 10% of the defined benefit liability, the confirmation should be made in current profit statement. According to *No. 9 Accounting Standards for Business Enterprises-Employee Compensation* revised in 2014, all the actuarial profits and losses of the Group have been confirmed and included in the comprehensive income as described in Note 2 (1); meanwhile, the retroactive adjustment is carried out towards comparative figures (Note 2 (30)). The previous service cost is confirmed in current profit statement.

Some of the fellow subsidiaries will provide post retirement medical benefit for the retired employees. The cost of such welfare will be calculated through the same accounting policy with defined benefit plans.

Besides the compensation due to the termination of labor relation, the payable employee compensation should be confirmed during the period of service provision, and it should be included in relevant asset cost and expense in accordance with the beneficiaries.

(21) Dividend distribution

Cash dividend will be recognized as liabilities in the current period approved by stockholders' meeting.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(22) Provisions

Provisions for product warranties, onerous contracts etc. are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation could be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(23) Revenue recognition

Revenue is recognised when the economic benefits associated with the transaction will flow to the Group, the related revenue could be reliably measured, and the specific revenue recognition criteria have been met for each type of the Group's activities as described below:

(a) Sale of goods

Revenue from the sale of goods should be recognized only when all of the following criteria have been met:

- The Group has transferred to the buyer the significant risks and rewards of ownership relevant to the goods in questions;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The relevant amount of revenue could be measured reliably;
- It is highly probable that the economic benefits related to the transaction will flow into the Group;
- And the relevant costs incurred or to be incurred could be measured reliably.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(23) Revenue recognition (Continued)

(b) Construction contracts

- (i) If the outcome of a construction contract could be reliably estimated on the balance sheet date, the contract revenue and contract costs should be recognized using the percentage of completion method. The term "percentage of completion method" refers to a method by which the contractor recognizes its revenues and costs in proportion to the stage of completion of the contracted project. The stage of completion of the contracted project is determined by proportion of the aggregate cost incurred to the estimated contract cost.

The outcome of a fixed price contract could be estimated reliably when all of the following conditions are concurrently met:

- The total contract revenue could be measured reliably;
- It is highly probable that the economic benefits related to the contract will flow into the Group;
- The relevant costs incurred could be identified clearly and measured reliably; and
- Both the stage of completion and costs necessary to complete the contract could be measured reliably.

The outcome of a cost plus contract could be reliably estimated when the following conditions are concurrently met:

- It is highly probable that the economic benefits related to the contract will flow into the Group;
- The relevant costs incurred could be identified clearly and measured reliably.

On the balance sheet date, the contract revenue for the current year should be recognized on the basis of the total contract revenues multiplied by the percentage of completion less the total contract revenue recognized in previous years. Similarly, the contract expenses for the current year should be recognized on the basis of the total estimated contract costs multiplied by the percentage of completion less the total contract expenses recognized in previous years. Revenue resulting from variations to the contract, claims, and incentive payments are recognised when accepted by the other party.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(23) Revenue recognition (Continued)

(b) Construction contracts (Continued)

(ii) When the outcome of a construction contract could not be estimated reliably, the Group should:

- Where contract costs could be recovered, the contract revenue should be recognized only to the extent that contract costs incurred are expected to be recovered, with the contract costs recognized as expenses in the year in which they are incurred;
- Where contract costs could not be recovered, these costs should be recognized as expenses promptly when incurred and no contract revenue may be recognized.

(iii) If the contract is likely more than the total cost of the contract revenue, the expected losses immediately recognized as expenses.

See Note 5 (9) (c) for the disclosure of several construction contracts of the Group.

(c) Rendering of services

(i) If the outcome of a construction contract could be reliably estimated on the balance sheet date, the contract revenue and contract costs should be recognized using the percentage of completion method. The term "percentage of completion method" refers to a method by which the contractor recognizes its revenues and costs in proportion to the stage of completion of the contracted project. The stage of completion of the contracted project is determined by proportion of the aggregate cost incurred to the estimated contract cost.

Revenue from the rendering of services should be recognized only when all of the following criteria have been met:

- The total contract revenue could be measured reliably;
- It is highly probable that the economic benefits related to the contract will flow into the Group;
- The relevant costs incurred could be identified clearly and measured reliably; and
- Both the stage of completion and costs necessary to complete the contract could be measured reliably.

(ii) When the outcome of rendering of services could not be estimated reliably, the Group should:

- Where rendering costs could be recovered, the rendering revenue should be recognized only to the extent that rendering costs incurred are expected to be recovered, with the rendering costs recognized as expenses in the year in which they are incurred;
- Where rendering costs could not be recovered, these costs should be recognized as expenses promptly when incurred and no rendering revenue may be recognized.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(23) Revenue recognition (Continued)

(d) Transfer of asset use rights

Revenue from transfer of asset use rights comprises mainly interest income, royalty income and income from operating lease. These should be recognized only when all of the following criteria have been met:

- It is highly probable that the economic benefits related to the transaction will flow into the Group;
- The relevant amount of revenue could be measured reliably.

Interest income is recognised on a time-proportion basis using the effective interest method.

Royalty income is recognized based on the terms and conditions of the contract or agreement.

Income from an operating lease is recognised on a straight-line basis over the period of the lease.

(e) Mining

Revenue from mining is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership relevant to the goods and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

(f) Sales of properties

Revenue from sales of properties where buyers have little or no influence on the design of the properties is recognised when the risks and rewards are transferred to the buyers, which occurs when the construction of the properties have been completed and the properties have been delivered to the buyers pursuant to a sales agreement, and the Group retains neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the properties sold.

(g) Construction-business-transfer ("BOT") business related income confirmation

Revenues and expenses during construction period are recognized in accordance with the construction contract. After the completion of the project, follow-up revenues are recognized in accordance with the general principals.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(24) Government grants

Government grants are assistance by government in the form of transfers of monetary or non-monetary assets. They include tax rebates and financial subsidies.

Government grants should be recognised when there is reasonable assurance that the Group will comply with the conditions attached to the grants and the grants will be received. Monetary grants are measured at the amount received or receivable from the Government. Non-monetary grants are measured at fair value.

Government grants related to assets are initially recognised as deferred income and subsequently amortised as income on a systematic and rational basis over the useful life of the asset.

Government grants related to income are government grants other than those related to assets. These grants are initially recognised as deferred income and subsequently amortised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. A government grant that becomes receivable as compensation for expenses or losses already incurred should be recognised as income immediately.

(25) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that could be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits could be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, joint ventures and associates, 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. When it is probable that the temporary differences arising from investments in subsidiaries, joint ventures and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences could be utilised, the corresponding deferred tax assets are recognised.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(25) Deferred tax assets and deferred tax liabilities(Continued)

Deferred tax assets and liabilities are offset when:

- The deferred taxes are related to the same tax payer within the Group and the same taxation authority; and,
- That tax payer has a legally enforceable right to offset current tax assets against current tax liabilities.

(26) Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

(a) Operating leases

Lease payments are recognised on a straight-line basis over the period of the lease when the Group is a lessee, and are either capitalised as part of the cost of related assets, or charged as an expense for the current year.

(b) Finance leases

The leased asset is recorded at the amounts 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 amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge and is amortised using the effective interest method over the period of the lease. A long-term payable is recorded at the amount equal to the minimum lease payments less the unrecognised finance charge.

(27) Held for sale and discontinued operation

A component is classified as held for sale when all of the following conditions are satisfied: (1) the Group has made a resolution on disposal of this component; (2) the Group has entered into an irrevocable agreement with the transferee to transfer the component; and (3) the transfer will be completed within one year.

Assets that are held for sale (exclude financial assets and deferred tax assets) are presented in other current assets at the lower of the carrying amount and the fair value less costs to sell. An excess of the carrying amount over the fair value less costs to sell is accounted for as an impairment loss.

Discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and could be distinguished from other components within the Group in business operation and in preparation of financial statements.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(28) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

(29) Safety production costs

The group will recognize safety production cost according to the stipulations of "assignment of enterprise safety production costs extraction and use management method" and "enterprise safety production extraction and use management method" by Treasury Department and State Administration of Production Safety Supervision and Management (Caiqi [2012] NO.16).

When the group recognizes safety production costs, it should be included in the expense section or current profits and losses of relevant products, and corresponding special stored fund is added. When group uses the accrued safety production cost, expenditure could direct offset special stored fund. If the cost will be capitalized, it should be aggregated in construction in progress at first, and transfer to fixed asset when the project is finished. The cost should offset special stored fund and accumulated depreciation cost will be recognized at the same amount. No more depreciation expense will be recognized in the future.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(30) Important accounting estimate and judgement

Based on historical experience and other factors, including the rational expectations of future matters, the Group will continuously evaluate the significant accounting estimates and critical judgment.

The following important accounting estimates and critical assumption will lead to a risk of major adjustment in book value of assets and liabilities of the next year:

(a) Construction contract

The revenues of each contract will be recognized on the basis of the "percentage-of-completion method" (contract cost should be estimated by management). If the result of construction contract could not be reliably estimated, the revenues of the contract will be recognized according to the retrieved actual contract cost and recognize contract expense as occurred, when contract cost could be retrieved; recognize the cost as contract expense as occurred when contract cost could not be retrieved. If the cost of contract is likely to be greater than total contract revenue, expected loss should be immediately recognized, and full amount of impairment loss is recognized. Because of special business nature of construction contract, contract date and completion date usually belong to different accounting period. During implementing the contract, the group's management will regularly review budgetary contractual revenue, budgetary contract cost, percentage of completion and corresponding cost incurred for contract. The numbers should be changed if situation changes. This amendment may lead to the increase or decrease in revenues and costs and will be reflected in the income statement during the construction period.

(b) Estimated useful life and net residual value of fixed assets

The Group's management determines the residual value, useful lives and related depreciation charges for its fixed assets based on the historical experience of the actual residual value and useful lives of fixed assets of similar nature and functions. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. The fixed assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(30) Important accounting estimate and judgement(Continued)

(c) Impairment of assets

At each balance sheet date, the Group will assess whether there is any indication that the assets are impaired. The recoverable amount of the Group's assets were determined by the higher of net value of fair value minus disposal costs and the present value of the expected future cash flow from the assets.

At each balance sheet date, the Group will assess whether there is any indication that the assets are impaired. The recoverable amount of the Group's assets were determined by the higher of net value of fair value minus disposal costs and the present value of the expected future cash flow from the assets. The impairment test is conducted in the current year by the Group towards the assets which have signs of impairment. It is estimated that the discount rate applied by the current value of future cash flow is 12.55%-22.31% of pre-tax discount rate. According to the estimated recoverable amount, the Group has made provision for fixed assets; see Note 6(16), Note 6(17), Note 6(19) and Note 6(20) for construction in process, intangible assets and goodwill impairment, as well as amount of impairment. The group has also made provision for long-term equity investment impairment in accordance with recoverable amount; see Note 6(14) (d) for amount of impairment.

In the case that the management re-amends the income and gross profit rate adopted in the calculation handled by asset unit and combination of assets groups, if the income and gross profit rate after amendment is lower than the present ones, the Group should re-amend the recoverable amount of long-term assets to decide whether a further provision is needed for impairment.

If management revises the pre-tax discount rate that was used in the calculation of the future cash flows pre-tax discount rate, and the revised pre-tax discount rate was higher than the one currently used, the Group would need to revise the recoverable amount of the long-term assets and assess whether impairment is necessary.

If the actual revenue, margin or pre-tax discount rate is above or below the management's estimates, impairment losses provided in previous years should not be reversed.

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2 Summary of significant accounting policies and accounting estimates (Continued)

(30) Important accounting estimate and judgement(Continued)

(d) Taxation

The Group is subject to income taxes in several jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. Judgment is required in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

If the management expects that taxable profit which could be used to offset temporary differences or losses is likely to incur in the future, recognise deferred tax assets related to the temporary differences or losses. The difference between the expected amount and the original estimation will impact the recognition of deferred tax asset. If the management expects that taxable profit could not be offset, then no deferred tax assets are recognized.

(e) Retirement and liabilities for early retirement welfare

The Group regards post-employment benefit plan as a liability. These post-employment obligations depend on a number of assumptions. The assumptions include discount rate, future wages and healthcare costs and other factors. The difference between the final outcome and initial estimates is amortized into the current year in accordance with the relevant accounting policy. Any significant changes to the above assumptions will impact the recognition of these post-employment obligations.

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3 Changes in significant accounting policies and estimates and correction of errors

(1) Changes in significant accounting policies

Content and Reasons for Changes in Significant Accounting	Approval Process	Name of Affected Report Items	Affected Amount
As described in Note 2(1) above, the Group uses in advance the "Enterprise Accounting Standards No. 9 - Employee Benefits" issued by the Ministry of Finance in 2014 in the preparation of financial statements for the Year Ended 31 December 2013 and makes retroactive adjustment by figures comparison. The main changes are: The parts of actuarial gains and losses which are only in excess of 10% present value of defined benefit obligation are confirmed as profits and losses. Now it is change to: all actuarial gains and losses are confirmed as profits and losses and included in other comprehensive income.	This change has been approved by the Group's Board of Directors.	31 December, 2012	
		Reduce deferred income tax assets	826.74
		Reduce estimated liabilities	4,052.19
		Reduce undistributed profit	16,879.62
		Increase capital reserves	19,134.16
		Reduce minority equity	970.91
		In 2012	
		Reduce management fee	17,221.73
		Reduce income tax expense	331.78
		Increase net profit	17,553.51
		Increase net profit attributable to parent company	7,398.99
		Increase minority interest income	10,154.52

(2) Correction of Significant Accounting Error

Content and Reasons for Change in Accounting Policy	Approval Process	Name of Affected Report Items	Affected Amount
The Group less offsetting internal transactions RMB 1,768.46 ten thousand Yuan during preparing combined financial statements for the Year Ended 2012, it will adjust in the year.	Not applicable	2012 Comparative Statement	
		Reduce the main business income	1,768.46
		Reduce the main business cost	1,768.46

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4 Taxation

- (1) The types and rates of taxes applicable to the Group are set out below:

Type	Taxable base	Tax rate
Corporate income tax	Taxable income	25%
Value added tax ("VAT")	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of current year)	6%, 11%, 13% and 17%
Business tax	Taxable turnover	3% and 5%
City maintenance and construction tax	Payment of value-added tax, business tax and consumption tax	5% and 7%
Land appreciation tax	Taxable value added amount of the transferred real estate property	3%
Corporate income tax	Taxable income	30% to 60%

- (a) According to "Circular on Printing and Issuing the Pilot Proposals for the Change from Business Tax to Value-Added Tax" (Cai Shui [2011] No.110) and "Circular on Printing and Issuing the Pilot Proposals for the Transportation Industry and Part of Modern Service Industry Change from Business Tax to Value-Added Tax" (Cai Shui [2013] No.37) from Ministry of Finance and State Administration of Taxation, the units and individuals who provide transportation industry and part of modern service industry service in the territory of People's Republic of China are VAT payers. Taxpayers providing taxable services should pay VAT and no longer pay sales tax.

The Group's subsidiaries have implemented "Pilot Proposals for the Change from Business Tax to Value-Added Tax" in accordance with the requirements of above notification.

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4 Taxation(Continued)

- (2) Preferential tax policies and its approval documents
- (a) Western Development Zone preferential tax policy

According to the Ministry of Finance's 'Caishui [2001] No. 202', namely 'Notification by the Ministry of Finance, State Administration of Taxation and General Administration of Customs of the PRC on the Western Development Zone preferential tax policy', document 'Guoshuifa [2002] No.47' the Ministry of Finance, General Administration of Customs of the PRC, State Administration of Taxation jointly issued by caishui [2011] No. 58 'The Tax Policies Announcement on the Implementation of the Western Development Strategy "(hereinafter referred to as the" notice ")", which clearly further support for the Development of the Western Region's package of tax policy. The implementation of the Notice was implemented since January 1, 2011. In order to encourage industrial enterprises located in the western regions, the "notice" regulated, from January 1 2011 to December 31, 2020, that these enterprises use the reduced income tax rate of 15%. Upon the approval of local tax bureau, the following companies could apply the Western Development Zone preferential tax treatment as follows:

Chongqing CISDI Engineering Consulting Co., Ltd and MCC CISDI Engineering Technology Co., Ltd should pay enterprise income tax at the tax rate of 15% from 2004 to 2020; MCC-SFRE Heavy Industry Equipment Co., Ltd should pay enterprise income tax at the tax rate of 15% from 2006 to 2020; China Metallurgical Construction Engineering Group Co., Ltd should pay enterprise income tax at the tax rate of 15% from 2007 to 2020; CISDI Chongqing Information Technology Co., Ltd, Chongqing CISDI Melting Equipment System Integration Engineering Technology Research Center Co., LTD, Chongqing CISDI Heavy Equipment Co., Ltd, Chongqing CISDI Property Management Co., Ltd and MCC-Xi'an Electric Institute Co., Ltd should pay enterprise income tax at the tax rate of 15% from 2010 to 2020; Chongqing MCC Real Estate Development Co., Ltd and Chongqing MCC Property Management Co., Ltd should pay enterprise income tax at the tax rate of 15% from 2011 to 2020.

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4 Taxation (Continued)

(2) Preferential tax policies and its approval documents (Continued)

(b) Tax relief for coastal development zones, special economic zones and high and new technology enterprises

The following companies are categorised as high and new technology enterprises according to the technological office at provincial level and therefore enjoyed related preferential tax policies for high and new technology enterprises.

- (i) CERISTAR Electric Co., Ltd, CERI Phoenix Industrial Furnace CO, Ltd, CERI Seri Graphic Information Technology Co., Ltd, CERI Long Product Co., Ltd, CERI Energy and Air Protection Technology Co.,Ltd, CERI Eco Technology Co. ,Ltd, CERI Technology Company Limited, MCC Capital Engineering & Research Incorporation Qinhuangdao Co., Ltd, Capital Engineering& Research Incorporation Limited, MCC Huatian Nanjing Automation Engineering Co. ,Ltd, Wuhan Surveying Geotechnical Research Institute Co. ,Ltd of MCC, Shanghai Baoye Engineering Technology Corp., Ltd, Zhongye Changtian International Engineering Co., Ltd, Hunan Changtian Automation Engineering Co., Ltd, Luoyang SINOSICO Co., Ltd and Baotou Beilei Continuous Casting Technologies Co.,Ltd will pay enterprise income tax at the tax rate of 15% from 2008 to 2014. CERI Colin Environmental Protection Technology Co., Ltd should pay enterprise income tax at the tax rate of 15% from 2008 to 2015.
- (ii) CISDI Industrial Furnace Co., Ltd. should pay enterprise income tax at the tax rate of 15% from 2009 to 2013; Beijing Metallurgical Equipment Research Design Institute Co., Ltd., Beijing Yuanda International Project Management Consulting Co., Ltd., Beijing Tieforce Drive Machine Co.,Ltd., Beijing New Vision Building Construction Technology Co. ,Ltd., CISDI Electrics Technology Co., Ltd. and Wuhan Yiye Steel Structure Co. ,Ltd. should pay enterprise income tax at tax rate of 15% from 2009 to 2014; BERIS Engineering and Research Corporation, Beijing Jinwei Welding Material Co., Ltd. and Maanshan MCC17 Engineering Science &Technology Co., Ltd. should pay enterprise income tax at tax rate of 15% from 2009 to 2015; Baotou Beilei High-Tech Development Co. ,Ltd. should pay enterprise income tax at tax rate of 15% from 2009 to 2016.

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4 Taxation (Continued)

- (2) Preferential tax policies and its approval documents (Continued)
- (b) Tax relief for coastal development zones, special economic zones and high and new technology enterprises (Continued)
- (iii) China MCC17 Group Co., Ltd, China 19th Metallurgical Corporation (Fangchenggang) Equipment Structure Co., Ltd, ACRE Coking & Refractory (Dalian) Engineering Consulting Corporation, MCC and Wuhan Research Institute of China Metallurgical Group Technology Limited should pay enterprise income tax at the tax rate of 15% from 2010 to 2013; CERI Manufactruing Executive & Managing System Co. ,Ltd , CERI Architectural Design and Research Institute Co., Ltd and MCC(Beijing) Communication Technology Development Co., Ltd should pay enterprise income tax at the tax rate of 15% from 2010 to 2014; CERI Yangzhou Machinery Co., Ltd is foreign-invested enterprise, whose preferential period of foreign-invested enterprise had been expired by the end of 2009.The enterprise was identified as high-tech enterprises in 2010, which should pay enterprise income tax at the tax rate of 15% from 2010 to 2015.
- (iv) Wuhan Fine Blanking Technology Co., Ltd, Beijing Enfei Environmental Protection Co., Ltd, Beijing Enfei Environmental Protection Technology Co., Ltd, Beijing Sida Jianmao Science and Technology Development Co., Ltd, China Metallurgical Construction Research Institute Co., Ltd, Architectural Design Institute of China Jingye Engineering Corporation Limited, Beijing Yehe Technology Development Co., Ltd, CISDI Shanghai Engineering Technology Co., Ltd, Northern Engineering & Technology Corporation, MCC, China MCC5 Group Corp. LTD, China First Metallurgical Group Co., Ltd, Huatian Nanjing Engineering & Technology Corporation, MCC, Huatian Engineering & Technology Corporation, MCC, Zhongye Welding Technology Co., Ltd, Zhongye Huatian Power Filter, WISDRI (Wuhan) Heavy Machinery Co. ,Ltd, WISDRI (Wuhan) Automation Co., Ltd, WISDRI (Wuhan) Weishi Industrial Furnace Co. Ltd, WISDRI Engineering & Research Incorporation Limited, China City Environment Protection Engineering Limited Company and WISDRI (Wuhan) Informatology Engineering Co. ,Ltd could pay enterprise income tax at the tax rate of 15% from 2011 to 2013; CCTEC Engineering Co. ,Ltd and China Enfei Engineering Technology Co., Ltd. should pay enterprise income tax at the tax rate of 15% from 2011 to 2014.
- (v) Shanghai Baoye Smelting Comprehensive Development Co., Ltd., Tianjin Metallurgical Construction Special Materials Co., Ltd. and MCC Communication Engineering Technology Co. ,Ltd. should pay enterprise income tax at the tax rate of 15% from 2012 to 2013; Beijing Metallurgical Construction Special Materials Co., Ltd., MCC Striptec Co., Ltd., MCC5 Group Corporation Limited (Shanghai) and Shanghai Zhida Electronic Co., Ltd. should pay enterprise income tax at the tax rate of 15% from 2012 to 2014;
- (vi) Southern Handan Wupeng Lining New Materials Co.,Ltd.,Wuhan Iron and Steel Design and Research Institute, MCC, CERI New StarPaper Engineering Technology Co., Ltd, Northren (Dalian) Engineering and Technology Corporation, MCC, Hunan Zhongye Changtian Heavy Industry Technology Co., Ltd. should pay enterprise income tax at the tax rate of 15% from 2013 to 2015.

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4 Taxation(Continued)

(2) Preferential tax policies and its approval documents(Continued)

(c) Other preferential tax policies

(i) According to the requirement of the item 4 Article 88 of Enterprise Income Tax Law of the People Republic of China (Decree of state council No.512), and the relevant rules(Order of the President of PRC[2007] No. 63) about preferential tax policies on environmental protection projects:

Qinhuangdao Zhongye Water Industry Co., Ltd, Funing Water Industry Co., Ltd are Environmental protection saving energy and water enterprises, and have been approved by tax bureau to apply the three-year exemption and three-year half exemption preferential tax policy, and still enjoyed this preferential tax policy in 2013.

Laian Zhongye Huatian Water Water Industry Co., Ltd, Shouguang North Water Industry Co., Ltd, Chuzhou Zhongye Huatian Water Water Industry Co., Ltd, Huangshi Zhongye Water Industry Co., Ltd, Lu'an Zhongye Water Industry Co., Ltd and Ma'anshan Zhongye Water Industry Co., Ltd under Huatian Engineering & Technology Corporation, MCC engage in businesses of environmental protection supported by the PRC government and entitled to "3 years full exemption, 3 years half exemption" preferential tax treatment upon recognizing sales. These companies still enjoyed this preferential tax policy in 2013.

According to the requirement of the item 3 Article27 of "*The Law of the People's Republic of China on Enterprise Income Tax*" and Article 88 in "*Regulation on the Implementation of the Enterprise Income Tax of the People's Republic of China*", approved by the tax authorities, Xiaogan Zhongshe Industry Co., Ltd could enjoy three-year exemption and three-year half exemption preferential tax policy of enterprise income tax since 2008, enterprise income tax is exempted from 2008 to 2010, reduction is performed by 12.5% of enterprise income tax; Lanzhou Zhongshe Industry Co., Ltd could enjoy three-year exemption and three-year half exemption preferential tax policy of enterprise income tax since 2012, enterprise income tax is exempted from 2012 to 2014; Xiangyang Enfei Environment-Friendly Energy Co., Ltd could enjoy three-year exemption and three-year half exemption preferential tax policy of enterprise income tax since 2013, enterprise income tax is exempted from 2013 to 2015.

According to requirement of item 2 Article 27 of "The Law of the People's Republic of China on Enterprise Income Tax" and Article 87 in "Regulation on the Implementation of the Enterprise Income Tax of the People's Republic of China", approved by the tax authorities, Enfei New Energy (Zhongwei) Co., Ltd could enjoy three-year exemption and three-year half exemption preferential tax policy of enterprise income tax since 2012, enterprise income tax is exempted from 2012 to 2014.

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4 Taxation(Continued)

(2) Preferential tax policies and its approval documents(Continued)

(c) Other preferential tax policies(Continued)

(ii) According to the preferential tax policy about taxable deduction of Comprehensive utilization of resources income from the Ministry of Finance and the State Administration of Taxation(Caishui[2008] No.117) and the preferential tax policy about taxable deduction of Comprehensive utilization of resources and other product added tax from the Ministry of Finance (Caishui [2008] No.156), enterprise producing Comprehensive utilization resources (Symbiosis associated mineral resources, waste water, waste gas, renewable resources) could enjoy the tax-free policy of the value added tax. And according to the preferential tax policy about taxable deduction of utilization of resources income from Trade commission of Guangdong province([2010] No.132 , Hubei IRS [2009] No.185 and tax reduction rules on resources usage of Qingshan district of Wuhan [2011] 008 :

Handan Huaye New Building Materials Co., Ltd and Dongguan Humen Motian Building Materials Co., Ltd could enjoy reducing and tax-free policy of the value added tax, relevant urban maintenance and construction tax, education surcharge and local education surcharge.

Panzhihua MCC 19 Industrial Development Co., Ltd could enjoy preferential tax rate of the value added tax of 6% for resources comprehensive utilization enterprise from 2012 to 2013.

Shanghai Baoye Smelting Comprehensive Development Co., Ltd could enjoy the tax-free policy of the concrete sales value added tax from 2012 to 2013.

(iii) According to the announcement of the Ministry of Finance and the State Administration of Taxation about relevant value added tax on Sewage Charge(Caishui [2001] No.97and [2008] No.156), Waterworks that are delegated by government and authorities enjoys the tax-free policy of the value added tax.

Zhejiang Chunnan Sewage Treatment Co., Ltd, Beijing Enfi Water Co.,Ltd, Xiaogan Zhongshe Water Industry Co.,Ltd, Beijing Zhongshe Water Treatment Co.,Ltd, Lanzhou Zhongtou Water Industry Co.,Ltd and Chongzhou Enfi Water Industry Co.,Ltd could enjoy the tax-free policy of the value added tax from the date of establishment to 2013.

MCC Qinhuangdao Water Industry Co., Ltd and MCC Funing Water Industry Co. ,Ltd could enjoy the tax-free policy of the value added tax from 2010 to 2013.

(iv) According to guoshuihan [2009]No. 212, the state administration of taxation caishui [2003] No. 137 and the relevant provisions of the local taxation bureau and requirement of the 'Tax Policy Notification of The Transformed Scientific Research Institute' and the 'Ministry of Finance and the State Administration of Taxation's Notification In Extending the Tax Policy Implementation Period of The Transformed Scientific Research Institute' (Caishui[2005] No.14), the subsidiaries of the Company which qualified as transformed Scientific Research Institute were approved by the local tax bureau to apply this preferential tax policy.

According to the notice "Decision of the Chinese Communist Party Central Committee and the State Council on Strengthening Technical Innovation, Developing High Technology and Realizing Industrialization" (Caisui [1999] No. 273) about tax issues from the Ministry of Finance and the State Administration of Taxation, the income from technology transfer, technology development and related technical advisory services could get reduction of sales tax. Zhongye Changtian International Engineering Co., Ltd could enjoy the sales tax-free of technology transfer income (after Pilot Proposals for the Change from Business Tax to Value-Added Tax; it could enjoy the tax-free policy of the value added tax) , and pay income tax at the rate of 5% for other incomes in 2013.

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4 Taxation(Continued)

(2) Preferential tax policies and its approval documents(Continued)

(c) Other preferential tax policies(Continued)

(v) According to Tax Policy Notification of Encouraging the Development of Software Industry and IC Industry from the Ministry of Finance, the State Administration of Taxation and General Administration of Customs of the People's Republic of China (Caishui [2000] No. 25), ACRE Automation Co.,Ltd.,MCC could enjoy the policy for tax refund upon collection for software product sales with tax refund rate of 14% since 2010; it would be effective in 2013.

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

According to "Notice of the Ministry of Finance and the State Administration of Taxation on the Policies on Value-Added Tax" (Caishui [2011] No.100), the policy for tax refund upon collection is used for software products whose actual tax burden is more than 3%, CISDI Chongqing Information Technology Co., Ltd could enjoy policy for tax refund upon collection of value-added tax with tax refund rate of 14%.

The business tax is exempted for Xi'an Electrical Furnace Institute Co., Ltd. from 2009 to 2013(after Pilot Proposals for the Change from Business Tax to Value-Added Tax; it could enjoy the tax-free policy of the value added tax) .

(vi) According to the Notice Caishui [2011] No. 4 issued by the ministry of finance and the state administration of taxation on continuing to implement the small profit-making enterprise income tax preferential policies ,Sichuan Panzhihua tax bureau directly under the state tax bureau Pan Guoshui through [2011] No. 01, enterprise income tax law article 28, article ninety-two of the detailed rules for the implementation of the relevant provisions of the small profit-making enterprise:

Ironmaking Magazine (Hubei) Co., Ltd. should pay enterprise income tax at the tax rate of 20% from 2012 to 2013; Jilin Zhongye Jianyan Property Services Co. , Ltd should pay enterprise income tax at the tax rate of 20% from 2011 to 2013; Hanyuexiang Industry and Trade Co., Ltd and Shanghai Baoye Light Steel Co.,Ltd should pay enterprise income tax at the tax rate of 20% from 2012 to 2013; MCC Construction Research Institute (Shanghai) Co., Ltd. should pay enterprise income tax at the tax rate of 10% in 2013.

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4 Taxation(Continued)

(2) Preferential tax policies and its approval documents(Continued)

(c) Other preferential tax policies(Continued)

(vii) According to the requirements of the 'Enterprise Income Tax Law of the People's Republic of China', the 'Enterprise Income Tax Law and Implementation Rules of the People's Republic of China' (Guowuyuan No. 512) and 'Notification of the handicapped employment security fund' (Caishui [2009] No.70), enterprises which employ handicapped employees could deduct twice the employees' payroll expenses in calculating the taxable income.

The actual wages paid by China 19th Metallurgical Corporation and Nineteen Metallurgical Property Service Co.,Ltd from 2009 to 2013 to handicapped employees could be deducted by 100% actual wages before enterprise income tax. The actual wages paid by Tianjin MCC20th Co., Ltd, MCC Baosteel Technology Service Co., Ltd and Shanghai Baohong Industry and Trade Co., Ltd to handicapped employees could be deducted by 100% actual wages before enterprise income tax.

(viii) According to Wuhu tax official Caishui [2010] No. 42 relevant provisions of affordable housing, Wuhu MCC real estate Co., LTD should be exempted from the land use tax (originally by 12-15 yuan per square on) and according to policy property transfer book should be exempted from the stamp duty from 2010 to 2013

(ix) According to the preferential tax policy about technological development costs deduction from the Ministry of Finance and the State Administration of Taxation(Guoshuifa [2008] No.116), for any R&D cost related to key national projects in high-tech areas, it would deduct the taxable income by the 50% of actual amount of R&D costs in the year. The following subsidiary of the company could also enjoy the preferential policy approved by the local tax bureau.

WISDRI Engineering & Research Incorporation Limited and China City Environment Protection Engineering Limited Company could enjoy the preferential policy of technological development costs deduction from 2006 to 2013.

CCTEC Engineering Co., Ltd could enjoy the preferential policy of technological development costs deduction from 2007 to 2013.

China 19th Metallurgical Corporation, Fangchenggang MCC 19th Equipment Structure Co., Ltd, Chengdu MCC 19th Construction Co., Ltd., China First Metallurgical Group Co., Ltd., Xichang MCC 19th Equipment Structure Co., Ltd., CISDI (Shanghai)Industrial Furnace Co., Ltd, CISDI Industrial Furnace Co., Ltd., CISDI (Wuhan) Informatology Engineering Co. ,Ltd., WISDRI (Wuhan) WIS Industrial Furnace Co. ,Ltd., Wuhan Yiye Steel Structure Co. ,Ltd and Wuhan Huaxia Fine-blanking Technology Co., L td could enjoy the preferential policy of technological development costs deduction from 2008 to 2013. Baotou Beilei Continuous Casting Technologies Co., Ltd could enjoy the preferential policy of technological development costs deduction from 2008 to 2014; Baotou Beilei High-Tech Development Co., Ltd., BERIS Engineering and Research Corporation could enjoy the preferential policy of technological development costs deduction from 2008 to 2016.

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4 Taxation(Continued)

(2) Preferential tax policies and its approval documents(Continued)

(c) Other preferential tax policies(Continued)

China MCC20 Group Co.Ltd and WISDRI (Wuhan) Heavy Machinery Co., Ltd could enjoy the preferential policy of technological development costs deduction from 2009 to 2013; MCC Wuhan Metallurgical Construction institute Co., Ltd could enjoy the preferential policy of technological development costs deduction from 2009 to 2013.

Zhongye Changtian International Engineering Co., Ltd, Huatian Engineering & Technology Corporation, MCC, Zhongye Huatian Power Filter, Zhongye Huatian Nanjing Engineering & Technology Corporation, MCC STRIPTEC Co.,Ltd., China MCC5 Group Corp.LTD, MCC Baosteel Technology Service CO.,Ltd, Shanghai Baoye Engineering Technology Corp. Ltd., Shanghai Baoye Smelting Comprehensive Development Co., Ltd and WISDRI(Wuhan) Heavy Machinery Co., Ltd could enjoy the preferential policy of technological development costs deduction from 2010 to 2013.

MCC-SFRE Heavy Industry Equipment Co. ,Ltd and Tianjin MCC20 Co., Ltd could enjoy the preferential policy of technological development costs deduction from 2011 to 2013.

Panzhijia Tianyu Engineering Testing Co.,Ltd, MCC Huatian Nanjing Automation Engineering Co. ,Ltd , MCC5 Group Corporation Limited (Shanghai) and Tianjin Xinbin Engineering Testing Co.,Ltd could enjoy the preferential policy of technological development costs deduction in 2013.

- (x) According to “Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Value-Added Tax, Business Tax and Enterprise Income Tax Policies for Promoting the Development of the Energy Services Sector ” (Caishui [2010] No.110), the business taxable income from contract energy management projects carried out by the qualified energy service companies is temporarily exempted from the business tax; since taxable year of the first revenue arising from production or operation, the qualified energy service companies which carry out contract energy management projects and these which confirms to relevant provisions of the Corporate Income Tax Law could enjoy three-year exemption and three-year half exemption preferential tax policy, among which half exemption is performed by the statutory rate of 25%.

Hunan Zhongye Changtian Energy saving and Environmental Protection Technology Co., Ltd. will be exempted from business tax from 2012 to 2018 and could enjoy three-year exemption and three-year half exemption preferential tax policy from 2012 to 2018.

- (xi) According to “Advice of Several Policies on Economic Development Promotion in Chenghua District” from CPC Chenghua District Committees of Chengdu, Chenghua District Government of Chengdu (Chenghuawei [2012] NO.30), Chengdu Wuye Concrete Engineering Co., Ltd. could enjoy preferential financial support policies from 2012 to 2017.

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5 Business Combinations and Consolidated Financial Statement

- (1) Principle in determining consolidation scope, basis & method of preparation of consolidated financial statements

Details See this Note 2(6) above.

- (2) Basic information of subsidiaries included in the consolidation scope as on December 31, 2013

Details See this Note 16 above.

- (3) Companies and reasons which the Group hold less than 50% of equity interest but are included in the consolidation scope on 31 December 2013

	Holdings Proportion (%)	Voting rights Proportion (%)	Registered capital	Amount of investment	Class	Into the merger Range reason
Huludao XinYe Co., LTD	23.59	23.59	140,986.93	33,260.20	3	Has substantial control
Beijing Kingway Welding material Co., LTD	45.00	45.00	5,000.00	2,250.00	4	Has substantial control
Beijing ENFI environmental protection Co., LTD	49.15	49.15	3,350.00	1,646.52	4	Has substantial control

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5 Business Combinations and Consolidated Financial Statement (Continued)

(4) Companies and reasons which the Group hold more than 50% of equity interest but are not included in the consolidation scope on 31 December 2013

	Holdings Proportion (%)	Voting rights Proportion (%)	Registered capital	Amount of investment	Into the merger Range reason
Beijing New Century Hotel Co., Ltd.	60.00	60.00	43,333.33	26,000.00	All shareholder are entitled to one veto power ballot
Tianjin SERI Machinery Equipment Co., Ltd.	50.00	50.00	21,000.00	35,765.46	All shareholder are entitled to one veto power ballot
Zhuhai Ka Du Hai Jun Real Estate Development Co., Ltd.	50.00	50.00	12,000.00	6,000.00	All shareholder are entitled to one veto power ballot
CC (Xiangtan) Heavy Industrial Equipment Co.,LTD.	51.00	51.00	25,000.00	12,750.00	Operating activities need to be passed by more than 2/3 voting rights; the company fails to reach the specified percentage.
Beijing Tiancheng Guyun Property Management Co., Ltd	50.00	50.00	100.00	50.00	Operating activities need to be passed by more than 2/3 voting rights; the company fails to reach the specified percentage.
Qingdao Jinzhe Shuntai Real Estate Co., Ltd.	50.00	50.00	1,000.00	500.00	Operating activities need to be passed by more than 3/5 voting rights; the company fails to reach the specified percentage.
Tianjin Zhongji Equipment Manufacture co., Ltd	50.00	50.00	20,000.00	44,977.21	Operating activities need to be passed by more than 1/2 voting rights; the company fails to reach the specified percentage.
Tangshan Caofei dian the 22 nd Metallurgy Engineering Technology Co., Ltd	50.00	50.00	10,000.00	6,182.40	Operating activities need to be passed by more than 1/2 voting rights; the company fails to reach the specified percentage.
Beijing Yenai Engineering Material Co., Ltd	100.00	100.00	1,729.84	1,729.84	The company has begun its liquidation procedures.
MCC Izmir Chrome Ore Resources Industry and Commerce Co., Ltd.	66.00	66.00	0.00	1,199.31	The company has begun its liquidation procedures.
RCC/MCC JOINTVENTURE	50.00	50.00	0.00	0.00	All shareholder are entitled to one veto power ballot
Xiangxi MCC Mining Co., Ltd.	50.00	50.00	2,400.00	1,478.00	Operating activities need to be passed by more than 2/3 voting rights; the company fails to reach the specified percentage.
Shanghai Baoye Pension Protection Service center	100.00	100.00	42.21	42.21	The non-profit institution couldnot get return.
Wuhan Jingzhi Construction Engineering	53.76	53.76	8.02	4.31	The company has begun its liquidation procedures.
Shanghai Pudong Keao construction Equipment New technology developing department	100.00	100.00	60.00	60.00	The company has begun its liquidation procedures.
Xiamen Jingye Construction Engineering Constracting Company	100.00	100.00	96.49	96.49	The company has begun its liquidation procedures.
Ma'anshan the 17 th Metallurgy Hospital	51.00	51.00	2,714.51	1,384.40	The non-profit institution couldnot get return.

5 Business Combinations and Consolidated Financial Statement (Continued)

- (5) The companies which will be included in the consolidation scope in the year and the ones which would not be include in the consolidation scope.

- (a) The companies which would be included in the consolidation scope in the year

Company Name	Registration address	Registered capital	Business Nature	Equity inter held by th Group (%)	Voting right held by the Group (%)	Into the merger Range reason
MCC Asset Management Company	Beijing	100.00	Asset management	100.00	100.00	New establishment

- (b) Subsidiaries that are no longer included in the consolidation scope are as follows:

	Net asset in disposal date	Net profit / (loss) from the beginning of the year to disposal date
Tianjin Binhai Jintang Construction and Development Co., Ltd (i)	11,862.98	0.00
Chengdu Tianyuan Shijie Jinghua Real Estate Co., Ltd. (i)	800.75	0.00
Chengdu Tianyuan Shijie Junfeng Real Estate Co., Ltd. (i)	791.32	-8.75
Zhuhai MCC 20th Engineering Technology Co., Ltd. (i)	1,288.35	76.26
Beijing Huayuan Hotel Co., Ltd. (i)	16,660.54	9,451.76
Qinhuangdao Yunding Real Estate Development Co., Ltd. (i)	1,000.00	0.00
Qinhuangdao Fanhua Real Estate Development Co., Ltd. (i)	1,000.00	0.00
Tianjin MCC Tuanpo Urban and Rural Development Co., Ltd (ii)	61,760.42	3,108.30
Qinhuangdao Zhongye Real Estate Development Co., Ltd. (iii)	218.50	-8.96
MCC Real Estate Baotou Co., Ltd (iii)	7,792.86	94.36
Tianjin Zhongye Xinhua Real Estate Co., Ltd. (iii)	24,049.83	1,676.01
Shanghai United Auto Road Development and Construction Co., Ltd. (iv)	23,356.00	-36.43
CERI (Yingkou) Equipment Technology Co., Ltd. (v)	21,495.40	-31,398.65

- (i) Tianjin Binhai Jintang Construction and Development Co., Ltd., Chengdu Tianyuan Shijie Jinghua Real Estate Co., Ltd., Chengdu Tianyuan Shijie Junfeng Real Estate Co., Ltd., Zhuhai MCC 20th Engineering Technology Co., Ltd., Beijing Huayuan Hotel Co., Ltd., Qinhuangdao Yunding Real Estate Development Co., Ltd. and Qinhuangdao Fanhua Real Estate Development Co., Ltd. loss control due to sale of the entire equity in this year, so they are no longer included in the consolidation scope (Note 5(7)).
- (ii) Tianjin MCC Tuanpo Urban and Rural Development Co., Ltd loss control due to sale of the part of equity in this year, so they are no longer included in the consolidation scope (Note 5(7)).
- (iii) Qinhuangdao Zhongye Real Estate Development Co., Ltd., MCC Real Estate Baotou Co., Ltd. and Tianjin Zhongye Xinhua Real Estate Co., Ltd. loss control due to decrease of proportion of shareholding caused by unilateral capital increase of the third party in this year, so they are no longer included in the consolidation scope (Note 5(7)).
- (iv) Shanghai United Auto Road Development and Construction Co., Ltd. losses control due to change of proportion of voting rights of shareholders in this year, so it is no longer included in the consolidation scope (Note 5(7)).
- (v) CERI (Yingkou) Equipment Technology Co., Ltd. losses control due to decrease of proportion of shareholding caused by the capital increase between the third party and the group, so it is no longer included in the consolidation scope (Note 5(7)).

5 Business Combinations and Consolidated Financial Statement (Continued)

- (6) There is no important business combinations in identical control in this year.
- (7) Reduced subsidiary companies due to loss of control

Subsidiary companies(a)	Purchaser	Date of sales	Shareholding proportion Before the sale (%)	Shareholding proportion After the sale (%)
Tianjin Binhai Jintang Construction and Development Co., Ltd.	Tianjin Binhai Xintang Construction and Development Co., Ltd.	31/12/2013	90.00	0.00
Chengdu Tianyuan Shijie Jinghua Real Estate Co., Ltd	Sichuan Hongze Real Estate Development Co., Ltd.	30/12/2013	100.00	0.00
Chengdu Tianyuan Shijie Junfeng Real Estate Co., Ltd	Chengdu Jinshan Real Estate Development Co., Ltd., Yan Xingtao and Tang Zhongbin (Tripartite purchase)	27/06/2013	100.00	0.00
Zhuhai MCC 20th Engineering Technology Co., Ltd.	Guangdong Jianyue Engineering Co., Ltd.	11/10/2013	100.00	0.00
Beijing Huayuan Hotel Co., Ltd.	Phoenix Assets Management Co., Ltd.	30/06/2013	100.00	0.00
Qinhuangdao Yunding Real Estate Development Co., Ltd.	Qinhuangdao Yongtai Real Estate Development Co., Ltd.	30/11/2013	100.00	0.00
Qinhuangdao Fanhua Real Estate Development Co., Ltd.	Qinhuangdao Yongtai Real Estate Development Co., Ltd.	30/11/2013	100.00	0.00
Tianjin MCC Tuanpo Urban-Rural Development Co., Ltd.	Tianjin Jinghai Urban Infrastructure Investment Group Corporation	31/12/2013	97.00	30.00
Qinhuangdao Zhongye Real Estate Development Co., Ltd.	Shengtai Qian yuan (Beijing) Investment Co., Ltd.	25/04/2013	100.00	10.00
MCC Real Estate Baotou Co., Ltd	Beijing Baoheng Liantuo Investment Co. Ltd.	22/05/2013	60.00	36.00
Tianjin Zhongye Xinhua Real Estate Co., Ltd.	Tianjin Jie hao Happiness Real Estate Development Co., Ltd.	20/12/2013	51.00	49.00
Shanghai United Auto Road Development and Construction Co., Ltd.	Shanghai United Automobile (Group) Co. Ltd.	17/05/2013	40.00	40.00
CERI (Yingkou) Equipment Technology Co., Ltd.	Shijiazhuang Iron and Steel Co., Ltd.	23/10/2013	100.00	48.96

For above transaction of loss of subsidiary control, the date of sales is the date of equity transfer or equity reduction. See Note 5(7) (a) (iii) for the detail confirmation method of profit and loss.

- (a) Subsidiary companies

- (i) Disposal price and cash flow are as follows:

	Amount
Disposal Price	104,199.65
Cash and cash equivalents from disposal	91,544.28
Minus: Cash and cash equivalents held by subsidiary company	16,149.82
Net cash received from disposal	75,394.46

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5 Business Combinations and Consolidated Financial Statement (Continued)

(7) Reduced subsidiary companies due to loss of control (Continued)

(a) Subsidiary companies (Continued)

(ii) Disposal net assets of subsidiary company are as follows:

	Disposal date	31, December, 2012
Current assets	833,529.26	788,121.34
Non-current assets	470,354.21	438,069.37
Current liabilities	989,697.97	949,167.77
Non-current liabilities	142,108.50	111,603.15
	<u>172,077.00</u>	<u>165,419.78</u>

(iii) Disposal profit and loss are as follows:

	Amount
Disposal price	104,199.65
	-
Fair value of the remaining 10% equity of Qinghuangdao Zhongye Real Estate Development Co., Ltd. at the date of disposal.	473.04
Fair value of the remaining 40% equity of Shanghai United Auto Road Development and Construction Co., Ltd. at the date of disposal.	13,216.03
Fair value of the remaining 36% equity of MCC Real Estate Baotou Co., Ltd at the date of disposal.	23,989.46
Fair value of the remaining 49% equity of Tianjin Zhongye Xinhua Real Estate Co., Ltd in the date of disposal.	14,620.85
Fair value of the remaining 30% equity of Tianjin MCC Tuanpo Urban and Rural Development Co., Ltd at the date of disposal.	18,528.13
	-
Less: Net assets of the subsidiary company at the date of disposal	172,077.00
Minority interests of subsidiary company	-36,109.41
Confirmed goodwill due to acquisition of subsidiary companies.	2,329.60
Investment income from disposal	<u>36,729.96</u>

5 Business Combinations and Consolidated Financial Statement (Continued)

(7) Reduced subsidiary companies due to loss of control (Continued)

(a) Subsidiary companies (Continued)

(iv) The income, fees and profits of subsidiary companies from January 1, 2013 to the date of disposal are as follows:

	From January 1, 2013 to the date of disposal	2012
Revenue	188,939.64	235,551.41
Less: Costs and expenses	203,268.77	309,766.26
Total profit	-14,329.13	-74,214.85
Less: Income tax expense	2,716.98	6,266.87
Net profit	-17,046.11	-80,481.72

(8) Exchange rate of items in main statements for foreign entities

	Assets and liabilities		Revenues, expenses and cash flow
	31, Dec, 2013	31, Dec, 2012	
MCC Argentina Mining Co., Ltd. (Argentine pesos)	0.9293	1.2676	Revenues and expense items should be converted at the approximate exchange rate of spot rate at the transaction date. Cash flow items should be converted at the approximate exchange rate of spot rate at the transaction date.
MCC West Australia Holdings Co., Ltd.(USD)	6.0969	6.2855	Revenues and expense items should be converted at the approximate exchange rate of spot rate at the transaction date. Cash flow items should be converted at the approximate exchange rate of spot rate at the transaction date.
MCC Australia Holdings Co., Ltd. (AUD)	5.4301	6.5363	Revenues and expense items should be converted at the approximate exchange rate of spot rate at the transaction date. Cash flow items should be converted at the approximate exchange rate of spot rate at the transaction date.
Metallurgical Corporation of China LTD. (USD)	6.0969	6.2855	Revenues and expense items should be converted at the approximate exchange rate of spot rate at the transaction date. Cash flow items should be converted at the approximate exchange rate of spot rate at the transaction date.
MCC Holdings (Hong Kong) Co.,Ltd(USD)	6.0969	6.2855	Revenues and expense items should be converted at the approximate exchange rate of spot rate at the transaction date. Cash flow items should be converted at the approximate exchange rate of spot rate at the transaction date.
MCC Ramu NiCo Limited (Kina)	—	3.0201	Revenues and expense items should be converted at the approximate exchange rate of spot rate at the transaction date. Cash flow items should be converted at the approximate exchange rate of spot rate at the transaction date.
MCC Ramu NiCo Limited(USD)	6.0969	—	Revenues and expense items should be converted at the approximate exchange rate of spot rate at the transaction date. Cash flow items should be converted at the approximate exchange rate of spot rate at the transaction date.

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6 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	31 December 2013			31 December 2012		
	Foreign currency amount	Exchange rate	RMB amount	Foreign currency amount	Exchange rate	RMB amount
Cash on hand-						
RMB	2,040.22	1.0000	2,040.22	2,357.01	1.0000	2,357.01
US dollar	62.23	6.0969	379.43	57.54	6.2855	361.69
Euro	7.17	8.4189	60.36	7.09	8.3176	59.01
Australian dollar	1.06	5.4301	5.75	5.75	6.5363	37.61
Others	—	—	699.70	—	—	709.92
			<u>3,185.46</u>			<u>3,525.24</u>
Cash at bank-						
RMB	2,858,510.04	1.0000	2,858,510.04	2,962,839.17	1.0000	2,962,839.17
US dollar	28,344.47	6.0969	172,813.39	25,656.22	6.2855	161,262.17
Euro	562.53	8.4189	4,735.84	738.37	8.3176	6,141.49
Australian dollar	1,912.87	5.4301	10,387.08	1,895.22	6.5363	12,387.72
Others	—	—	66,893.72	—	—	65,511.25
			<u>3,113,340.07</u>			<u>3,208,141.80</u>
Other cash balances-						
RMB	306,420.00	1.0000	306,420.00	367,040.78	1.0000	367,040.78
US dollar	866.15	6.0969	5,280.82	738.85	6.2855	4,644.04
Euro	610.74	8.4189	5,141.76	491.04	8.3176	4,084.27
Australian dollar	8,080.31	5.4301	43,876.89	118.66	6.5363	775.57
Others	—	—	4,511.50	—	—	5,647.48
			<u>365,230.97</u>			<u>382,192.14</u>
Total			<u>3,481,756.50</u>			<u>3,593,859.18</u>

The amount of restricted cash at bank and on hand and the reasons for restriction are disclosed in Note 6(23)。

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6 Notes to the consolidated financial statements (Continued)

(2) Financial assets held for trading

	31 December 2013	31 December 2012
Transactional bond investment	0.00	0.00
Investments in equity instrument held for trading	59.14	30,220.49
Derivative financial assets	4,096.85	0.00
	<u>4,155.99</u>	<u>30,220.49</u>

(3) Notes receivable

	31 December 2013	31 December 2012
Bank acceptance notes	964,875.57	936,395.71
Trade acceptance notes	152,520.87	196,801.50
	<u>1,117,396.44</u>	<u>1,133,197.21</u>

(a) The amount of restricted notes receivable and the reasons for restriction are disclosed in Note 6 (23).

(b) The top five of the largest amount of notes receivable pledged are analyzed as follows: :

	Date of issue	Maturity date	Amount
Unit 1	22/08/2013	22/02/2014	8,500.00
Unit 2	23/10/2013	23/04/2014	4,000.00
Unit 3	27/09/2013	27/03/2014	3,000.00
Unit 4	13/08/2013	13/02/2014	2,000.00
Unit 5	26/11/2013	26/05/2014	2,000.00
			<u>19,500.00</u>

(c) The top five of the most endorsed and undue bank acceptance are analyzed as follows:

	Date of issue	Maturity date	Amount
Unit 1	23/12/2013	23/06/2014	20,900.00
Unit 2	05/09/2013	05/03/2014	13,009.90
Unit 3	29/10/2013	28/04/2014	4,671.30
Unit 4	13/08/2013	13/02/2014	3,705.00
Unit 5	10/10/2013	09/04/2014	3,000.00
			<u>45,286.20</u>

(d) The notes receivable whose risks and rewards of ownership have been transferred have been derecognized by the group.

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6 Notes to the consolidated financial statements (Continued)

(4) Accounts receivable

	31 December 2013	31 December 2012
Bank acceptance notes	5,879,347.04	5,209,796.39
Trade acceptance notes	613,930.16	517,398.97
	<u>5,265,416.88</u>	<u>4,692,397.42</u>

(a) The ageing of accounts receivable bad debts are analysed below:

	31 December 2013	31 December 2012
Within 1 year	3,725,957.37	3,443,046.09
1 to 2 years	1,259,763.73	1,027,973.45
1 to 2 years	470,292.02	388,918.75
3 to 4 years	186,303.87	152,382.61
4 to 5 years	97,507.38	81,324.12
Over 5 years	139,522.67	116,151.37
	<u>5,879,347.04</u>	<u>5,209,796.39</u>

(b) The accounts receivable analyzed as below according to classification:

	31 December 2013			
	Amour	Accounting for remaining (%)	Provision for bad debts	Accruing percentage (%)
Single amount is material and accrue provision for bad debts individually	40,217.41	0.68	14,794.36	36.79
Accruing provision for bad debts according to combination:				
Combination 1	4,074,114.41	69.30	568,703.15	13.96
Combination 2	1,721,709.67	29.28	0.00	0.00
Single amount is immaterial, but make individual provision for bad debts	43,305.55	0.74	30,432.65	70.27
	<u>5,879,347.04</u>	<u>100.00</u>	<u>613,930.16</u>	<u>--</u>

6 Notes to the consolidated financial statements (Continued)

(4) Accounts receivable (Continued)

(b) The accounts receivable analyzed as below according to classification: (Continued)

	Amount	31 December 2012 Accounting for remaining (%)	Provision for bad debts	Accruing percentage (%)
Single amount is material and accrue provision for bad debts individually	25,022.88	0.48	3,127.28	12.50
Accruing provision for bad debts according to combination:				
Combination 1	3,570,022.26	68.53	485,531.80	13.60
Combination 2	1,573,125.58	30.20	0.00	0.00
Single amount is immaterial, but make individual provision for bad debts	41,625.67	0.79	28,739.89	69.04
	<u>5,209,796.39</u>	<u>100.00</u>	<u>517,398.97</u>	<u>--</u>

(c) On December 31st 2013, the amounts receivable for single material amount with individual provision for bad debts analyze as below:

Debt Unit	Amount	Provision for bad debts	Aging	Accruing percentage (%)	Reason
Unit 1	12,926.04	3,877.81	Within 1 year	30.00	Provision was made based on management assessment of current available evidence
Unit 2	27,291.37	10,916.55	2 to 3 years	40.00	Provision was made based on management assessment of current available evidence
	<u>40,217.41</u>	<u>14,794.36</u>			

(d) According to the accruing provision for bad debts in combination 1, analyze the combination with aging debt as below :

	31 December 2013			
	Amount	Accounting for remaining (%)	Provision for bad debts	Accruing percentage (%)
Within 1 year	2,562,870.54	62.91	128,143.53	5.00
1 to 2 years	861,716.55	21.15	86,171.66	10.00
1 to 2 years	307,442.90	7.55	92,232.87	30.00
3 to 4 years	126,556.80	3.11	63,278.40	50.00
4 to 5 years	83,254.64	2.04	66,603.71	80.00
Over 5 years	132,272.98	3.25	132,272.98	100.00
	<u>4,074,114.41</u>	<u>100.00</u>	<u>568,703.15</u>	<u>--</u>

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6 Notes to the consolidated financial statements (Continued)

(4) Accounts receivable (Continued)

- (d) According to the accruing provision for bad debts in combination 1, analyze the combination with aging debt as below : (Continued)

	31 December 2012			
	Amount	Accounting for remaining (%)	Provision for bad debts	Accruing percentage (%)
Within 1 year	2,383,099.65	66.75	119,154.98	5.00
1 to 2 years	642,683.98	18.00	64,268.40	10.00
1 to 2 years	233,622.70	6.54	70,086.81	30.00
3 to 4 years	126,923.40	3.56	63,461.70	50.00
4 to 5 years	75,663.09	2.12	60,530.47	80.00
Over 5 years	108,029.44	3.03	108,029.44	100.00
	<u>3,570,022.26</u>	<u>100.00</u>	<u>485,531.80</u>	--

- (e) On December 31st 2013, the immaterial amounts of receivable with individual provision for bad debts analyze as below:

Debt unit	Amount	Provision for bad debts	Aging	Accruing percentage (%)	Reason
Unit 1	8,555.36	8,555.36	2 to 3 years	100.00	Provision was made based on management assessment of current available evidence
Unit 2	7,562.08	1,126.85	4 to 5 years	14.90	Provision was made based on management assessment of current available evidence
Unit 3	5,275.53	2,637.76	1 to 2 years	50.00	Provision was made based on management assessment of current available evidence
Unit 4	1,829.82	1,829.82	Within 1 year	100.00	Provision was made based on management assessment of current available evidence
Unit 5	1,764.54	882.27	Within 1 year	50.00	Provision was made based on management assessment of current available evidence
Others	<u>18,318.22</u>	<u>15,400.59</u>		84.07	Provision was made based on management assessment of current available evidence
	<u>43,305.55</u>	<u>30,432.65</u>			

- (f) The write-off of accounts receivable in current year are analysed as follows:

Debt unit	Nature	Amount	Reason	Related party transaction
Unit1	Amounts due from contract work	616.56	Uncollectable	No
Unit2	Amounts due from contract work	178.32	Uncollectable	No
Unit3	Amounts due from contract work	110.46	Uncollectable	No
Unit4	Amounts due from sales of goods	74.48	Uncollectable	No
Others		<u>1,406.99</u>	Uncollectable	No
		<u>2,386.81</u>		

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6 Notes to the consolidated financial statements (Continued)

(4) Accounts receivable (Continued)

(g) On 31st December 2013, the Group has no transferred accounts receivable with due bills this year.

(h) The amount of restricted notes receivable and the reasons for restriction are disclosed in Note 6 (23).

(5) Advances to suppliers

(a) Analyze the prepaid amount aging as below:

	31 December 2013		31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	1,047,336.81	68.96	1,222,575.74	72.99
1 to 2 years	240,072.33	15.82	277,141.63	16.55
2 to 3 years	125,114.31	8.27	109,802.18	6.55
Above 3 years	105,396.29	6.95	65,439.87	3.91
	<u>1,517,919.74</u>	<u>100.00</u>	<u>1,674,959.42</u>	<u>100.00</u>

(b) 5 largest advances to suppliers ageing over 1 year are analysed as follows:

Creditor's rights unit	Debt unit	Ending balance	Aging over 1 year	Reason for no settlement
The group	Unit1	41,100.00	Within 2 years	Prepay land bill
The group	Unit2	28,000.00	With 2 years	Prepaid purchase payments
The group	Unit3	12,051.20	4 to 5 years	Amounts due from contract work
The group	Unit4	10,340.00	Within 2 years	Prepay land bill
The group	Unit5	9,081.56	3 to 4 years	Prepaid purchase payments

(6) Interest receivable

	31 December 2013	31 December 2012
Bank interest of fixed deposit	0.00	271.60
Other third party interest	<u>1,167.91</u>	<u>330.63</u>
	<u>1,167.91</u>	<u>602.23</u>

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6 Notes to the consolidated financial statements(Continued)

(7) Dividends receivables

	31 Dec,2012	Increased this year	Decreased this year	31Dec 2013	Reasons for not drawing back	Related funds depreciat ed or not
Dividends receivables for debt age within 1 year						
Wuhan Zhonghe Engineering & Technology Co., Ltd.	0.00	36.00	0.00	36.00		No
Anshan Sanye Swimming Pool Co.,Ltd	0.00	4.38	2.19	2.19		No
First Metallurgical municipal engineering Co., Ltd.	214.50	0.00	214.50	0.00		
	<u>214.50</u>			<u>38.19</u>		
Dividends receivables for debt age over 1 year						
Tangshan XinPeng construction engineering detection Co., Ltd.	12.80	0.00	0.00	12.80	Financial strain	No
Wuhan Wuxin international bidding agent Co., Ltd.	28.17	0.00	0.00	28.17	No dividends	No
Wuhan Goldman Sanchs Architecture Design Co.Ltd	6.75	0.00	6.75	0.00		
Wuhan Zhongjian Enterprises Ltd.,Co	33.60	0.00	33.60	0.00		
Ma Anshan Hutian Printing Co.,Ltd	11.03	9.71	20.74	0.00		
	<u>92.35</u>			<u>40.97</u>		
	<u>306.85</u>			<u>79.16</u>		

(8) Other receivables

	31 December 2013	31 December 2012
Antecedent money and guaranty money	1,061,682.16	1,287,195.48
Loans to the affiliated party and the third party	188,749.49	252,068.41
Staff loans	51,943.19	54,587.53
Prepaid investment fund	42,738.96	0.00
Others	325,603.93	180,224.54
	<u>1,670,717.73</u>	<u>1,774,075.96</u>
Less: bad debts	<u>257,296.75</u>	<u>366,531.52</u>
	<u>1,413,420.98</u>	<u>1,407,544.44</u>

(a) The aging of other receivables is analysed as below:

	31 December 2013	31 December 2012
Within 1 year	902,698.42	858,352.18
1 to 2 years	276,958.68	305,008.97
2 to 3 years	152,899.53	179,773.74
3 to 4 years	83,169.59	186,860.21
4 to 5 years	96,766.81	77,707.90
Over 5 years	158,224.70	166,372.96
	<u>1,670,717.73</u>	<u>1,774,075.96</u>

6 Notes to the consolidated financial statements(Continued)

(8) Other receivables

(b) The category of other receivables is analysed as below:

	31 December 2013			
	Balance	Ratio in total amt (%)	Bad debts	Provision ratio (%)
Significouldt amounts of other receivables using specific identification method for provision for bad debts	53,508.08	3.21	39,232.71	73.32
Provision for bad debts in combination				
Combination 1	546,652.39	32.77	187,717.69	34.34
Combination 2	1,035,925.47	62.11	0.00	0.00
insignificouldt amounts of other receivables using specific identification method for provision for bad debts	34,631.79	2.08	30,346.35	87.63
	<u>1,670,717.73</u>	<u>100.00</u>	<u>257,296.75</u>	--

(b) The category of other receivables is analysed as below:

	31 December 2012			
	Balance	Ratio in total amt (%)	Bad debts	Provision ratio (%)
Significouldt amounts of other receivables using specific identification method for provision for bad debts	169,132.02	9.53	169,132.02	100.00
Provision for bad debts in combination				
Combination 1	496,285.82	27.97	166,621.57	33.57
Combination 2	1,073,972.81	60.54	0.00	0.00
insignificouldt amounts of other receivables using specific identification method for provision for bad debts	34,685.31	1.96	30,777.93	88.73
	<u>1,774,075.96</u>	<u>100.00</u>	<u>366,531.52</u>	--

6 Notes to the consolidated financial statements(Continued)

(8) Other receivables

- (c) On 31 Dec 2013, insignificant amount of other receivables using specific identification method for provision for bad debts as follows:

Debt unit	Balance	Bad Debt	Aging	Provision Ratio (%)	Reason
Unit 1	18,076.06	17,988.42	1 to 2 years	99.52	Accrued by the evidence obtained
Unit 2	13,617.98	1,115.39	2 to 3 years	8.19	Accrued by the evidence obtained
Unit 3	11,971.30	11,755.60	4 to 5 years	98.20	Accrued by the evidence obtained
Unit 4	6,431.02	6,431.02	4 to 5 years	100.00	Accrued by the evidence obtained
Unit 5	3,411.72	1,942.28	Within 2 years	56.93	Accrued by the evidence obtained
	<u>53,508.08</u>	<u>39,232.71</u>			

- (d) The ageing of other receivables of in combined provision for bad debts is analysed as below:

31 December 2013				
	Amount	Ratio in total amount (%)	Bad debts	Provision ratio (%)
Within 1 year	216,408.10	39.59	10,820.41	5.00
1 to 2 years	109,500.33	20.03	10,950.03	10.00
2 to 3 years	54,290.35	9.93	16,287.10	30.00
3 to 4 years	28,227.76	5.16	14,113.88	50.00
4 to 5 years	13,397.93	2.45	10,718.35	80.00
Over 5 years	124,827.92	22.83	124,827.92	100.00
	<u>546,652.39</u>	<u>100.00</u>	<u>187,717.69</u>	--

- (d) The ageing of other receivables of in combined provision for bad debts is analysed as below:

31 December 2012				
	Amount	Ratio in total amount (%)	Bad debts	Provision ratio (%)
Within 1 year	183,495.24	36.97	9,174.76	5.00
1 to 2 years	122,567.00	24.70	12,256.70	10.00
2 to 3 years	45,004.06	9.07	13,501.22	30.00
3 to 4 years	21,173.51	4.27	10,586.76	50.00
4 to 5 years	14,719.40	2.97	11,775.52	80.00
Over 5 years	109,326.61	22.02	109,326.61	100.00
	<u>496,285.82</u>	<u>100.00</u>	<u>166,621.57</u>	--

6 Notes to the consolidated financial statements(Continued)

(8) Other receivables (Continued)

- (e) On 31 Dec 2013, insignificant amount of other receivables using specific identification method for provision for bad debts

Debtor	Balance	Bad Debt	Aging	Provision Ratio (%)	Reason
Unit 1	3,390.00	3,390.00	2 to 3 years	100.00	Accrued by the evidence obtained
Unit 2	2,197.60	1,378.50	1 to 2 years	62.73	Accrued by the evidence obtained
Unit 3	2,127.43	2,127.43	Within 1 year	100.00	Accrued by the evidence obtained
Unit 4	1,801.79	1,801.79	Over 5 years	100.00	Accrued by the evidence obtained
Unit 5	1,716.00	1,716.00	1 to 2 years	100.00	Accrued by the evidence obtained
Others	<u>20,607.57</u>	<u>17,141.23</u>		83.18	Accrued by the evidence obtained
	<u>31,840.39</u>	<u>27,554.95</u>			

- (f) The actual reversal or recovery of bad debts of current year are as follows:

On 31 Dec 2013, the company has no full provision for bad debts, or insignificant amount of provision for bad debts of other receivables.

- (g) Other receivables actually written off of this year, analysed as below:

Debtor	Nature	Amount	Reason	Whether be generated from affiliated transaction
Unit 1	Other	533.56	Payment confirmed to be uncollectable	No
Unit 2	Sales of goods	329.30	Payment confirmed to be uncollectable	No
Unit 3	Other	98.33	Payment confirmed to be uncollectable	Yes
Unit 4	Other	96.38	Payment confirmed to be uncollectable	Yes
Unit 5		<u>596.00</u>	Payment confirmed to be uncollectable	
		<u>1,653.57</u>		

- (h) Prepayments turn into other accounts receivable in this year is RMB 6,543,500.
- (i) The amount of restricted other receivables and the reason for restriction are disclosed in Note 6(23).

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6 Notes to the consolidated financial statements(Continued)

(9) Inventories

(a) Inventories by category

	31 December 2013			31 December 2012		
	Balance	Reduction reserves	Book value	Balance	Reduction reserves	Book value
Raw material	320,276.40	10,238.93	310,037.47	392,156.39	14,312.65	377,843.74
Work in progress	260,813.87	11,778.72	249,035.16	261,022.94	35,545.01	225,477.93
Finished goods	251,931.34	20,029.21	231,902.13	340,093.49	44,348.20	295,745.29
Consumable items	45,683.60	209.75	45,473.85	51,866.85	501.15	51,365.70
Amounts due from customers for contract work	3,449,268.60	49,736.75	3,399,531.85	3,700,770.83	50,568.16	3,650,202.67
Cost of real estate development (i)	5,596,309.94	0.00	5,596,309.94	5,674,000.06	6,343.84	5,667,656.22
Real estate development products(ii)	945,339.37	1,126.19	944,213.18	769,474.75	100.51	769,374.24
Others	96,233.17	30.97	96,202.18	85,540.89	617.23	84,923.66
	<u>10,965,856.29</u>	<u>93,150.52</u>	<u>10,872,705.76</u>	<u>11,274,926.20</u>	<u>152,336.75</u>	<u>11,122,589.45</u>

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6 Notes to the consolidated financial statements(Continued)

(9) Inventories (Continued)

(a) Inventories by category (Continued)

(i) Cost of real estate development details

	Start time	Predicted completion time	Predicted total investment	31 Dec. 2013	31 Dec. 2012
Nanjing Xiaguan riverside project	2011/01/01	2017/12/31	6,900,000.00	2,221,354.28	1,738,624.55
Project of Ivge A1 block in Jiugong	2013/09/13	2015/12/31	391,647.50	257,970.57	225,638.84
Gengyang New city project	2010/03/01	2020/12/31	1,055,000.00	180,169.10	156,512.01
Tieshanping peoject	2011/02/10	2015/12/31	350,000.00	172,677.64	172,396.20
Joint managing apartment of 7 th Road in Yishun Singapore	2012/01/01	2014/07/03	210,574.30	158,122.19	143,780.54
Tampines Shidao project	2013/10/16	2018/10/16	297,000.00	151,649.20	0.00
First phase of Zhongye Riverside International city Qiqihar Heilongjiang	2010/10/16	2016/10/15	282,160.00	124,113.54	125,870.04
Baotou MCC campus south road community projects	2011/08/01	2015/06/30	257,100.00	121,052.91	96,637.98
Big rubik cube projectinChengdu	2010/09/27	2016/12/31	660,000.00	111,393.00	87,154.42
Joint managing apartment of 11 th Road in Yishun Singapore	2010/06/15	2014/01/31	115,823.50	108,519.21	109,447.47
Hengqin Headquarter building of Zhuhai in Guangdong	2012/11/06	2019/12/31	440,000.00	105,494.85	90,927.31
Dalian international business city	2011/10/30	2018/10/02	280,000.00	103,319.21	83,483.27
Taihang Avenue	2010/04/01	2014/03/31	267,285.77	95,237.63	28,568.96
First phase of Zhongye international business city	2011/08/08	2017/05/30	280,000.00	93,850.85	67,957.49
Zhongye Fengjunyuan in Jinshan district of Shanghai	2011/05/31	2014/06/30	88,058.00	74,966.80	68,352.15
Zhongye blue city in Beijing	2012/12/25	2015/07/31	164,566.15	74,232.83	66,569.14
Zhongye Qiancheng project in Lvshun Dalian Liaoning	2012/08/25	2017/12/31	492,191.13	70,122.20	64,806.80
Qinghuangdao Jade belt garden project of Qinhuangdao in Hebei	2008/12/23	2017/12/31	410,000.00	67,822.51	55,415.26
Zhongye blue city	2011/04/01	2014/12/31	106,000.00	67,005.13	82,798.03
Project of South of Yuhua Road of Pheonix new city	2010/11/25	2016/04/01	394,800.00	65,203.82	53,766.72
Zhongding Yuecheng	2011/09/08	2016/09/08	300,000.00	60,087.80	40,711.88
Zhongye Yuluan bay	2010/04/01	2015/12/30	240,000.00	55,052.12	46,090.84
Multi-purpose buildings in Caofeidian	2008/02/10	2014/12/31	52,000.00	51,054.89	50,934.87
Zhongye Chang'an Dadu	2011/03/15	2015/12/31	195,278.20	50,796.22	87,282.05
Xinmazong project	2013/12/28	2015/12/31	166,767.97	50,030.39	0.00
Others			11,413,296.35	905,011.05	1,930,273.24
			<u>25,809,548.87</u>	<u>5,596,309.94</u>	<u>5,674,000.06</u>

On 31 December 2013, capitalized borrowing costs of real estate development included in inventory is RMB 460,081.86 ten thousand Yuan (367,074.00 ten thousand Yuan on 31 December 2012)

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6 Notes to the consolidated financial statements(Continued)

(9) Inventories (Continued)

(a) Inventories by category (Continued)

(ii) Real estate development products details

	Time of completion	31 Dec 2012	Current period addition	Current period reduction	31 Dec 2013
Wutong Avenue development project	2012-10-31	95,635.12	16,819.69	33,881.37	78,573.44
First phase of Zhongye Chang'an Dadu	2013-12-25	0.00	79,325.39	4,645.31	74,680.07
Medium and low cost commercial housing in Lianhuacun	2013-11-18	0.00	235,182.62	160,809.68	74,372.93
Zhongye Rural world	2013-05-18	46,935.10	38,144.44	27,835.45	57,244.09
The first phase of WISDRI international community	2013-12-31	0.00	44,704.92	0.00	44,704.92
Qingshan Bishui Neighborhood in Jilin	2013-10-18	6,927.13	46,745.71	11,661.22	42,011.62
Zhongye Blue bay (Zhongye Blue city in Zhenjiang)	2013-10-30	0.00	58,658.25	16,919.81	41,738.45
Zhongye Beiluyuan	2012-09-30	44,975.16	33,354.18	38,741.20	39,588.14
Goldfish Pool the second phase	2009-01-04	56,787.22	0.00	19,051.56	37,735.66
The first phase of Zhejiang Shaoxing MCC Phoenix tree garden	2013-10-31	0.00	63,063.08	27,726.00	35,337.08
Zhongye Maple bay in WuhanEconomic and technology development zone	2013-06-30	0.00	41,387.18	11,402.63	29,984.55
Zhongye Chongqing morning	2012-12-28	25,530.42	7,353.22	6,355.99	26,527.65
Chongqing Dadukou District MCC International City	2013-12-08	0.00	45,470.16	20,385.74	25,084.43
Tangshan Helian Workshop (Kaiping East Exit) Area Residential Project for Renovated Building to Move Back	2012-06-30	22,009.94	25,533.06	25,533.06	22,009.94
Others		470,674.66	919,138.92	1,074,067.19	315,746.40
		<u>769,474.75</u>	<u>1,654,880.82</u>	<u>1,479,016.21</u>	<u>945,339.37</u>

(b) Provision for inventories:

	31 Dec. 2012	Current year additions	Current year reductions	31 Dec. 2013
Raw materials	14,312.65	7,447.76	11,521.48	10,238.93
Work in progress	35,545.01	2,249.67	26,015.96	11,778.72
Finished goods	44,348.20	66,317.64	90,636.63	20,029.21
Turnover materials	501.15	-291.40	0.00	209.75
Amounts due from customers for contract work	50,568.16	21,925.81	22,757.22	49,736.75
Properties under development	6,343.84	-842.20	5,501.64	0.00
Completed properties held for sale	100.51	1,025.68	0.00	1,126.19
Others	617.23	30.98	617.24	30.97
	<u>152,336.75</u>	<u>97,863.95</u>	<u>157,050.17</u>	<u>93,150.52</u>

On 31 December 2013, capitalized borrowing real estate development products included in inventory is RMB 55,695.40 ten thousand Yuan (59,621.16 ten thousand Yuan on 31 December 2012).

6 Notes to the consolidated financial statements(Continued)

(9) Inventories (Continued)

(c) Construction contract engineering

	31 December. 2013	31 December. 2012
Cost incurred plus confirmed gross profits, and minus confirmed loss	72,373,387.98	64,762,059.80
Less:purchase price already settled	70,132,650.92	62,214,738.60
	<u>2,240,737.05</u>	<u>2,547,321.20</u>
Construction contract engineering at the end of the period		
Completed but unsettled	3,399,531.85	3,650,202.70
Settled but not finished (Note 5(31))	-1,158,794.79	-1,102,881.50
	<u>2,240,737.10</u>	<u>2,547,321.20</u>

Due to some unpredictable reasons like extreme weather of Australia, the Sino Iron project in Western Australia which is undertook by MCC Mining(Western Australia) Pty Ltd. ("MCC WA") (a wholly owned subsidiary of the Group) had been postponed in 2012. The group had negotiated with the China CITIC Group Limited ("CITIC Group" is the parent company of CITIC Pacific Limited) in respect of project delays and the total contract price of cost overruns. CITIC Group had agreed that the construction costs associated with load linkage test of the second main process line by "Western Australia SINO iron ore EPC contracting supplemental agreement (three)" signed on 30 December, 2011 should be controlled in U.S. dollars 4.357 billion. The actual total cost of the project construction would be identified as the final contract amount after passing the audit of the third-party. According to the above consensus with CITIC Group on the contract price and the estimated total cost, the Group had confirmed that the project contract lost U.S. dollars 4.81 billion for the year in 2012, which is equivalent to about RMB 3.035 billion Yuan.

Up to December 31, 2013, the first and second production lines of project which undertook by MCC Western Australia had been put into operation. MCC Mining(Western Australia) Pty Ltd signed a " Western Australia SINO iron ore EPC contracting supplemental agreement (four) "(" supplemental Agreement (four)") with CITIC Pacific Limited, a wholly owned subsidiary of Sino Iron Pty Ltd. ("Owner") in December 24, 2013. Accordingly, the first, second production lines of the project and related construction projects should be handed over to the owners by MCC Mining(Western Australia) Pty Ltd at the end of 2013; construction, installation and commissioning work of the original general contractor of MCC WA would be ended. For the construction of the third to sixth production lines, MCC WA Group and a subsidiary of the group, the MCC Northern Engineering & Technology Co., Ltd. have signed with the owners respectively about new "Project Management Services Agreement" and "Engineering design, equipment procurement management technology services agreement" for providing follow-up technical service and management services for the owners. Meanwhile, both sides agrees jointly to entrust an independent third party to audit the total expenditure of the projects completed, the rationality, and the reasons and responsibilities of extension of projects. The two sides would refer the audit results of the third-party for the final project settlement.

Up to December 31, 2013, the original relevant construction costs agreed by the Group and CITIC Group which should be controlled at U.S. dollars 4.357 billion had not been changed. Based on the updated assessment of project costs, the Group considered that there were no changes between the estimated total cost of the project and the estimated at the end of 2012, the contract losses which is confirmed by December 31, 2012 had not been adjusted by the group in 2013.

As the final contract amount should need to be confirmed after third-party audits, the project results should be still uncertain. The Group should actively consult with CITIC Group and owners until the end of third-party audits, in order to determine the final contract amount, and the corresponding accounting treatment.

(d) The amount of restricted inventories and the reason for restriction are disclosed in Note 6(23).

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6 Notes to the consolidated financial statements(Continued)

(10) Other current assets

	31 December. 2013	31 December. 2012
Prepaid taxes	139,299.65	179,113.67
Financial assets available for sale	0.00	70,000.00
Fixed assets hold for sale	2,978.73	22.94
Intangible assets held for sale	419.37	0.00
	<u>143,697.75</u>	<u>249,136.61</u>

(11) Financial assets available for sale

	31 December. 2013	31 December. 2012
Bond available for sale		
Equity instrument available for sale	80,736.45	34,609.45
Others	2,847.91	70,000.00
	<u>83,584.36</u>	<u>104,609.45</u>
Less: reduction reserves	0.00	0.00
	<u>83,584.36</u>	<u>104,609.45</u>
Less: financial assets listed on other current assets which are available for sale	0.00	70,000.00
	<u>83,584.36</u>	<u>34,609.45</u>

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6 Notes to the consolidated financial statements(Continued)

(12) Held-to-maturity investments

	31 December. 2013	31 December. 2012
held-to-maturity investments - treasury bond	14.35	14.35
held-to-maturity investments - debentures	397.15	402.15
Others	0.00	0.00
	<u>411.50</u>	<u>416.50</u>
Less:provision for impairment	<u>409.47</u>	<u>414.47</u>
	2.03	2.03
Less:current portion of held-to-maturity investments	<u>0.00</u>	<u>0.00</u>
	<u>2.03</u>	<u>2.03</u>

(13) Long-term receivables

	31 December. 2013	31 December. 2012
Unrealized financing earnings		
Guarantee money	24,426.53	7,974.51
Building-transferring("BT") project fund	2,451,930.76	2,669,553.19
Others	0.00	0.00
	<u>2,476,357.29</u>	<u>2,677,527.70</u>
Less: provision for impairment	<u>5,127.55</u>	<u>11,685.09</u>
	2,471,229.74	2,665,842.61
Less: long-term receivables should be mature within 1 year	<u>436,943.31</u>	<u>316,558.54</u>
	<u>2,034,286.43</u>	<u>2,349,284.07</u>

(14) Long-term equity investment

	31 Dec. 2012	Current year additions	Current year reduction	31 Dec. 2013
Investment in subsidiary				
Joint ventures investment (a)	70,056.29	-8,656.82	686.86	60,712.60
Associates investment (b)	182,208.30	179,224.42	7,650.18	353,782.54
Other long-term equity investment (c)	<u>115,670.47</u>	<u>489,631.30</u>	<u>481,105.14</u>	<u>124,196.63</u>
	367,935.06	660,198.90	489,442.18	538,691.77
Less: long-term equity investment reduction reserves (d)	<u>7,227.13</u>	<u>1,670.30</u>	<u>1,042.70</u>	<u>7,854.76</u>
	<u>360,707.93</u>	<u>--</u>	<u>--</u>	<u>530,837.01</u>

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6 Notes to the consolidated financial statements (Continued)

(14) Long-term equity investments (Continued)

(a) Joint ventures

	Registered location	Nature of business	Registered capital	Equity Interest held (%)	Voting rights held (%)	31 December 2013		For the year ended 31 December 2013	
						Total assets	Total liabilities	Revenues	Net Profit
Tianjin Zhongji Equipment Production Co.,Ltd.	Tianjin	Equipment production	89,954.42	50.00	50.00	214,242.82	150,378.04	36,614.56	-7,389.98
Beijing Tiancheng Guyun Property Management Co.Ltd.	Beijing	Property management	100.00	50.00	50.00	199.75	252.84	768.47	20.41
HeXianYi EnFei Engineering company	Beijing	Engineering design	300.00	35.00	35.00	412.14	981.88	0.00	0.00
Zhuhai KaDuJunFang Real Estate development Co.,Ltd.	Zhuhai	Property	12,000.00	50.00	50.00	495,840.77	485,751.84	0.00	-47.42
BeijingNew Century Hotel Co.,Ltd.	Beijing	Property	7,165.04	60.00	60.00	21,735.28	12,089.85	22,163.03	1,523.78

(a) Joint ventures(Continued)

	Method	Initial investment cost	31 December 2012	Change in investment cost	Net profit/loss under equity method	Declared profits	Other changes in equity	31 December 2013
Tianjin Zhongji Equipment Production Co.,Ltd.	Equity method	44,977.21	42,044.78	0.00	-2,955.39	0.00	0.00	39,089.39
Beijing Tiancheng Guyun Property Management Co.Ltd.	Equity method	50.00	0.00	0.00	0.00	0.00	0.00	0.00
HeXianYi EnFei Engineering company	Equity method	105.00	0.00	0.00	0.00	0.00	0.00	0.00
Zhuhai KaDuJunFang Real Estate development Co.,Ltd.	Equity method	6,000.00	5,465.78	0.00	-5,465.78	0.00	0.00	0.00
BeijingNew Century Hotel Co.,Ltd.	Equity method	26,000.00	22,545.73	0.00	-235.66	686.86	0.00	21,623.21
		<u>77,132.21</u>	<u>70,056.29</u>	<u>0.00</u>	<u>-8,656.83</u>	<u>686.86</u>	<u>0.00</u>	<u>60,712.60</u>

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6 Notes to the consolidated financial statements (Continued)

(14) Long-term equity investments (Continued)

(b) Associates

	Registered location	Nature of business	Registered capital	Equity Interest held (%)	Voting rights held (%)	31 December 2013		For the year ended 31 December 2013	
						Total assets	Total liabilities	Revenues	Net Profit
Shahe Storage and Transportation Limited Liability Company	Shahe	Agent of train transportation etc.	100.00	35.00	35.00	226.50	56.63	415.69	40.89
Tangshan Xinpeng Construction Test Co., Ltd.	Tangshan	Evidential testing project	300.00	40.00	40.00	453.84	190.75	373.43	1.63
Tangshan 22 zhi Hospital	Tangshan	Hospital	315.00	45.00	45.00	1,767.01	1,768.10	2,385.60	-158.23
Taiyuan XingHuaLing binary bilingual kindergarten	Taiyuan	Kindergarten	155.00	47.60	47.60	209.68	100.59	132.27	-7.84
Shanxi DungTai Property Management Co.Ltd.	Taiyuan	Property management	627.59	39.60	39.60	2,300.70	2,380.11	495.78	-53.39
Anshan SanYe swimming pool Co., Ltd.	Ma An Shan	Swimming	11.60	22.00	22.00	127.40	9.92	37.22	12.50
Ma An Shan HuaTian geotechnical engineering Co., Ltd.	Ma An Shan	Engineering geological prospecting etc.	96.00	25.00	25.00	649.46	450.36	419.84	51.37
Ma An Shan HuaTian Graphic Production Co., Ltd.	Ma An Shan	CAD mapping etc.	125.00	30.00	30.00	119.77	2.82	199.55	7.15
		Development and sale of Mechanical and electrical equipment	100.00	30.00	30.00	457.44	130.60	47.17	-177.19
Ma An Shan Hua Tian Equipment Sets Co.,Ltd.	Ma An Shan								
Jianyang ChenKan Industrial Development Co., Ltd.	Chengdu	Property management	100.00	30.00	30.00	399.73	288.57	107.43	-4.24
Ma An Shan Jia He Real Estate Company	Ma An Shan	Property	1,000.00	20.00	20.00	4,530.74	2,660.89	219.58	345.71
BAIC MCC Hengsheng Real Estate Co., Ltd	Beijing	Property	10,000.00	49.00	49.00	9,401.80	53.04	0.00	-162.08
Shanghai Tongji Baoye Roberts Co., Ltd.	Shanghai	Construction robot, four technical services	740.00	45.95	45.95	2,420.65	616.86	1,580.77	102.33
Langfang MCC HuanTai Ecological Town Investment Co.,Ltd.	Langfang	Infrastructure construction , real estate development Etc.	30,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Baotou MCC Real Estate Co., Ltd	Baotou	Real estate development and management	10,000.00	36.00	36.00	375,448.66	344,397.40	37,720.80	-2,743.46
MCC Xiangxi Mining Co. , Ltd	Jishou	Copper zinc smelting	2,400.00	50.00	50.00	1,250.38	7.38	0.00	-30.74
Inner Mongolia MCC Darbond Real Estate Co., Ltd	Baotou	Real estate development and sales	10,000.00	25.00	25.00	117,263.09	107,554.71	860.32	-478.67

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6 Notes to the consolidated financial statements (Continued)

(14) Long-term equity investments (Continued)

(b) Associates(Continued)

	Registered location	Nature of business	Registered capital	Equity Interest held (%)	Voting rights held (%)	31 December 2013		For the year ended 31 December 2013	
						Total assets	Total liabilities	Revenues	Net Profit
MCC Real Estate (Fujian) Co., Ltd	Changtai Ma Yang Xi	Real estate development and sales	10,000.00	30.00	30.00	83,935.05	75,257.79	0.00	-553.03
Tianjin Seri Machinery Ltd.	ecotourism area Tianjin	LLC	21,000.00	50.00	50.00	496,732.52	357,343.44	113,961.86	4,221.51
Zhongzhi Jing Cheng(Xiangtan)Hard Industrial Equipment Co.,Ltd.	Hu'nan	LLC	25,000.00	51.00	51.00	110,100.24	82,732.06	13,651.98	-4,822.23
Steel Jing Cheng Equipment Technology Co., Ltd.	Liaoning	LLC	316,629.66	48.96	48.96	494,991.36	300,544.74	21,897.00	-43,316.95
Chongqing CN Steel Plant Engineering Co., Ltd.	Chongqing	Equipment design and manufacturing	1,000.00	49.00	49.00	8,906.37	7,555.25	7,788.62	351.13
HATCH-CISDI International Engineering Consulting Co.Ltd.	Hongkong	Engineering consulting	100.00	49.00	49.00	607.28	19.05	0.00	-38.64
WISDRI (Xinyu) Cold Rolled New Material Technology Co., Ltd.	Xinyu City	Steel rolling processing	44,625.00	40.00	40.00	88,370.75	47,819.70	229,853.05	504.35
Yichang ZhongZHi Hard Industrial Machinery Co.,Ltd.	Zhijiang	Equipment production	2,000.00	0.00	0.00	12,135.10	9,490.16	10,012.92	21.38
MCC Beris & Gangneng (Zhuhai) Heavy-Duty Industry Co., Ltd	Zhuhai	Equipment manufacturing	3,450.00	36.23	36.23	13,974.60	10,483.16	3,314.76	35.21
Wuhan Zhongyi Investment construction Co., Ltd.	Wuhan	Engineering construction investment	30,000.00	17.84	17.84	28,420.00	11,600.00	0.00	0.00
Shanghai United Auto Road Development and Construction Co., Ltd.	Shanghai	Real estate development	51,600.00	40.00	40.00	68,513.71	46,556.16	0.00	-2,970.96
Shanghai Century Sunshine Residential Park Development Co., Ltd	Shanghai	Real estate	750.00	33.33	33.33	776.55	11.40	0.00	-35.58
Shanghai Baoshan Iron & Steel 13th Metallurgical Qianpan Building Materials Co., Ltd.	Shanghai	Finished product	2,000.00	20.00	20.00	17,107.32	21,149.64	21,210.51	-2,247.47
Suzhou Suma MCC construction development Co., Ltd	Suzhou, Anhui	Infrastructure construction	10,000.00	49.00	49.00	10,000.00	0.00	0.00	0.00
No.17 Chemical Industry	Maanshan	Chemical industry	480.00	47.00	47.00	1,070.21	1,300.92	0.00	-139.98
Maanshan MCC Economic & Technological Development Zone Real Estate Co., Ltd	Maanshan	Real estate development	10,480.00	49.00	49.00	143,998.67	133,579.95	0.00	-0.69
RCC/MCCJOINTVENTURE	Namibia	Engineeringcontracting	0.00	50.00	50.00	5,901.40	5,899.61	13,676.57	-283.14

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6 Notes to the consolidated financial statements (Continued)

(14) Long-term equity investments (Continued)

(b) Associates(Continued)

	Registered location	Nature of business	Registered capital	Equity Interest held (%)	Voting rights held (%)	31 December 2013		For the year ended 31 December 2013	
						Total assets	Total liabilities	Revenues	Net Profit
Ningbo BaoXin Industrial development Co.Ltd.	Ningbo	Associates	600.00	34.00	34.00	4,952.00	3,650.86	12,422.00	131.81
Shanghai ZhongYeXiangLin Investment Co.,Ltd.	Shanghai	Property	5,025.00	34.00	34.00	8,017.06	2,513.72	641.57	77.47
Tianjin Tuopu Precision Steel Rolling Limited Liability Company	Tianjin	Cold-rolled sheet processing	15,000.00	20.00	20.00	53,906.40	37,438.72	102,357.90	269.36
Tianjin MCC Xinhua Real Estate Co., Ltd.	Tianjin	Real estate industry	31,224.49	49.00	49.00	138,701.40	106,127.03	23,065.04	1,687.80
Shanghai ZhongZhi XiangTeng Investment Co.,Ltd.	Shanghai	Property	30,000.00	33.00	33.00	41,311.47	7,289.91	36,521.17	-6.33
Shanghai Zhihu Real Estate Co., Ltd.	Shanghai	Property	1,500.00	38.00	38.00	14,844.30	4,738.99	17,902.33	3,234.98
Mudanjiang MCC Real Estate Co., Ltd.	Mudanjiang River	Real estate development	5,000.00	49.00	49.00	13,766.32	8,766.32	0.00	0.00
		Buildings	10,000.00	50.00	50.00	90,578.47	77,655.08	55,989.74	1,575.83
Tangshan Cao Fei Dian 22ZhiTechnology Co.,Ltd.	Tangshan	construction							
Beijing Xinghua Zhiben Investment Co., Ltd	Beijing	Real estate development and management	1,000.00	40.00	40.00	37,575.76	37,024.36	0.00	-124.37
Beijing Era Antai Real Estate Co., Ltd.	Beijing	Real estate development and management	1,000.00	30.00	30.00	16,323.66	15,323.53	0.00	0.00
Tangshan ZhongZhi Arch Real Estate development Co., Ltd.	Tangshan	Property	25,000.00	33.50	33.50	69,278.16	45,643.75	0.00	-654.62
Tangshan 22 nd Metallurgical Wanzhu Real Estate Development Co., Ltd	Tangshan	Real estate development and management	5,000.00	20.00	20.00	51,038.79	46,472.15	0.00	-432.17
MCC HeShan Investment Jiangsu Co., Ltd.	Jurong city	Real estate development and management	5,000.00	20.00	20.00	4,906.55	6.28	0.00	-99.73
Shanghai Baoye Commercial Concrete Co., Ltd.	Shanghai	Infrastructural project, concrete	2,000.00	30.00	30.00	1,747.17	1,323.12	0.00	0.00
Baoye (Philippines) Construction Co., Ltd.	Philippines	General construction	153.39	40.00	40.00	4,001.84	3,086.68	351.03	45.75
Shanghai Jin Hai real estate development Co., LTD	Shanghai	Property	4,400.00	0.00	0.00	0.00	0.00	178.66	-270.20
Tianjin MCC Tuanbo Urban and Rural Development Co., Ltd.	Jinghai, Tianjin	Real estate development	60,000.00	30.00	30.00	184,883.52	123,123.10	97,773.29	3,114.56

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6 Notes to the consolidated financial statements (Continued)

(14) Long-term equity investments (Continued)

(b) Associates(Continued)

	Registered location	Nature of business	Registered capital	Equity Interest held (%)	Voting rights held (%)	31 December 2013		For the year ended 31 December 2013	
						Total assets	Total liabilities	Revenues	Net Profit
Nanjing Da Ming Culture Co.,Ltd.	Nanjing	Cultural	61,000.00	49.18	49.18	164,314.67	103,314.01	0.00	0.000.00
Wuhan ZhongHe Engineering Quality testing Co.,Ltd.	Wuhan	Engineering evidential testing	240.00	33.33	33.33	2,236.03	1,846.22	3,418.45	118.66
Wuhan HanWei Secondary Refining Co., LTD	Wuhan	EPC	330.00	22.00	22.00	6,343.13	2,240.16	8,364.61	1,190.45
Taiyuan No.7 People's Hospital	Taiyuan	Hospital	840.00	42.53	42.53	1,406.62	3,031.21	65.25	-610.02
Tangshan Run Da Property Management Co.Ltd.	Tangshan	Property management	300.00	38.00	38.00	1,551.98	1,023.78	2,198.74	25.60
Handan Huaye Geotechnical Engineering Co.,Ltd.	Handan	Engineering geological prospecting	100.00	27.20	27.20	212.75	152.29	0.00	0.00
Huabei Ye Jian Ling Nan Hospital	Handan	Hospital	100.00	23.75	23.75	194.05	190.77	269.37	-18.79

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6 Notes to the consolidated financial statements (Continued)

(14) Long-term equity investments (Continued)

(b) Associates(Continued)

	Method	Initial investment cost	31 December 2012	Change in investment cost	Net profit/loss under equity method	Declared profits	Other changes in equity	31 December 2013
Shahe Storage and Transportation Limited Liability Company	Equity method	35.00	79.11	0.00	14.31	10.26	0.00	83.16
Tangshan Xinpeng Construction Test Co., Ltd.	Equity method	120.00	106.88	0.00	0.65	0.00	0.00	107.53
Tangshan 22 zhi Hospital	Equity method	315.00	70.71	0.00	-70.71	0.00	0.00	0.00
Taiyuan XingHuaLing binary bilingual kindergarten	Equity method	0.00	46.14	0.00	10.65	0.00	0.00	56.79
Shanxi DungTai Property Management Co.Ltd.	Equity method	248.53	59.32	0.00	-21.14	0.00	0.00	38.18
Anshan SanYe swimming pool Co., Ltd.	Equity method	25.52	27.44	0.00	2.78	4.38	0.00	25.84
Ma An Shan HuaTian geotechnical engineering Co., Ltd.	Equity method	24.00	28.38	0.00	12.84	0.00	0.00	41.22
Ma An Shan HuaTian Graphic Production Co., Ltd.	Equity method	21.00	40.28	0.00	-3.47	9.71	0.00	27.10
Ma An Shan Hua Tian Equipment Sets Co.,Ltd.	Equity method	30.00	242.66	0.00	-53.16	15.00	0.00	174.50
Jianyang ChenKan Industrial Development Co., Ltd.	Equity method	30.00	41.37	0.00	-1.27	0.00	0.00	40.10
Ma An Shan Jia He Real Estate Company	Equity method	200.00	379.02	0.00	102.40	100.00	0.00	381.42
BAIC MCC Hengsheng Real Estate Co., Ltd	Equity method	4,900.00	0.00	4,900.00	-319.11	0.00	0.00	4,580.89
Shanghai Tongji Baoye Roberts Co., Ltd.	Equity method	359.27	854.39	0.00	47.02	102.00	0.00	799.41
Langfang MCC Huan Tai Ecological Town Investment Co.,Ltd.	Equity method	5,400.00	4,778.40	-4,778.40	0.00	0.00	0.00	0.00
Baotou MCC Real Estate Co., Ltd	Equity method	23,989.46	0.00	23,989.47	-1,706.35	0.00	0.00	22,283.12
MCC Xiangxi Mining Co. , Ltd	Equity method	1,478.00	0.00	1,478.00	-15.37	0.00	0.00	1,462.63
Inner Mongolia MCC Darbond Real Estate Co., Ltd	Equity method	2,500.00	2,546.89	0.00	-119.67	0.00	0.00	2,427.22

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6 Notes to the consolidated financial statements (Continued)

(14) Long-term equity investments (Continued)

(b) Associates(Continued)

	Method	Initial investment cost	31 December 2012	Change in investment cost	Net profit/loss under equity method	Declared profits	Other changes in equity	31 December 2013
MCC Real Estate (Fujian) Co., Ltd	Equity method	3,000.00	2,769.09	0.00	-165.91	0.00	0.00	2,603.18
Tianjin Seri Machinery Ltd.	Equity method	35,765.46	67,583.79	0.00	2,110.75	0.00	0.00	69,694.54
Zhongzhi Jing Cheng(Xiangtan)Hard Industrial Equipment Co.,Ltd.	Equity method	12,750.00	16,417.11	0.00	-2,459.34	0.00	0.00	13,957.77
Steel Jing Cheng Equipment Technology Co.,Ltd.	Equity method	98,677.22	0.00	98,677.22	-5,834.96	0.00	0.00	92,842.26
Chongqing CN Steel Plant Engineering Co., Ltd.	Equity method	490.00	0.00	490.00	172.05	0.00	0.00	662.05
HATCH-CISDI International Engineering Consulting Co.Ltd.	Equity method	352.25	491.27	0.00	-18.93	0.00	0.00	472.34
WISDRI (Xinyu) Cold Rolled New Material Technology Co., Ltd.	Equity method	17,885.58	10,643.76	0.00	821.62	0.00	0.00	11,465.38
Yichang ZhongZhi Hard Industrial Machinery Co.,Ltd.	Equity method	800.00	1,134.29	-1,134.29	0.00	0.00	0.00	0.00
MCC Beris & Gangneng (Zhuhai) Heavy-Duty Industry Co., Ltd.	Equity method	1,250.00	0.00	0.00	0.00	0.00	0.00	0.00
Wuhan Zhongyi Investment construction Co.,Ltd.	Equity method	3,000.00	0.00	3,000.00	0.00	0.00	0.00	3,000.00
Shanghai United Auto Road Development and Construction Co., Ltd.	Equity method	13,216.03	0.00	13,216.03	-1,173.81	0.00	0.00	12,042.22
Shanghai Century Sunshine Residential Park Development Co., Ltd	Equity method	250.00	264.91	0.00	-11.86	0.00	0.00	253.05
Shanghai Baosteel Shisanye Qianpan Building Materials Co., Ltd.	Equity method	400.00	316.27	0.00	-316.27	0.00	0.00	0.00
Suzhou Suma MCC construction development Co., Ltd.	Equity method	4,900.00	4,900.00	0.00	-5.28	0.00	0.00	4,894.72
No.17 Chemical Industry	Equity method	159.62	159.62	0.00	0.00	0.00	0.00	159.62
Maanshan MCC Economic & Technological Development Zone Real Estate Co., Ltd.	Equity method	5,104.56	5,104.56	0.00	2.69	0.00	0.00	5,107.25
RCC/MCCJOINTVENTURE	Equity method	0.90	0.00	0.00	0.90	0.00	0.00	0.90

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6 Notes to the consolidated financial statements (Continued)

(14) Long-term equity investments (Continued)

(b) Associates(Continued)

	Method	Initial investment cost	31 December 2012	Change in investment cost	Net profit/loss under equity method	Declared profits	Other changes in equity	31 December 2013
Ningbao BaoXin Industrial development Co.,Ltd.	Equity method	204.00	455.66	0.00	44.82	68.00	9.91	442.39
Shanghai ZhongYeXiangLin Investment Co.,Ltd.	Equity method	1,708.50	1,429.64	0.00	26.34	0.00	0.00	1,455.98
Tianjin Tuopu Precision Steel Rolling Limited Liability Company	Equity method	3,000.00	3,241.92	0.00	53.87	0.00	0.00	3,295.79
Tianjin MCC Xinhua Real Estate Co., Ltd.	Equity method	14,620.85	0.00	14,620.85	0.00	0.00	0.00	14,620.85
Shanghai ZhongZhi XiangTeng Investment Co.,Ltd.	Equity method	9,900.00	11,259.31	0.00	-207.00	0.00	0.00	11,052.31
Shanghai Zhihu Real Estate Co.,Ltd.	Equity method	570.00	3,231.64	0.00	941.01	760.00	0.00	3,412.65
Mudanjiang MCC Real Estate Co., Ltd.	Equity method	2,450.00	2,450.00	0.00	0.00	0.00	0.00	2,450.00
Tangshan Cao Fei Dian 22ZhiTechnology Co.,Ltd.	Equity method	5,000.00	5,537.44	0.00	787.92	0.00	0.00	6,325.36
Beijing Xinghuazhiben Investment Co., Ltd	Equity method	720.00	590.31	0.00	-49.75	0.00	0.00	540.56
Beijing Time Antai Real Estate Co., Ltd.	Equity method	300.00	300.04	0.00	0.00	0.00	0.00	300.04
Tangshan ZhongZhi Arch Real Estate development Co.,Ltd.	Equity method	8,375.00	1,438.75	6,700.00	-219.30	0.00	0.00	7,919.45
Tangshan No.22 Metallurgical Wanzhu Real Estate Development Co., Ltd	Equity method	1,000.00	1,000.00	0.00	-86.43	0.00	0.00	913.57
MCC HeShan Investment Jiangsu Co., Ltd.	Equity method	1,000.00	0.00	1,000.00	-19.95	0.00	0.00	980.05
Shanghai Baoye Commercial Concrete Co., Ltd.	Equity method	600.00	181.24	0.00	0.00	0.00	0.00	181.24
Baoye (Philippines) Construction Co., Ltd.	Equity method	61.82	350.83	0.00	78.29	0.00	0.00	429.12
Shanghai Jin Hai real estate development Co., LTD	Equity method	1,445.28	599.15	-599.15	0.00	0.00	0.00	0.00
Shanghai Baoye Commercial Concrete Co., Ltd.	Equity method	18,528.13	0.00	18,528.13	0.00	0.00	0.00	18,528.13

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6 Notes to the consolidated financial statements (Continued)

(14) Long-term equity investments (Continued)

(b) Associates(Continued)

		Initial investment cost	31 December 2012	Change in investment cost	Net profit/lossunder equitymethod	Declared profits	Other changes in equity	31 December 2013
Nanjing Da Ming Culture Co.,Ltd.	Equity method	30,000.00	30,000.35	0.00	0.00	0.00	0.00	30,000.35
Wuhan ZhongHe Engineering Quality testing Co.,Ltd.	Equity method	80.00	126.38	0.00	39.55	36.00	0.00	129.93
Wuhan HanWei Secondary Refining Co.,LTD	Equity method	186.95	717.78	0.00	217.87	33.00	0.00	902.65
Taiyuan No.7 People's Hospital	Equity method	352.47	0.00	0.00	0.00	0.00	0.00	0.00
Tangshan Run Da Property Management Co.Ltd.	Equity method	114.00	191.55	0.00	9.73	0.00	0.00	201.28
Handan Huaye Geotechnical EngineeringCo.,Ltd.	Equity method	27.20	16.45	0.00	0.00	0.00	0.00	16.45
Huabei Ye Jian Ling Nan Hospital	Equity method	28.50	4.20	0.00	-4.20	0.00	0.00	0.00
		<u>337,950.09</u>	<u>182,208.30</u>	<u>180,087.86</u>	<u>-7,385.18</u>	<u>1,138.35</u>	<u>9.91</u>	<u>353,782.54</u>

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6 Notes to the consolidated financial statements (Continued)

(14) Long-term equity investments (Continued)

(c) Other long-term equity investments

Name of investee	Method	Equity Interest held (%)	Initial investment cost	31 Dec 2012	Current year additions	Current year reductions	31Dec2013
Huludao Bank Co., Ltd	Cost method	1.39	1,000.00	2,936.92	0.00	0.00	2,936.92
Shanghai Baoye Property Co., Ltd.	Cost method	20.00	13.71	13.71	0.00	0.00	13.71
Shanghai Baoye Pension Protection Service center	Cost method	100.00	42.21	42.21	0.00	0.00	42.21
Hebei Jinding Vocational Education Co., Ltd	Cost method	20.00	60.02	60.02	0.00	0.00	60.02
Wuhan College of Industrial Technology	Cost method	20.00	597.34	597.34	0.00	0.00	597.34
Wuhan Puren Hospital	Cost method	16.10	700.26	700.26	0.00	0.00	700.26
Wuan Ping'an Hospital	Cost method	8.85	4.07	4.07	0.00	0.00	4.07
Shahe Huaye Hospital	Cost method	20.00	4.00	4.02	0.00	0.00	4.02
Handan Huaye Equipment Manufacturing Co., Ltd.	Cost method	20.00	24.00	18.18	0.00	0.00	18.18
Handan Huaye Materials Co., Ltd.	Cost method	20.00	10.00	10.33	0.00	0.00	10.33
Handan Huaye Lingnan Magnesium Co., Ltd.	Cost method	20.00	25.00	24.89	0.00	0.00	24.89
Haikou XingZhi Industrial development Company	Cost method	100.00	200.00	95.38	0.00	0.00	95.38
Wuhan Jingzhi Construction Engineering United Company	Cost method	53.76	4.31	4.31	0.00	0.00	4.31
Shanghai Pudong Keao construction Equipment New technology developing department	Cost method	100.00	60.00	46.54	0.00	0.00	46.54
Xiamen Jingye Construction Engineering Constructing Company	Cost method	100.00	96.49	96.49	0.00	0.00	96.49
Chendu Metallurgical Constrction Machinery Co., Ltd.	Cost method	31.00	29.50	26.84	0.00	0.00	26.84
Lushan Hanpokou cableway travel company	Cost method	70.00	264.51	264.51	0.00	0.00	264.51
Baotou Beilei Industrial Co., Ltd.	Cost method	75.00	300.00	303.40	0.00	0.00	303.40
Shenzhen metallurgical industry Company	Cost method	3.57	10.00	10.00	0.00	0.00	10.00
Hefei Iron and Steel Company	Cost method	0.00	100.00	100.00	0.00	100.00	0.00
Hankou Bank Co.,Ltd	Cost method	0.01	13.00	13.00	0.00	0.00	13.00
Tsitsihar Beixing Special Steel Limited Liability Company	Cost method	0.89	428.90	428.90	0.00	0.00	428.90
Great Wall Life Insurance Stock Company	Cost method	1.52	3,000.00	3,000.00	0.00	0.00	3,000.00
MCC Meililai Shan Paper Industry Co., Ltd.	Cost method	15.00	1,800.00	1,800.00	0.00	0.00	1,800.00
Shanghai Baosteel Engineering Consulting Co., Ltd.	Cost method	3.41	15.00	15.00	0.00	0.00	15.00
Xinye High Technology Group Co., Ltd.	Cost method	4.14	311.59	311.59	0.00	0.00	311.59
Shenzhen Zhonglian Metallurgical Science and Technology Industrial Co., Ltd	Cost method	10.00	30.00	30.00	0.00	0.00	30.00
Beijing Smelting Resistance to Engineering material Co., Ltd.	Cost method	100.00	1,729.84	1,729.84	0.00	0.00	1,729.84
North Copper Industry Limited Liability Company	Cost method	0.44	300.00	1,169.63	0.00	0.00	1,169.63
Shenzhen Zhongjin Engineering Industrial Company	Cost method	2.00	20.00	17.30	0.00	0.00	17.30
Tangshan Zhongyou Silicon Industry Co., Ltd	Cost method	12.73	70.00	73.10	0.00	0.00	73.10
Jiangxi Golden Century Advanced Material Co., Ltd	Cost method	2.19	100.00	129.19	0.00	0.00	129.19
Zhongse Technology Limited Liability Company	Cost method	6.00	311.18	1,638.02	0.00	0.00	1,638.02
Zhongse International Mining Indusry Limited Liability Company	Cost method	1.75	600.00	930.21	0.00	0.00	930.21
Lanzhou Jinchuan Advanced Material Technology Co., Ltd.	Cost method	0.96	1,000.00	1,739.45	0.00	0.00	1,739.45
Imperial Technology Corporation	Cost method	0.00	0.00	20.00	0.00	20.00	0.00
Shanghai Shenergy Co., Ltd.	Cost method	0.01	5.65	18.77	0.00	0.00	18.77
Shenyang MCC Jingcheng Real Estate Co., Ltd.	Cost method	100.00	580.02	0.00	404.26	0.00	404.26

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6 Notes to the consolidated financial statements (Continued)

(14) Long-term equity investments (Continued)

(c) Other long-term equity investments

Name of investee	Method	Equity Interest held (%)	Initial investment cost	31 Dec 2012	Current year additions	Current year reductions	31 Dec 2013
Shanghai Baoding Investment Co., Ltd.	Cost method	0.08	5.75	5.75	0.00	0.00	5.75
Shanghai Bao Steel Construction Supervision Co.,Ltd	Cost method	16.88	80.00	80.00	0.00	0.00	80.00
Baogang Group Financial Co., Ltd.	Cost method	0.20	100.00	100.00	0.00	0.00	100.00
Jisco (group) Macro League Control Co.,Ltd.	Cost method	18.63	1,389.36	1,389.36	0.00	0.00	1,389.36
Pangang Group Financial Co., Ltd.	Cost method	0.24	409.80	409.80	0.00	0.00	409.80
Shengyin & Wanguo Securities Co., Ltd	Cost method	0.02	200.00	200.00	0.00	0.00	200.00
Zhongdian Touyuanda Environment Engineering Co., Ltd.	Cost method	6.67	500.00	500.00	0.00	0.00	500.00
Wuhan Wuxin International Bidding Agent Co., Ltd	Cost method	10.00	20.00	20.00	0.00	0.00	20.00
Nanjing Bank of Communications	Cost method	1.00	56.31	56.31	0.00	0.00	56.31
Panzhuhua Steel Group Finance Co.,Ltd	Cost method	0.01	20.00	20.00	0.00	0.00	20.00
Shanxi Sanjin Mining Industry Limited Liability Company	Cost method	20.00	2,000.00	2,000.00	0.00	0.00	2,000.00
MCC Eastern Jiangsu Heavy Industry Co., Ltd	Cost method	20.00	4,800.00	0.00	4,800.00	0.00	4,800.00
Inner Mongolia Xinlian Information Industry Co., Ltd	Cost method	3.00	30.00	30.00	0.00	0.00	30.00
Qingdao Yuye Technology Development Co., Ltd	Cost method	0.51	100.00	100.00	0.00	0.00	100.00
Beijing Jingtai Co., Ltd	Cost method	1.07	24.72	24.72	0.00	0.00	24.72
Anshan ZhongYe Pile engineering technology Co., Ltd.(in liquidation)	Cost method	0.00	39.68	39.68	0.00	39.68	0.00
Shanghai Bao Steel Construction Supervision Co.,Ltd	Cost method	7.12	71.20	71.20	0.00	0.00	71.20
Hankou Bank Co.,Ltd	Cost method	0.73	2,756.60	2,756.60	0.00	0.00	2,756.60
Wuhan Jiangcheng Commercial Limited Company	Cost method	15.19	654.00	654.00	0.00	0.00	654.00
Wuhan Iron and Steel Group Finance Company	Cost method	0.13	200.00	200.00	0.00	0.00	200.00
Shanxi Yamei Fire Proofing Limited Liability Company	Cost method	0.00	0.00	211.64	0.00	211.64	0.00
Beitai Cast Tube Factory	Cost method	2.60	1,077.54	1,077.54	0.00	0.00	1,077.54
Shanghai SanYe Steel Pipe Co., Ltd	Cost method	0.00	120.00	120.00	0.00	120.00	0.00
Anshan ZhongYe Pile engineering technology Co., Ltd.	Cost method	0.00	94.06	94.06	0.00	94.06	0.00
Shanghai United Auto Avenue Development and Construction Co., Ltd.	Cost method	40.00	0.00	0.00	0.00	0.00	0.00
Sichuan Xinye Jetta Air Conditioning Technology Co., Ltd.	Cost method	60.00	75.11	75.11	0.00	0.00	75.11
Hainan Chengdu Enterprise Group	Cost method	0.01	136.40	136.40	0.00	0.00	136.40
Jinhong Construction and Development Company	Cost method	10.00	50.00	50.00	0.00	0.00	50.00
MCC Izmir Chrome ore Resources Industrial and Commercial Co., Ltd	Cost method	51.00	1,199.31	1,199.31	0.00	0.00	1,199.31
Hangzhou Iron and Steel Stock	Cost method	0.01	72.00	72.00	0.00	0.00	72.00
Pangang Group Financial Co., Ltd.	Cost method	0.01	11.89	11.89	0.00	0.00	11.89
Shanghai Well Decorated Building Materials Horticulture Supermarket Co.,Ltd.	Cost method	5.00	25.00	25.00	0.00	0.00	25.00
Pingmei Group Kaifeng Carbon Co., Ltd	Cost method	0.41	240.00	240.00	0.00	0.00	240.00
Yangzi River Economic United Development (Group)Co.,Ltd	Cost method	0.06	60.00	60.00	0.00	0.00	60.00
Shanghai Baoshan Iron & Steel 13th Metallurgical Peking Structure Factory	Cost method	15.37	20.00	20.00	0.00	0.00	20.00
Chongqing Special Steel Co., Ltd.	Cost method	1.00	100.00	100.00	0.00	0.00	100.00
Shenzhen Construction Real Estate Development Co., Ltd.	Cost method	4.71	260.00	260.00	0.00	0.00	260.00
Tianjin Bohai Metallurgy Industry Company	Cost method	2.32	1,506.57	326.45	0.00	0.00	326.45
Emerging project contracting company	Cost method	0.00	0.00	10.00	0.00	10.00	0.00

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6 Notes to the consolidated financial statements (Continued)

(14) Long-term equity investments (Continued)

(c) Other long-term equity investments

Name of investee	Method	Equity Interest held (%)	Initial investment cost	31 December 2012	Current year additions	Current year reductions	31 December 2013
Suzhou Steel Co., Ltd.	Cost method	0.18	133.00	133.00	0.00	0.00	133.00
Shanghai Xinpu Transportation Co., Ltd.	Cost method	40.00	408.29	408.29	0.00	0.00	408.29
Tangshan Luanxian Sijiaying Iron Ore Development Co., Ltd	Cost method	23.89	64,500.00	64,500.00	0.00	0.00	64,500.00
Hebei Iron and Steel Group Luanxian Sijiaying Iron Ore Co., Ltd.	Cost method	14.45	8,000.00	8,000.00	0.00	0.00	8,000.00
Tianjin Jidong Cement Co., Ltd.	Cost method	9.00	750.00	668.98	0.00	0.00	668.98
Jidong Cement Luanxian Limited Liability Company	Cost method	6.74	2,840.00	2,970.46	0.00	0.00	2,970.46
Baogang Group Financial Co., Ltd.	Cost method	2.00	949.77	949.77	0.00	0.00	949.77
Qingdao Jinzeshun Property Co., Ltd.	Cost method	50.00	500.00	500.00	0.00	0.00	500.00
MCC Izmir Chrome Ore Resources Industry and Commerce Co.,Ltd.	Cost method	15.00	612.80	612.80	0.00	0.00	612.80
Qinhuangdao MCC Real Estate Development Co., Ltd.	Cost method	10.00	500.00	0.00	473.04	0.00	473.04
Wuhan Haite Power Engineering Co., Ltd.	Cost method	13.33	106.17	106.17	0.00	0.00	106.17
Wuhan high-tech Venture Development Co., Ltd.	Cost method	2.20	143.63	143.63	0.00	0.00	143.63
Hainan Sanyou Comany	Cost method	2.00	16.28	16.28	0.00	0.00	16.28
Wuhan Construction Engineering Co., Ltd	Cost method	0.17	50.00	50.00	0.00	0.00	50.00
Beijing Xing Cheng Wang Industrial Co., Ltd.	Cost method	0.00	480,000.00	0.00	480,000.00	480,000.00	0.00
Zhongye Group Guangzhou Co., Ltd.	Cost method	100.00	509.76	509.76		509.76	0.00
Hubei Geographic Information Industry (Group) Co., Ltd.	Cost method	8.00	160.00	160.00	0.00	0.00	160.00
Harbin Shuanyi environmental resource utilization Ltd.	Cost method	20.00	4,800.00	846.00	3,954.00	0.00	4,800.00
ShenKan Geotechnical Engineering Department	Cost method	100.00	10.61	14.58	0.00	0.00	14.58
Ma'anshan 17 th Hospital	Cost method	51.00	1,384.40	1,384.40	0.00	0.00	1,384.40
Shanghai Libo Labor Service Co.,Ltd	Cost method	20.00	57.65	57.65	0.00	0.00	57.65
Huludao Bank Co., Ltd	Cost method	0.70	500.00	1,468.46	0.00	0.00	1,468.46
Huludao Port Development Co., Ltd.	Cost method	0.00	1,000.00	1,000.00	0.00	0.00	1,000.00
			871,688.29	115,670.47	489,631.30	481,105.14	124,196.63

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6 Notes to the consolidated financial statements (Continued)

(14) Long-term equity investments (Continued)

(d) Provision for impairment of long-term equity investments

	31 December 2012	Current year additions	Current year reduction	31 December 2013	Reason for deduction
No.17 Industrial Company	159.62	0.00	0.00	159.62	
Shanghai Baoye Commercial Concrete Company	181.24	0.00	0.00	181.24	
Shanghai Jinhai Real Estate Development Co., Ltd.	599.15	0.00	599.15	0.00	
Hebei Jinding Vocational Education Co., Ltd.	60.02	0.00	0.00	60.02	
Haikou XingZhi Industrial development Company	95.38	0.00	0.00	95.38	
Lushan Hanpoku Cableway Travel Company	0.00	264.51	0.00	264.51	
Shenzhen metallurgical industry Company	10.00	0.00	0.00	10.00	
Hefei Iron and Steel Company	100.00	0.00	100.00	0.00	
Beijing Yenai Project Material Co., Ltd.	849.67	44.61	0.00	894.28	
Zhongjin Shenzhen Engineering Industrial Company	0.00	17.30	0.00	17.30	
Tangshan Zhongyou Silicon Industry Co., Ltd.	0.00	73.10	0.00	73.10	
Lanzhou Jinchuan New Material Technology Co., Ltd.	0.00	1,180.78	0.00	1,180.78	
Imperial Technology Corporation	20.00	0.00	20.00	0.00	
Jiugang Honglian Automatic Control Co., Ltd.	788.12	0.00	0.00	788.12	
Shanxi Yamei Fire Proofing Limited Liability Company	111.64	0.00	111.64	0.00	
Anshan ZhongYe Pile engineering technology Co., Ltd.	59.47	0.00	59.47	0.00	
Hainan Chengdu Enterprise Group	136.40	0.00	0.00	136.40	
MCC Izmir Chrome Ore Resources Industry and Commerce Co.,Ltd.	1,199.31	0.00	0.00	1,199.31	
Chongqing Special Steel Co., Ltd.	0.00	100.00	0.00	100.00	
Tianjin Bohai Metallurgy Industry Company	326.45	0.00	0.00	326.45	
Emerging project contracting company	10.00	-10.00	0.00		
Suzhou Steel Co., Ltd.	66.50	0.00	0.00	66.50	
Shanghai Xinpu Transportation Co., Ltd.	408.29	0.00	0.00	408.29	
MCC Izmir Chrome Ore Resources Industry and Commerce Co.,Ltd.	612.80	0.00	0.00	612.80	
Wuhan Haite Power Engineering Co., Ltd.	106.17	0.00	0.00	106.17	
Wuhan high-tech Venture Development Co., Ltd.	143.63	0.00	0.00	143.63	
Hainan Sanyou Company	16.28	0.00	0.00	16.28	
ZhongYe Group Guangzhou Co., Ltd.	152.44	0.00	152.44	0.00	
ShenKan Geotechnical Engineering Department	14.58	0.00	0.00	14.58	
Huludao Port Development Co., Ltd.	1,000.00	0.00	0.00	1,000.00	
	<u>7,227.16</u>	<u>1,670.30</u>	<u>1,042.70</u>	<u>7,854.76</u>	

6 Notes to the consolidated financial statements (Continued)

(14) Long-term equity investments (Continued)

(d) Provision for impairment of long-term equity investments (Continued)

MCC Ramu NiCo Limited ("Ramu NICO"), a subsidiary whose ultimate holding is 61%, signed a agreement with the three companies ("PNG Party") of Papua New Guinea ("PNG") in 2005 to cooperate and develop Ramu NICO project (the "Project"), the project is a new non-company Joint Venture located in Papua New Guinea, mainly for the mining and processing operations the nickel and cobalt mine located in Papua New Guinea. Before 2005, the exploration and pre-feasibility studies and other preparatory work of the project were carried out by the PNG party. According to the "Ramu nico project master agreement" signed in 2005, Ramu nico involved in the project and was responsible for development and construction of the project. PNG party has the right to obtain a 15% interest in the project in 15 years since the beginning of March 2008. The purchase price would be determined based on 15% of the total development cost of estimated in feasibility study of the project, plus 20% of the float unforeseen expenses, the related interest and inflation adjustments. The purchase price would be paid by installment according to a certain percentage of the project product sales in future entitled by PNG party. Ramu NICO was entitled to 100% of income rights of the construction assets and the mineral output before PNG party performed these rights. When the PNG party put forward to perform the rights, the proportion of interest enjoyed by Ramu NICO should reduce to 85%. After the PNG party complements its historical development cost which should be borne by them, they would obtain extra 5% interest for free. In addition, after obtaining a 20% interest in the above, the PNG party could also choose to acquire additional interests in a total of 15% of the project in accordance with the fair market price.

On December 31, 2012, the project changed construction stage to the production stage. Up to the Approval date of the consolidated financial report, the PNG party had not yet proposed to obtain their respective interests in a total of 15% in the project. Due to the Ramu NICO owns 100% of the development and construction assets and the output products of the project, and undertakes 100% of the debt on December 31, 2013, so the Group had combined all the development and construction assets, liabilities, income, costs and expenses of the project. The Group confirmed the project's total assets and total liabilities were 12.413 billion Yuan and 13.711 billion Yuan respectively on 31st December 2013. The Group confirmed that revenues and costs of the project were 1.134 billion Yuan and 2.452 billion Yuan (including depreciation expenses 604 million Yuan) up to December 31, 2013.

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6 Notes to the consolidated financial statements (Continued)

(15) Investment properties

	Buildings	Land use rights	Total
Cost			
31 December 2012	126,481.10	120,180.75	246,661.85
Current year additions	24,519.13	40,630.12	65,149.24
Current year disposals	35,364.08	1,127.56	36,491.64
31 December 2013	<u>115,636.15</u>	<u>159,683.30</u>	<u>275,319.46</u>
Accumulated depreciation/amortisation			
31 December 2012	39,573.20	8,410.30	47,983.50
Current year depreciation	5,132.43	4,349.97	9,482.39
Current year disposals	2,405.69	185.44	2,591.13
31 December 2013	<u>42,299.93</u>	<u>12,574.83</u>	<u>54,874.76</u>
Provision for impairment			
31 December 2012	0.00	0.00	0.00
Current year charges	0.00	0.00	0.00
Other reductions	0.00	0.00	0.00
31 December 2013	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Net book value			
31 December 2013	<u>73,336.22</u>	<u>147,108.47</u>	<u>220,444.69</u>
31 December 2012	<u>86,907.90</u>	<u>111,770.45</u>	<u>198,678.35</u>

- (a) In 2013, the Group changed the use of buildings with net book value of 1,510.09 ten thousand (cost of 2,307.69 ten thousand) and land use rights with net book value of RMB 942.12 ten thousand (cost of 1,127.56 ten thousand) to owner-occupied properties. Therefore, such investment properties were transferred to fixed assets and intangible assets respectively at the dates of transfers.
- (b) In 2013, the Group changed the use of buildings with net book value of 20,053.71 ten thousand (cost of 20,953.20 ten thousand) and land use rights with net book value of RMB 10,668.94 ten thousand (cost of 11,222.87 ten thousand) to lease-out properties, and therefore, such assets were transferred from fixed assets and intangible assets to investment properties at the dates of transfers.
- (c) In 2013, the Group disposed investment properties with net book value of 3,802.40 ten thousand (cost of 4,628.30 ten thousand).
- (d) The amount of restricted investment properties and the reasons for restriction are disclosed in Note 6(23).

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6 Notes to the consolidated financial statements (Continued)

(16) Fixed assets

	Buildings	Temporary buildings structure	Motor vehicles	Machinery and equipment	Office equipment and others	Total
Cost						
31 December 2012	2,285,600.03	53,252.03	262,089.09	2,371,751.72	344,422.44	5,317,115.31
Transfer from construction in progress	264,144.24	2,898.78	197.97	127,885.81	3,839.77	398,966.57
Other current year additions	125,244.11	6,948.51	18,202.83	128,038.43	-22,611.81	255,822.07
Current year disposals	<u>215,185.52</u>	<u>9,042.71</u>	<u>22,220.37</u>	<u>250,359.00</u>	<u>26,259.77</u>	<u>523,067.37</u>
31 December 2013	<u>2,459,802.86</u>	<u>54,056.61</u>	<u>258,269.52</u>	<u>2,377,316.96</u>	<u>299,390.63</u>	<u>5,448,836.58</u>
Accumulated depreciation						
31 December 2012	352,982.35	33,896.01	130,588.55	712,824.38	58,613.37	1,288,904.66
Current year depreciation	86,320.14	9,471.88	28,274.19	170,711.69	27,258.80	322,036.70
Other current year additions	797.60	2.69	31.08	20.05	25.12	876.54
Current year disposals	<u>32,619.34</u>	<u>7,466.88</u>	<u>14,783.07</u>	<u>79,483.02</u>	<u>8,518.18</u>	<u>142,870.49</u>
31 December 2013	<u>407,480.75</u>	<u>35,903.70</u>	<u>144,110.75</u>	<u>804,073.10</u>	<u>77,379.11</u>	<u>1,468,947.41</u>
Provision for impairment						
31 December 2012	87,251.94	0.00	2,163.93	98,600.47	1,788.88	189,805.22
Current year provision	30,168.58	0.00	272.13	28,451.51	1,582.59	60,474.81
Current year reductions	6,481.34	0.00	137.82	8,078.90	588.28	15,286.34
31 December 2013	<u>110,939.18</u>	<u>0.00</u>	<u>2,298.24</u>	<u>118,973.08</u>	<u>2,783.19</u>	<u>234,993.69</u>
Net book value						
31 December 2013	<u>1,941,382.93</u>	<u>18,152.91</u>	<u>111,860.53</u>	<u>1,454,270.78</u>	<u>219,228.33</u>	<u>3,744,895.48</u>
31 December 2012	<u>1,845,365.75</u>	<u>19,356.03</u>	<u>129,336.60</u>	<u>1,560,326.85</u>	<u>284,020.20</u>	<u>3,838,405.43</u>

(a) In 2013, depreciation expenses of 191,620.57 ten thousand Yuan, 1,945.27 ten thousand Yuan and 91,532.86 ten thousand Yuan are included in operating cost, operating expensed and management expenses respectively. (In 2012, 188,090.87 ten thousand Yuan, 1,178.53 ten thousand Yuan and 77,238.50 ten thousand Yuan).

(b) On 31 December 2013, the cost of the fixed assets which have been depreciated to its net residual value but are still in use was 234,730.00 ten thousand Yuan;

(c) On 31 December 2013, the cost of the fixed assets which are temporarily not in use was 23,351.19 ten thousand Yuan;

(d) The book value of fixed assets held for sale is 2,978.73 ten thousand Yuan at the end of the year and is expected disposed completely in 2014.

6 Notes to the consolidated financial statements (Continued)

(16) Fixed assets

Due to the price of polycrystalline silicon has been extended depressed in the market, the gross profit margin is negative, the individually fixed assets of the Company's subsidiary, China Silicon Corporation Ltd (hereinafter referred to as "Luoyang Sino Sico") existed an indication of impairment. One of the production lines of Luoyang Sino Sico had been shut down finally by December 31, 2012. The Group entrusted an independent rating agencies, Luoyang Mingjian assets appraisal co., Ltd to assess on recoverable amount of the fair value of the underlying assets deducted selling expenses on the basis of shut down, and according to the market value and the value of recyclable metals. According to the assessing results of impairment, the Group considered that the fair value of such fixed assets is less than its book value, and therefore the provision for impairment of assets of fixed assets was 435,718 thousand Yuan; Meanwhile, the Group would execute impairment evaluation of the relevant assets about other production lines of Luoyang Sino Sico according to their estimated recoverable amount. Estimated recoverable amount is estimated based on the present value of future cash flows. Future cash flows is calculated by 15% of pre-tax discount rate based on expected revenue growth, gross margin, expected service life of the asset, which is expected to determine the revenue and gross margin based on past performance of the market development and expectations of management layer. According to the assessment results of impairment, the production line of Luoyang Sino Sico has no additional impairment losses. Based on the 2012 impairment assessment, the main factors affecting of asset impairment was updated assessment by the Group by December 31, 2013. Based on the assessment results, there is no additional provision for impairment during the year.

The international metals nickel and cobalt prices had fallen sharply by 31 December, 2013, the Group found that the fixed assets of PNG Ramu NICO project of MCC Mining Development Co., Ltd. existed an indication of impairment. The book value of the fixed assets of the project was RMB 11.474 billion Yuan by 31 December, 2013. Therefore, the Group executed impairment evaluation in accordance with estimated recoverable amount of the related assets. Estimated recoverable amount is assessed based on the present value of future cash flows and calculated in accordance with financial budgets approved by management layer and 14.29% of pre-tax discount rate. Future cash flows is obtained based on estimated production capacity, annual plans, the future price of nickel and cobalt forecast, expected revenue growth and gross margin as well as the forecasts of productive life. Based on the impairment assessment, management layer of the group believes that use value of fixed assets of PNR NICO project is higher than the book value, without provision for impairment of assets. According to the highest and lowest values of nickel and cobalt predicted by market forecaster, the use value of fixed assets of the project is RMB 14.037 billion Yuan and RMB 8.25 billion Yuan respectively. Therefore, once the price of nickel and cobalt fell sharply in the future, the Group would update assessment of the project and, if necessary, make provision for impairment of fixed assets.

- (e) The amount of restricted investment properties and the reasons for restriction are disclosed in Note 6(23).

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6 Notes to the consolidated financial statements (Continued)

(17) Construction in progress

	31 December 2013			31 December 2012		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Construction in progress	370,075.66	35,853.75	334,221.91	635,069.80	36,911.00	598,158.80

(a) The top ten project situation of the book balance and the ending balance of construction in process at the end of the period:

	Budget total	Proportion of project cost as compared with budget (%)	31 December 2012			Current year additions	
			Amount	Including : Interest capitalised	Provision for impairment	Amount	Including : Interest capitalised
Top 10 projects:							
MCC Jiangtong Ainake Mining Co., Ltd.infrastructure project	2,384,780.00	4.75	85,443.14	0.00	0.00	5,916.93	0.00
Duda Lead-Zinc Project	43,087.19	112.73	54,765.49	7,333.61	35,235.07	583.46	0.00
Tibet Mengya'a Lead-Zinc Project	50,000.00	92.88	43,312.13	1,350.94	0.00	3,127.01	601.67
Jiujiang Second-phase Steel Slag Zero Emissions Project	46,458.35	95.00	29,203.21	3,211.82	0.00	1,947.61	1,544.58
MCC CCID Company Complex Building	24,026.00	80.30	13,897.31	0.00	0.00	5,395.24	0.00
Caidi Heavy Equipment	22,393.19	64.49	11,438.82	0.00	0.00	3,002.99	0.00
Office Area Construction of New Distric	40,000.00	28.33	8,156.30	0.00	0.00	3,173.72	0.00
Recycling Byproducts of High-tech Industrialization Projects	117,140.30	68.00	5,217.47	0.00	0.00	6,031.25	0.00
Large-scale Multiple Die Forgings and Heavy Equipment Independently Industrial Base	52,744.90	70.00	27,292.13	0.00	0.00	8,175.51	0.00
Xinjiang Wuxin Copper supporting 15000Nm3 / h Oxygen Station	7,864.00	82.85	1,462.24	0.00	0.00	0.00	0.00
	2,788,493.92		280,188.24	11,896.37	35,235.07	42,407.04	2,146.25

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6 Notes to the consolidated financial statements (Continued)

(17) Construction in progress (Continued)

(a) The top ten project situation of the book balance and the ending balance of construction in process at the end of the period (Continued)

	Current year reductions		31 December 2013			Current interest capitalization rate (%)	Fund resource
	Amount	Including: Transfer to fixed assets	Amount	Including: Interest capitalised	Provision for impairment		
Top 10 projects:							
MCC Jiangtong Ainake Mining Co., Ltd. infrastructure project	11,547.92	8,814.50	79,812.15	0.00	0.00	0.00	Self-raised fund
Duda Lead-Zinc Project	1,649.83	0.00	53,699.12	7,333.61	34,177.82	0.00	Loan from financial
Tibet Mengya's Lead-Zinc Project	0.00	0.00	46,439.14	1,952.61	0.00	0.00	Loan from financial
Jiujiang Second-phase Steel Slag Zero Emissions Project	0.00	0.00	31,150.82	4,756.40	0.00	7.05	Loan from financial
MCC CCID Company Complex Building	0.00	0.00	19,292.55	0.00	0.00	0.00	Loan from financial
Caidi Heavy Equipment	0.00	0.00	14,441.81	0.00	0.00	0.00	Self-raised fund
Office Area Construction of New District Recycling Byproducts of High-tech Industrialization Projects	17.86	0.00	11,312.16	0.00	0.00	0.00	Self-raised fund
Large-scale Multiple Die Forgings and Heavy Equipment Independently Industrial Base	0.00	0.00	11,248.72	0.00	0.00	0.00	Self-raised fund
Xinjiang Wuxin Copper supporting 15000Nm ³ / h Oxygen Station	26,935.05	26,935.05	8,532.59	0.00	0.00	0.00	Self-raised fund
	0.00	0.00	6,515.56	0.00	0.00	6.60	Loan from financial
	40,150.66	35,749.55	282,444.62	14,042.62	34,177.82		

The amount of restricted construction in progress and the reasons for restriction are disclosed in Note 6(23)

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6 Notes to the consolidated financial statements (Continued)

(17) Construction in progress (Continued)

(b) Provision for impairment of construction in progress

	31 December 2012	Current year additions	Current year reductions	31 December 2013
Duda Lead-zinc Project	35,235.08	0.00	1,057.25	34,177.82
Others	1,675.92	0.00	0.00	1,675.93
	<u>36,911.00</u>	<u>0.00</u>	<u>1,057.25</u>	<u>35,853.75</u>

Up to December 31, 2012, the Group had updated the business plan about Duda lead-zinc project according to the revised budget of the project after finding the impairment related asset. Therefore, the Group executes impairment evaluation in accordance with its estimated recoverable amount of the related assets. Estimated recoverable amount is assessed based on the estimated present value of future cash flows and calculated in accordance with financial budgets approved by management layer and 12.55% of pre-tax discount rate. Future cash flows is calculated based on expected revenue growth, gross margin, expected service life of the asset, which is expected to determine the revenue and gross margin based on past performance of the market development and expectations of management layer. According to the assessment results of impairment, the provision for impairment of assets of construction in progress of Duda lead-zinc project was 35,235 ten thousand Yuan in 2012.

Based on the impairment assessment in 2012, the main factor affecting the Group's asset impairment assessment was updated assessment by December 31, 2013. Based on the assessment results, the Group had no additional impairment. Provision for impairment is decreased by US dollar 1,057 ten thousand for the year resulted by dollar exchange rate movements.

(18) **Construction materials**

	31 December 2012	Current year additions	Current year reductions	31 December 2013
Proprietary material	2,188.84	5,187.46	7,147.02	229.30
Special hardware	5,057.42	809.49	704.48	5,162.43
Tools and instruments prepare for production	85.12	93.59	102.98	75.72
Other	13.78	11.15	22.81	2.12
	<u>7,345.16</u>	<u>6,101.69</u>	<u>7,977.29</u>	<u>5,469.57</u>

6 Notes to the consolidated financial statements (Continued)

(19) Intangible assets

	Land use rights	Mining rights	Patents	Software	Concession trademark rights	Other	Total
Cost							
31 December 2012	897,761.48	552,740.08	4,653.55	32,569.56	675,819.61	27.00	2,163,571.28
Current year additions	34,124.24	382.48	133.29	5,094.47	41,449.29	0.00	81,183.77
Current year reductions	56,228.82	64,788.60	0.00	235.82	10,104.05	0.00	131,357.29
31 December 2013	875,656.90	488,333.96	4,786.84	37,428.21	707,164.85	27.00	2,113,397.76
Accumulated amortization							
31 December 2012	90,510.86	16,000.74	3,006.98	16,903.41	26,580.02	27.00	153,029.01
Current year additions	17,836.83	4,932.56	383.45	4,529.49	13,015.38	0.00	40,697.71
Current year reductions	2,956.07	163.24	0.00	147.09	1,127.14	0.00	4,393.54
31 December 2013	105,391.62	20,770.06	3,390.43	21,285.81	38,468.26	27.00	189,333.17
Provision for impairment							
31 December 2012	28,770.39	269,901.70	0.00	0.00	0.00	0.00	298,672.09
Current year additions	10,379.94	0.00	0.00	0.00	0.00	0.00	10,379.94
Current year reductions	12,548.45	39,832.27	0.00	0.00	0.00	0.00	52,380.72
31 December 2013	26,601.88	230,069.43	0.00	0.00	0.00	0.00	256,671.31
Book value							
31 December 2013	743,663.39	237,494.48	1,396.42	16,142.40	668,696.59	0.00	1,667,393.28
31 December 2012	778,480.23	266,837.65	1,646.57	15,666.15	649,239.59	0.00	1,711,870.19

(a) Expenditures on research and development incurred in 2013 amounted to 227,393.03 ten thousand.(2012 amounted to 218,247.13 ten thousand), all should be recorded into the current profits and losses(2012 amounted to 193,385.66 ten thousand)

(b) On December 31, 2012, the Group had completed Cape Lambert Iron Ore Project feasibility study held by MCC Australia Holdings Ltd (a wholly-owned subsidiary of the Company, hereinafter referred to as "MCCA"), based on the results of the feasibility study, Lambert iron Ore Project assets (hereinafter referred to as "Cape Lambert assets") may be impaired. Therefore, the Group conducted impairment evaluation in accordance with the recoverable amount of Cape Lambert assets. The recoverable amount of the asset is recognized according to fair value deducted the cost of sales. The Group employed an independent valuer, Jones Lang LaSalle Corporate Appraisal and Consulting Limited (hereinafter referred to as "Jones Lang LaSalle") to assess Cape Lambert assets, the assessment results were confirmed according to "Adjusted Prior Sales Multiples Method". According to the results of assessing impairment, the provision for asset impairment on mining rights was 29,620.80 ten thousand on 31 December 2012.

Based on impairment assessment in 2012, the main factors affecting the Group's asset impairment assessment were updated assessment by Jones Lang LaSalle on December 31, 2013. According to the assessment results, the Group has no additional impairment. Provision for impairment is decreased by 39,832.27 ten thousand Yuan for the year resulted by Australian dollar exchange rate movements.

(c) The amount of restricted intangible assets and the reasons for restriction are disclosed in Note 6(23).

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6 Notes to the consolidated financial statements (Continued)

(20) Goodwill

Name of Investee	31 December 2012			Current year additions	Current year reductions	31 December 2013			Arising from
	Original Cost	Provision for impairment	Net Book Value			Original Cost	Provision for impairment	Net Book Value	
Beijing Xin'an Real Estate Development Co., Ltd	1,182.98	1,182.98	0.00	0.00	0.00	1,182.98	1,182.98	0.00	Acquisition
Shanghai Sangang Transport Handling Co., Ltd.	967.64	967.64	0.00	0.00	0.00	967.64	967.64	0.00	Equity investment difference
MCC Finance Co., Ltd.(c)	10,503.15	0.00	10,503.15	0.00	0.00	10,503.15	0.00	10,503.15	Equity investment difference
MCC Mineral Sierra Grande S.A.(a)	16,395.34	0.00	16,395.34	0.00	4,130.29	12,265.05	0.00	12,265.05	Equity investment difference
Wuhan Gaosheng Construction Engineering Co., Ltd.	0.00	0.00	0.00	18.69	0.00	18.69	0.00	18.69	Acquisition
Chengde Tiangong Architectural Design Co., Ltd.	3,346.02	0.00	3,346.02	0.00	0.00	3,346.02	0.00	3,346.02	Acquisition of subsidiaries
Nanjing County Hongda Mining Co., Ltd.	718.68	0.00	718.68	0.00	0.00	718.68	0.00	718.68	Equity investment difference
Beijing Tianrun Construction Engineering Co., Ltd	514.16	0.00	514.16	0.00	0.00	514.16	0.00	514.16	Equity investment difference
Beijing Huachengtong Real Estate Co., Ltd.	3,422.71	138.15	3,284.56	0.00	3,422.71	0.00	0.00	0.00	Equity investment difference
Qingdao Jin Ze Hua Di Real Estate Co., Ltd.	977.93	738.46	239.47	0.00	0.00	977.93	738.47	239.45	Equity investment difference
Shanghai Yigang Electrical and Mechanical Co., Ltd	44.85	0.00	44.85	0.00	0.00	44.85	0.00	44.85	Equity investment difference
Beijing Shengpeng Real Estate Development Co., Ltd.	9,492.34	9,492.34	0.00	0.00	0.00	9,492.34	9,492.34	0.00	Acquisition
Beijing Haike Real Estate Development Co., Ltd.	647.68	647.68	0.00	0.00	0.00	647.68	647.68	0.00	Acquisition
Shanghai Wugang Equipment Engineering Co., Ltd.	111.37	0.00	111.37	0.00	0.00	111.37	0.00	111.37	Equity investment difference
Wuhan Huaxia Fine Blanking Technology Co., Ltd.	83.69	0.00	83.69	0.00	0.00	83.69	0.00	83.69	Acquisition
Beijing Guangyuanli Real Estate Development Co., Ltd.(b)	17,088.56	17,088.56	0.00	0.00	0.00	17,088.56	17,088.56	0.00	Acquisition
Beijing Huayuan Hotel Co., Ltd	2,329.60	0.00	2,329.60	0.00	2,329.60	0.00	0.00	0.00	Acquisition
Tibet Huaxia Mining Co. Ltd	9,580.65	9,580.65	0.00	0.00	0.00	9,580.65	9,580.65	0.00	Net assets difference
	<u>77,407.35</u>	<u>39,836.46</u>	<u>37,570.89</u>	<u>18.69</u>	<u>9,882.60</u>	<u>67,543.44</u>	<u>39,698.31</u>	<u>27,845.13</u>	

6 Notes to the consolidated financial statements(Continued)

(20) Goodwill (Continued)

- (i) The recoverable amount of cash-generating unit is determined by the calculation benchmark of the value in use, and the calculation is based on certain key assumptions. The calculation of Value in use is based on the cash flow projections of the five-year financial budgets and pre-tax discount rate approved by management. Among pre-tax discount rate adopted by MCC Argentina Mining Co., Ltd. is 22.31%; pre-tax discount rate used by MCC Group Finance Co., Ltd. is 17.33%. The cash flow projections of cash-generating unit during the budget period are determined by the expected growth rate and gross margin in the budget period. The growth rate of the budget is determined according to the expected growth rate of the industry. The gross margin budget is determined based on past performance and management's expectations of market development.
On December 31, 2013, the Group's management believes that its goodwill isn't impaired, and believes that any reasonable change assumption significant will not lead to the carrying amount of the cash generating unit exceeding its recoverable amount. The goodwill of MCC Argentina Mining Co., Ltd. is decreased by 4,130 million, which is resulted by Argentine Peso exchange rate movements.
- (ii) MCC Real Estate Group Co., Ltd. sells Beijing Hotel Holiday Garden Co., Ltd; the original value of goodwill is transferred for 2,329.60 ten thousand Yuan.
- (iii) MCC No.22 Group Co., Ltd. liquidates Beijing Huacheng Real Estate Co., Ltd. The original value of goodwill is transferred for 3,423 ten thousand Yuan and 1.38 million Yuan for impairment of goodwill.

(21) Long-term unamortized expenses

	31 December 2012	Addition current year	Decrease current year	Other decrease	31 December 2013	The reason of other decrease
Long-term unamortized expenses	20,535.48	6,147.64	5,092.59	125.28	21,465.25	

The top ten projects in which is:

Ningcheng Hongda Mining Area Dump	3,613.17	1,157.43	578.87	0.00	4,191.73	Not applicable
12 Orebody Group Exploration						
Infrastructure Costs	3,625.64	146.50	0.00	0.00	3,772.14	Not applicable
70 Acres of Steel Slag Soil Hardening	3,798.34	211.20	796.08	0.00	3,213.46	Not applicable
Tangshan Northern Construction Limited	2,714.35	133.80	1,109.82	0.00	1,738.33	Not applicable
R & D Building and LOGO	0.00	1,708.00	282.41	0.00	1,425.59	Not applicable
Proformancebond for LandatTampines	0.00	889.86	55.62	0.00	834.24	Not applicable
Jinjie Material Factory	556.96	0.00	37.97	0.00	518.99	Not applicable
Land lease fees	433.50	0.00	25.50	0.00	408.00	Not applicable
Hotel expenditure incurred of preparation period	0.00	359.12	5.99	0.00	353.14	Not applicable
Outdoor floor of office building	277.86	100.00	32.00	0.00	345.86	Not applicable

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6 **Notes to the consolidated financial statements(Continued)**

(22) **Other non-current assets**

	31 December 2013	31 December 2012
Prepaid taxes	10,136.46	5,439.48
Others	12,678.06	0.00
	<u>22,814.52</u>	<u>5,439.48</u>

(23) **The assets restricted Ownership**

The assets restricted Ownership	31 December 2012	Addition current year	Decrease current year	31 December 2013
Monetary capital	236,116.08	244,163.11	241,244.73	239,034.46
Notes receivable	153,157.00	67,927.75	169,761.07	51,323.68
Accounts receivable	405,455.92	43,227.96	266,977.74	181,706.14
Good in Stock	985,935.96	361,270.07	908,568.70	438,637.33
Investment property	914.44	164.80	652.53	426.71
Fixed assets	173,400.45	121,271.50	130,565.41	164,106.54
Construction in process	68,253.49	0.00	68,253.49	0.00
Intangible assets	175,300.15	35,776.45	136,004.14	75,072.46
Others	759,088.81	127,553.46	661,883.81	224,758.46
	<u>2,957,622.30</u>	<u>1,001,355.10</u>	<u>2,583,911.62</u>	<u>1,375,065.78</u>

Limited reasons	Mortgage	Pledge	Freeze	Other reasons	Total
Monetary capital	0.00	25,552.67	53,028.21	160,453.58	239,034.46
Notes receivable	0.00	51,323.68	0.00	0.00	51,323.68
Accounts receivable	0.00	94,428.04	0.00	87,278.10	181,706.14
Good in Stock	438,637.33	0.00	0.00	0.00	438,637.33
Investment property	426.71	0.00	0.00	0.00	426.71
Fixed assets	162,778.66	0.00	0.00	1,327.88	164,106.54
Construction in process	0.00	0.00	0.00	0.00	0.00
Intangible assets	0.00	75,072.46	0.00	0.00	75,072.46
Others	0.00	224,758.46	0.00	0.00	224,758.46
	<u>601,842.70</u>	<u>471,135.31</u>	<u>53,028.21</u>	<u>249,059.56</u>	<u>1,375,065.78</u>

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6 Notes to the consolidated financial statements(Continued)

(24) Short-term borrowing

	31 December 2013	31 December 2012
Guaranteed loan(a) -		
Mortgaged	40,600.00	242,786.23
Pledged	13,180.00	94,573.24
Guaranteed	47,000.00	80,000.00
Fiduciary Loan	4,887,003.85	4,376,667.50
	<u>4,987,783.85</u>	<u>4,794,026.97</u>

- (a) For the situations of Bank Secured loans Collaterals, bank Loan collaterals collateral conditions, guarantor loans and bank guarantees on December 31, 2013 and December 31, 2012 as follows:

Mortgage loan

Loan unit	Loan balance	Mortgaged property
Agricultural Bank of China Limited	5,000.00	Land use rights and house property
China Construction Bank Corporation	1,500.00	Land use rights and house property
Huaxia Bank Co., Ltd.	5,000.00	Land use rights and house property
Huaxia Bank Co., Ltd.	5,000.00	Land use rights and house property
Jilin Shuangyang Rural Commercial Bank Co., Ltd.	1,000.00	Fixed assets
Bank of China Limited	2,500.00	House property
Bank of China Limited	500.00	Land use right
Bank of China Limited	100.00	House property
Bank of China Limited	500.00	Real estate and land use rights
Bank of Beijing Co., Ltd.	2,500.00	Real estate and land use rights
China Construction Bank Corporation	10,000.00	Land use rights
Bank of China Limited	<u>7,000.00</u>	Land use rights
	<u>40,600.00</u>	

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6 Notes to the consolidated financial statements(Continued)

(24) Short-term borrowing(Continued)

Pledge loan

Loan unit	Loan balance	Mortgaged property
Bank of Kunlun Co., Ltd.	7,400.00	Notes receivable
Agricultural Bank of China Limited	5,000.00	Accounts receivable
Industrial Bank Co., Ltd.	180.00	Notes receivable
Industrial and Commercial Bank of China Limited	600.00	Accounts receivable
	<u>13,180.00</u>	

Guaranteed loan

Loan unit	Loan balance	Mortgaged property
Luoyang Bank Co., Ltd	<u>5,000.00</u>	Luoyang Mining Group Co., Ltd
	<u>5,000.00</u>	

(b) The Group has not significant overdue short-term borrowings.

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6 Notes to the consolidated financial statements(Continued)

(25) Notespayable

	31 December 2013	31 December 2012
Banker'sacceptance	665,432.93	844,085.90
Tradeacceptance	95,591.72	21,754.68
	<u>761,024.65</u>	<u>865,840.58</u>

(26) Accounts payable

	31 December 2013	31 December 2012
Within 1 year	5,147,546.04	4,402,964.87
1 to 2 years	1,066,560.89	974,160.73
2 to 3 years	447,940.56	419,586.46
Over 3 years	388,924.21	308,629.99
	<u>7,050,971.70</u>	<u>6,105,342.05</u>

(a) Top five significant accounts payable aging more than a year

Creditor's rights unit	The amount owned	Aging	Outstanding reasons
Unit1	7,716.86	2 to 3 years, over 3 years	Not yet final accounts
Unit2	6,932.29	over 3 years	Not yet final accounts
Unit3	6,912.28	2 to 3 years	Not yet final accounts
Unit4	6,892.50	1 to 2 years	Not yet final accounts
Unit5	5,638.96	1 to 2 years	Not yet final accounts

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6. Notes to the consolidated financial statements(Continued)

(27) Account collected in advance

	31 December 2013		31 December 2012	
	Amount	Per(%)	Amount	Per(%)
Within 1 year				
1 to 2 years	2,676,691.62	74.98	3,364,393.14	83.02
2 to 3 years	539,607.03	15.12	481,019.16	11.87
Over 3 years	181,344.05	5.08	139,759.84	3.45
	172,054.88	4.82	67,540.55	1.66

(a) Top five significant advance payments aging over a year:

The debt unit	The amount owed	Aging	Outstanding reasons
Unit1	35,188.27	2 to 3 years, over 3 years	Not yet final accounts
Unit2	35,135.79	over 3 years	Not yet final accounts
Unit3	32,828.64	2 to 3 years	Not yet final accounts
Unit4	20,211.22	1 to 2 years	Not yet final accounts
Unit5	19,556.16	2 to 3 years, over 3 years	Not yet final accounts

(28) Employee pay payable

	31 December 2012	Addition current year	Decrease current year	31 December 2013
Wage,bonus, allowances and subsidies,etc subsidies Employee benefits	147,242.60	1,114,401.40	1,153,530.96	108,113.04
Welfare expense of employee	201.94	40,218.23	40,232.23	187.95
Social security fee	23,147.76	346,901.01	348,080.84	21,967.93
Including: Basic medical insurance premiums	1,547.92	78,785.5	79,019.6	1,313.8
Supplementary medical insurance	3,576.30	2,542.62	2,394.08	3,724.84
The basic pension insurance	14,378.20	193,906.89	197,271.19	11,013.90
Supplementary pension insurance(annuity)	2,686.69	42,983.17	40,538.19	5,131.67
Unemployment insurance expense	772.54	16,957.74	17,153.44	576.85
Industrial injury insurance premium	62.79	6,412.87	6,387.08	88.58
Maternity insurance	109.04	5,076.22	5,067.22	118.04
Housing costs	11,005.08	118,279.31	117,553.44	11,730.95
Union funds and employee education expenses	47,431.98	27,428.72	23,584.24	51,276.46
Non-monetary benefits	0.00	25.99	25.99	0.00
Termination benefits	3,957.36	2,403.54	3,749.60	2,611.30
Including : the compensation due to terminate the relationship	0.00	0.00	0.00	0.00
Expenditure for expect personnel is retreated inside	0.00	0.00	0.00	0.00
Others	2,562.79	15,158.30	15,344.73	2,376.34
	235,549.51	1,664,790.51	1,702,076.04	198,263.97

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6. Notes to the consolidated financial statements(Continued)

(29) Taxes and dues payable

	31 December 2012	addition current period	Decrease current period	31 December 2013
Value added tax payable	33,593.16	165,185.68	175,154.35	23,624.49
Consumption tax payable	1,106.29	1,877.38	2,297.40	686.27
Business tax payable	426,968.16	455,516.52	459,658.35	422,826.32
Resources tax payable	1,777.37	7,832.62	8,566.45	1,043.54
Business income tax payable	144,198.97	243,339.16	235,026.16	152,511.97
Land value increment tax	27,347.18	37,052.71	37,167.28	27,232.61
City maintenance and construction tax payable	31,053.69	38,403.45	39,499.14	29,957.99
Housing property tax payable	3,123.61	15,641.14	16,154.22	2,610.53
Tenure tax payable	5,663.29	24,637.23	24,632.53	5,667.99
Personal income tax payable	29,853.83	82,529.43	80,309.14	32,074.11
Educational fee payable	20,071.22	30,480.40	30,254.90	20,296.72
Other taxes and dues	19,788.81	54,811.45	54,810.28	19,789.98
	<u>744,545.58</u>	<u>1,157,307.17</u>	<u>1,163,530.22</u>	<u>738,322.53</u>

(30) Payable interest

	31 December 2013	31 December 2012
long-term interest on borrowing of Installment payment of interest due and principal repayments	1,557.37	259.32
Interest on corporate bonds	87,218.20	76,028.76
Interest on short-term borrowings	7,265.42	20,744.72
Others	15,477.99	9,024.66
	<u>111,518.98</u>	<u>106,057.46</u>

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6. Notes to the consolidated financial statements(Continued)

(31) Dividends payable

	31 December 2013	31 December 2012
Panzhuhua New Steel and Vanadium Co., Ltd(a)	12,938.52	8,739.26
Luoyang Silicon Group Co., Ltd	10,536.43	8,499.75
Yanshi Jinfeng Investment management Co., Ltd(b)	4,914.15	3,964.25
Shanghai Baosight Co.,Ltd	6,088.72	3,363.99
Haixi Steel Group Co.,Ltd(d)	801.36	2,298.30
Beijing Jiabeilin Technology Co.,Ltd	1,111.62	1,193.92
Individual Shareholders	5,368.86	782.90
Angang Steel Company Limited	664.03	713.20
Xi'an Shanggu Power Co.,Ltd	1,902.72	0.00
Anshan Ironand Steel Group Cooperation	697.06	654.15
Yantai City Industrial Furnace Factory	4,185.99	388.39
Shanxi Yayan Equipment Factory	979.94	289.46
Shenzhen Ruilai Industrial Co., Ltd	52.76	0.00
Nanjing Hexi New City State-owned Assets Management Holding (Group) Co., Ltd.	17,430.00	0.00
Shijiazhuang Real Estate Group Co., Ltd	2,376.01	0.00
Wuhan Haisi Real Estate Co., Ltd	1,837.40	0.00
Beijing Century XINGHE Investment Co.,Ltd	1,594.90	0.00
Nanjing Xiaguanbin Development & Construction Investment Co., Ltd.	695.80	0.00
Tianjin Orient Finance Investment Group Co., Ltd.	631.42	0.00
Others	5,042.62	16,958.14
	<u>79,850.31</u>	<u>47,845.71</u>

- (a) The reason of unpaid more than 1 year is because of dividend payment plan of the company are in consultation with the shareholders.

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6. Notes to the consolidated financial statements(Continued)

(32) Other payables

	31 December 2013	31 December 2012
Within 1 year	1,409,210.66	862,996.19
1 to 2 years	324,222.61	225,336.96
2 to 3 years	115,139.59	135,064.27
Over 3years	271,661.85	216,365.57
	<u>2,120,234.71</u>	<u>1,439,762.99</u>

(a) Top five significant other payables aging more than a year:

The debt unit	The amount owed	Aging	Outstanding reasons
Unit1	105,963.59	1 to 2 years	Before the payment
Unit2	43,440.80	Over 3 years	Before the payment
Unit3	23,586.94	Over 3 years	Before the payment
Unit4	20,377.06	1 to 2 years	Before the payment
Unit5	18,331.94	Over 3 years	Before the payment

(33) Non-current liabilities due within one year

	31 December 2013	31 December 2012
Long-term borrowings due within one year(a)	1,036,234.39	1,052,359.44
Bonds payable due within one year	310,000.00	0.00
Expected liabilities due within one year	62,113.34	66,892.50
Current portion of long-term borrowing	11,252.99	11,106.16
Other long-term liabilities due within one year	350.96	0.00
	<u>1,419,951.68</u>	<u>1,130,358.10</u>

(a) Long-term borrowings due within one year

	31 December 2013	31 December 2012
Guaranteed loan -		
Mortgaged	83,080.00	125,134.00
Pledged	12,573.67	9,000.00
Guaranteed	506,071.01	16,700.00
fiduciary loan	434,509.71	901,525.44
	<u>1,036,234.39</u>	<u>1,052,359.44</u>

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6. Notes to the consolidated financial statements(Continued)

(34) Other current liabilities

	31 December 2013	31 December 2012
Short-term debentures	1,890,000.00	2,140,000.00
Government grants to be recorded in the income statement within 1 year	2,721.16	5,482.77
	<u>1,892,721.16</u>	<u>2,145,482.77</u>

(35) Long-term borrowings

	31 December 2013	31 December 2012
Guaranteed loan(a) -		
Pledged	457,199.50	607,612.33
Mortgaged	125,956.00	574,368.97
Guaranteed	6,000.00	52,300.00
Unsecured loan	2,618,383.38	3,409,530.72
	<u>3,207,538.88</u>	<u>4,643,812.02</u>
Less: current portion of long-term borrowings	<u>1,036,234.39</u>	<u>1,052,359.44</u>
	<u>2,171,304.49</u>	<u>3,591,452.58</u>

(a) For the situations of Bank Secured loans Collaterals and bank Loan collaterals, collateral security, bank guarantee loans and guarantees on December 31, 2013 and December 31, 2012 as follows:

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6 Notes to the consolidated financial statements(Continued)

(35) Long-term borrowings (Continued)

Mortgage loan

Loan Unit	Loan balance	Mortgaged property
Bank of Tianjin Co., Ltd.	23,500.00	House property
Construction Bank of China Co., Ltd.	4,500.00	Land use rights
China Citic Bank Corporation Limited	11,000.00	Land use rights
Bank Of China Limited	5,000.00	House property, land use rights and fixed asset
Construction Bank of China Co., Ltd.	8,000.00	Land use rights
Construction Bank of China Co., Ltd.	13,000.00	Land use rights
Construction Bank of China Co., Ltd.	13,000.00	Land use rights and construction in process
MALAYAN BANKING BERHAD	211,589.50	Land use rights
Bank of Communications Co., Ltd.	10,200.00	Land use rights and fixed asset
Bank Of China Limited	960.00	Land use rights
National Development Bank Co., Ltd	90,750.00	Land use rights and construction in process
National Development bank Co., Ltd	31,000.00	Land use rights and construction in process
Agricultural Development Bank of China Co., Ltd.	23,000.00	Inventory
Changchun Rural Commercial Bank	11,700.00	House property and land use rights
	<u>457,199.50</u>	

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6 Notes to the consolidated financial statements(Continued)

(35) Long-term borrowings (Continued)

Pledge loan

Loan Unit	Loan balance	Pledged property
North Branch of Tibet Autonomous Region Branch of Construction Bank	4,000.00	Mining license
Agricultural Bank of China Co., Ltd	123,556.00	Long-term receivables
North Branch of Tibet Autonomous Region Branch of Construction Bank	2,400.00	Mining license
	<u>129,956.00</u>	

Guaranteed loan

Loan Unit	Loan balance	Guarantee
Agricultural Development Bank of China	<u>6,000.00</u>	Maanshan Huahe Tianhui Hotel Co., Ltd
	<u>6,000.00</u>	

(b) The Company had no outstanding long-term borrowings maturity on 31 December, 2013.

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6. Notes to the consolidated financial statements(Continued)

(36) Debenture payable

	31 December 2012	Current year additions	Current year reduction	31 December 2013
Fixed rate corporate bond	350,000.00	0.00	79,600.00	270,400.00
Medium-term note	1,842,969.87	0.00	-4,103.88	1,847,073.75
Dollar bond	311,856.77	0.00	8,724.23	303,132.54
MCC Meili Paper Industry Co.,Ltd.	200,000.00	200,000.00	310,000.00	400,000.00
	<u>2,704,826.64</u>	<u>200,000.00</u>	<u>394,220.35</u>	<u>2,510,606.29</u>

	Face value	Issuing date	Bond period	Release amount	Ending balance
Corporate bond	350,000.00	23/07/2008	10 years	350,000.00	270,400.00
Corporate Medium-term note(a)	1,000,000.00	19/09/2010	10 years	997,111.00	1,014,903.90
Corporate Medium-term note(b)	470,000.00	15/11/2010	5 years	468,640.00	472,169.80
Dollar bond	332,210.00	29/07/2011	5 years	318,843.20	303,132.60
Short-term debentures (e)	200,000.00	12/03/2013	1 year	200,000.00	200,000.00
Short-term debentures(f)	300,000.00	25/04/2013	1 year	300,000.00	300,000.00
Short-term debentures (g)	390,000.00	12/07/2013	1 year	390,000.00	390,000.00
Ultra-short-term financing bills (h)	400,000.00	07/05/2013	270days	400,000.00	400,000.00
Ultra-short-term financing bills (i)	300,000.00	22/05/2013	270 days	300,000.00	300,000.00
Ultra-short-term financing bills (j)	300,000.00	18/09/2013	270 days	300,000.00	300,000.00
Medium term note	310,000.00	2009/7/15	5 years	310,000.00	310,000.00
Medium term note	50,000.00	2011/4/11	5 years	50,000.00	50,000.00
Enterprise bond	200,000.00	2012/10/11	3 years	200,000.00	200,000.00
Enterprise bond	<u>200,000.00</u>	<u>2013/12/12</u>	<u>3 years</u>	<u>200,000.00</u>	<u>200,000.00</u>
	<u>4,802,210.00</u>			<u>4,784,594.20</u>	<u>4,710,606.30</u>

Less: bonds payable list in other current liabilities

Short-term ebentures	200,000.00	12/03/2013	1year	200,000.00	200,000.00
Short-term ebentures	300,000.00	25/04/2013	1 year	300,000.00	300,000.00
Short-term ebentures	390,000.00	12/07/2013	1 year	390,000.00	390,000.00
Ultra-short-term financing bills	400,000.00	07/05/2013	270 days	400,000.00	400,000.00
Ultra-short-term financing bills	300,000.00	22/05/2013	270 days	300,000.00	300,000.00
Ultra-short-term financing bills	300,000.00	18/09/2013	270 days	300,000.00	300,000.00
Medium term note	<u>310,000.00</u>	<u>15/07/2009</u>	<u>5years</u>	<u>310,000.00</u>	<u>310,000.00</u>
	<u>2,200,000.00</u>			<u>2,200,000.00</u>	<u>2,200,000.00</u>
					<u>2,510,606.29</u>

Which the interest payable analysis as follows:

	Interest payable in initial period	Interest payable current period	Interest paid current period	Interest payable term period
Bonds payable	<u>76,028.76</u>	<u>125,892.67</u>	<u>124,800.19</u>	<u>29,227.52</u>

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6 Notes to the consolidated financial statements(Continued)

(37) Long-term payable

	31 December 2013	31 December 2012
Financial lease payable	13,040.01	1,030.29
Equity financing payable	0.00	0.00
Others	23,494.74	68,037.04
	36,534.75	69,067.33
Less:current portion of long-term borrowing	11,252.99	11,106.16
	<u>25,281.76</u>	<u>57,961.17</u>
The highest balance of top five:		

Item	31 December 2013	31 December 2012
Item 1	4,666.67	12,500.00
Item 2	2,666.67	3,333.33
Item 3	2,666.67	3,333.33
Item 4	1,453.36	0.00
Item 5	1,100.00	967.00

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6 Notes to the consolidated financial statements(Continued)

(38) Special payment

	31 Dec 2012	Current year additions	Current year reduction	31 Dec 2013
Special payment	4,875.72	330.05	933.78	4,271.99
Less: within 1 year special account payment	0.00	0.00	0.00	0.00
	4,875.72	330.05	933.78	4,271.99

The highest balance of top five :

Item	31 Dec 2012	Current year additions	Current year reduction	31 Dec 2013
Item 1	4,355.18	0.00	484.64	3,870.54
Item 2	130.47	0.00	0.00	130.47
Item 3	80.46	0.00	7.94	72.51
Item 4	191.71	0.00	139.74	51.97
Item 5	0.00	50.98	0.00	50.98

(39) Anticipation liabilities

	31 December 2012	Current year addition	Current year reduction	31 December 2013
The welfare of retired and retired inside staff(a)	573,832.43	61,437.24	112,757.60	522,512.07
Offering external guarantee discount of the Trade Acceptance	4,488.14	5,797.52	0.00	10,285.66
	0.00	0.00	0.00	0.00
Pending litigation or a pending arbitration	2,261.95	2,389.74	2,105.86	2,545.84
Product quality assurance	728.02	709.38	889.13	548.26
Environmental recovery preparation	3,110.22	733.54	0.00	3,843.77
Others	506.84	222,689.00	126.65	223,069.17
	584,927.60	293,756.42	115,879.24	762,804.77
Less:expected liabilities due within 1 year	66,892.50	0.00	0.00	62,113.34
	<u>518,035.10</u>	<u>0.00</u>	<u>0.00</u>	<u>700,691.43</u>

- (a) The Group provides supplemental pension benefits and medical benefits after retirement to a specific number of retired employees and provides early retirement benefits to early retirement employees. The post-employment mentioned above is designed as special benefit plan and its related liabilities should be calculated annually by independent qualified actuaries using the projected unit credit method and confirm the present value of the defined benefit plan on the balance sheet date in the balance sheet, and should make adjustments for unrecognized actuarial earnings or losses and past service cost.

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6. Notes to the consolidated financial statements(Continued)

(40) Deferred tax assets and deferred liabilities

Not offset deferred tax assets and deferred income tax liabilities are as follows:

(a) Deferred tax assets

	31 December 2013		31 December 2012	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provision for impairment of assets	163,877.89	776,458.56	131,933.23	645,008.56
Charge in fair value of available-for-sale financial assets				
Unrealised profit on intercompany transaction	0.00	0.00	0.00	0.00
Depreciation of fixed assets and amortization of intangible assets	0.00	0.00	0.00	0.00
Offset internal unrealized profits	26,705.00	112,755.00	27,675.78	132,268.33
Estimated liabilities	46,294.60	190,482.00	56,334.55	238,882.51
Deductible loss	18,578.10	75,554.50	15,217.44	59,390.28
Supplementary pension	11,680.30	52,433.20	19,928.00	97,267.12
Others	31,606.32	147,904.60	15,879.99	76,914.63
	<u>298,742.21</u>	<u>1,355,587.86</u>	<u>266,968.99</u>	<u>1,249,731.43</u>

(b) The analysis of the Group unrecognized deferred income tax assets for deductible temporary difference and deductible loss is as follows:

	31 December 2013	31 December 2012
Deductible temporary differences	977,998.88	989,495.48
Deductible loss	<u>2,314,874.07</u>	<u>1,959,914.90</u>
	<u>3,292,872.95</u>	<u>2,949,410.38</u>

(c) The expiry dates of the deductible loss for the unrecognized deferred income tax asset is as follows:

	31 December 2013	31 December 2012
Within 1 year	139,148.51	309,736.45
1 to 2 years	124,571.55	168,527.12
2 to 3 years	463,215.84	178,399.42
3 to 4 years	996,859.20	291,863.60
Over 4 years	<u>591,078.97</u>	<u>1,011,388.32</u>
	<u>2,314,874.07</u>	<u>1,959,914.90</u>

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6. Notes to the consolidated financial statements(Continued)

(40) Deferred tax assets and deferred liabilities(Continued)

(d) Deferred tax liabilities

	31 December 2013		31 December 2012	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Fixed assets depreciation and intangible assets amortization	361.91	1,753.78	0.00	0.00
Business combination involving entities not under common control	0.00	0.00	31,741.96	126,967.84
Changes in fair value of available-for-sale financial assets included in the capital reserve	4,666.55	18,666.21	0.00	0.00
Safety fund	153.03	612.12	0.00	0.00
Others	53,098.65	-288,928.60	23,992.73	97,928.29
	<u>58,280.14</u>	<u>-267,896.49</u>	<u>55,734.69</u>	<u>224,896.13</u>

(e) The net balances of deferred tax assets and deferred tax liabilities after offsetting and the deductible or taxable temporary differences after the corresponding offset are as follows:

	31 December 2013	31 December 2012
Deferred tax assets, net	298,742.21	267,795.73
Deferred tax liabilities, net	58,280.14	55,734.69

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6. Notes to the consolidated financial statements(Continued)

(41) Other non-current liabilities

	31 December 2012	Current year additions	Current year reductions	31 December 2013	Notes
Deferred revenue(a)	164,579.84	26,039.50	14,556.56	176,062.77	
Others	0.00	2,847.91	0.00	2,847.91	
	<u>164,579.84</u>	<u>28,887.41</u>	<u>14,556.56</u>	<u>178,910.68</u>	

(a) Deferred revenue

Project/type	31 December 2012	Current year additions	Current year reductions	31 December 2013
Scientific research subsidy	36,002.66	13,371.97	6,625.95	42,748.69
Investment subsidy	12,569.53	0.00	481.88	12,087.65
Housing demolition subsidy	28,429.32	1,034.80	718.02	28,746.10
Leaseback	0.00	5,190.31	54.83	5,135.48
Other deferred revenue	87,578.32	6,442.41	6,675.87	87,344.86
	<u>164,579.84</u>	<u>26,039.50</u>	<u>14,556.56</u>	<u>178,910.68</u>

(b) The government grants recognized in the income statement see Note 8 (52).

(42) Paid-in capital

	31 December 2012				31 December 2013	
	Investment amount	Proportion of total balance (%)	Current year additions	Current year reductions	Investment amount	Proportion of total balance (%)
SASAC	853,855.59	100.00	0.00	0.00	853,855.59	100.00
	<u>853,855.59</u>	<u>100.00</u>	<u>0.00</u>	<u>0.00</u>	<u>853,855.59</u>	<u>100.00</u>

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6 **Notes to the consolidated financial statements(Continued)**

(43) **Capital reserves**

	31 December 2012	Current year additions	Current year reductions	31 December 2013
Capital premium	1,998,301.87	0.00	0.00	1,998,301.87
Other capital reserves -	<u>575,515.82</u>	<u>32,490.35</u>	<u>491,068.63</u>	<u>116,937.53</u>
	<u>2,573,817.69</u>	<u>32,490.35</u>	<u>491,068.63</u>	<u>2,115,239.40</u>

	31 December 2011	Current year additions	Current year reductions	31 December 2012
Capital premium	1,998,301.87	0.00	0.00	1,998,301.87
Other capital reserves -	<u>729,112.45</u>	<u>998.31</u>	<u>173,729.10</u>	<u>556,381.66</u>
	<u>2,727,414.32</u>	<u>998.31</u>	<u>173,729.10</u>	<u>2,554,683.53</u>

Note: According to the reform of Guozigaige [2013] No. 91 document requirements, under the aprovement by SASAC, the group had transferred the 100% shareholding of Beijing Xingchengwang co., LTD to China Chengtong Holdings Group Ltd.gratuitously, decreasing by 480,000.00 ten thousand Yuan.

(44) **Special reserves**

	31 December 2012	Current year additions	Current year reductions	31 December 2013
Special reserves	805.49	121,599.43	121,599.43	805.49

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6 **Notes to the consolidated financial statements (Continued)**

(45) **Undistributed profits**

	31 December 2013	31 December 2012
Balance at 1 January 2013 (before adjustment)	-778,876.73	-270,377.02
Adjustment (a)	-16,879.62	-24,278.60
Balance at 1 January 2013 (after adjustment)	-795,756.34	-294,655.61
Current year additions	-463,835.54	-501,100.72
Including: Transfer in of net profit	-463,835.54	-501,100.72
Other additions	0.00	0.00
Current year reductions	0.00	0.00
Including: Appropriation to surplus reserves	0.00	0.00
Profit distribution to equity owners	0.00	0.00
Profit distribution to stock dividend	0.00	0.00
Increased capital	0.00	0.00
Other reductions	0.00	0.00
Balance at 31 December 2013	-270,377.02	6,038.31
Including: Cash dividends approved by the Board of Directors	0.00	0.00

(46) **Revenue and cost of sales**

	2013		2012	
	Revenue	Cost of sales	Revenue	Cost of Sales
Main operations				
-Construction contract (i)	15,749,536.78	13,787,094.36	17,241,439.89	15,388,927.32
-Equipment manufacturing	1,112,669.25	963,014.00	1,060,988.04	957,636.84
-Resources development	729,184.59	647,048.34	674,278.99	669,523.80
-Real estate	2,577,997.68	2,038,166.94	2,519,148.27	1,932,020.78
-Paper industry	0.00	0.00	990,733.55	984,496.06
-Others	430,758.66	377,588.01	570,120.22	547,991.47
Other operations				
-Sales of raw materials	72,195.18	69,800.43	100,428.86	81,335.72
-Operating lease	29,751.74	19,337.92	22,459.61	8,106.90
-Others	16,682.99	16,756.07	10,939.56	8,086.00
	<u>20,718,776.87</u>	<u>17,918,806.07</u>	<u>23,190,536.99</u>	<u>20,578,124.89</u>

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6 Notes to the consolidated financial statements (Continued)

(46) Revenue and cost of sales (Continued)

(a) Top 10 revenue from construction contracts this year are as follows:

Contract project	Total contract amount	Total contract cost	Complete progress (%)	Accumulated recognized revenue	Accumulated recognized cost	Accumulated recognized gross profit	Amount settled	Current recognized revenue	Current recognized cost
1. Fixed price contract									
SINO IRON Contracting project	2,656,419.33	2,949,686.91	100.00	2,656,419.33	2,949,686.91	-293,267.58	2,324,008.27	254,884.08	254,821.35
SINO Iron projectEP subcontract	815,135.89	749,429.13	100.00	815,135.89	749,429.13	65,706.76	815,135.89	78,487.19	71,162.78
Baise to Jingxi highway engineering	599,032.67	550,185.67	63.34	379,429.54	348,489.67	30,939.87	378,449.15	85,338.04	74,598.46
Chifeng Songshan district northern city construction first-stage reconstruction project	467,340.84	361,800.00	67.78	316,745.63	245,214.11	71,531.52	141,134.92	54,839.81	42,455.18
Zhuhai Kruispoort CBD exhibition business group first-stage BT program	550,000.00	546,273.76	40.86	224,031.60	223,235.73	795.87	224,031.60	126,826.59	126,250.26
Formosa Ha Ting blast furnace No1and No.2 main contract	450,712.03	370,552.69	16.36	73,720.14	60,608.98	13,111.16	0.00	73,720.14	60,608.98
Minmetals Yingkou Medium Plate Co., Ltd. wide and thick plate upgrading and renovation project	419,339.41	303,183.44	96.41	404,301.65	292,311.10	111,990.55	419,339.41	13,574.61	1,585.37
MCC college of science and faculty club	402,427.50	394,964.20	17.54	70,568.78	69,260.03	1,308.75	65,446.45	60,080.40	59,275.45
Kuwait collage of science and faculty club	402,427.50	402,427.50	17.53	70,568.78	70,568.78	0.00	0.00	60,080.40	60,080.40
Venezuela pelletizing project	345,084.50	345,084.50	3.86	13,318.60	13,318.60	0.00	0.00	11,811.74	11,811.74

6 Notes to the consolidated financial statements (Continued)

(46) Revenue and cost of sales (Continued)

(a) Top 10 revenue from construction contracts this year are as follows:

Contract project	Total contract amount	Total contract cost	Complete progress (%)	Accumulated recognized revenue	Accumulated recognized cost	Accumulated recognized gross profit	Amount settled	Current recognized revenue	Current recognized cost
2. Straight cost plus contract									
Bingjiang Project	878,900.00	799,000.00	14.04	123,047.29	112,215.08	10,832.21	111,558.00	20,323.81	18,597.91
Luodian large resident community indemnificatory apartment first-stage project	460,000.00	424,994.00	66.71	306,850.64	283,499.31	23,351.33	0.00	116,601.92	107,614.37
Zixi Meilin indemnificatory apartment project	460,000.00	424,994.00	66.71	306,850.64	283,499.31	23,351.33	0.00	116,601.92	107,614.37
Qinhuangdao new resident project	351,748.80	334,422.87	100.00	351,748.80	334,422.87	17,325.93	251,373.66	41,591.44	42,591.93
Yangzhou west lake Parkview housing placement project	87,050.00	81,025.16	69.15	60,192.45	56,182.50	4,009.95	60,192.45	962.93	905.15
Tianjin He Yuan residence zone start district and land consolidation	220,572.31	213,359.00	55.64	122,719.00	118,712.95	4,006.05	33,640.00	481.98	7,876.71
Part of MCC Wen Qin Yuan project invested by government	78,004.16	69,896.20	48.12	37,535.54	33,633.99	3,901.54	44,217.40	21,950.63	19,669.03
Kunpeng Copper Company 100 thousand t/a anode copper project general contract	75,855.73	72,677.64	100.00	75,855.73	72,677.64	3,178.09	75,855.73	561.99	315.50
Shougang Jingtang steel making and continuous casting system project	75,855.73	72,677.64	100.00	75,855.73	72,677.64	3,178.09	75,855.73	561.99	315.50

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6 Notes to the consolidated financial statements (Continued)

(47) Taxes and surcharges

	2013	2012
Business tax	0.00	0.00
City maintenance and construction tax	441,707.73	481,514.90
Educational surcharge	37,482.27	39,365.24
Land appreciation tax	28,192.08	26,630.72
Others	47,223.16	52,444.88
	<u>21,636.59</u>	<u>26,954.31</u>

(48) Financial expenses -net

	2013	2012
Interest expenses	566,250.21	673,985.30
Less: Interest income	206,931.35	191,691.33
Exchange gains or losses	89,185.05	16,766.47
Others	65,862.82	66,023.72
	<u>514,366.73</u>	<u>565,084.16</u>

(49) Asset impairment losses

	2013	2012
Bad debts	129,858.83	355,616.62
Declines in values of inventories	93,082.74	136,270.35
Impairment of investment real estate	0.00	0.00
Impairment of fixed assets	0.00	14.35
Impairment of long-term equity investments	1,680.31	4,081.46
Impairment of investment real estate	0.00	0.00
Impairment of fixed assets	60,474.80	186,245.89
Impairment of construction in progress	0.00	38,030.50
Impairment of intangible assets	10,379.94	293,288.43
Impairment of goodwill	0.00	11,424.91
Others	945.50	7613.87
	<u>296,422.12</u>	<u>1,032,586.38</u>

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6 Notes to the consolidated financial statements (Continued)

(50) Profit arising from changes in fair value

	2013	2012
Financial assets held for trading	3,935.51	22.25
	<u>3,935.51</u>	<u>22.25</u>

(51) Investment income

	2013	2012
Profit / cash dividends declared by investees under cost method	3,829.37	5,572.35
Share of profit of investees under equity method	-13,796.22	1,428.22
Income from disposal of long-term equity investments	39,056.82	47,725.05
Income from held-to-maturity financial assets held for trading	2,224.25	14.15
Income from held-to-maturity investments	5.00	0.00
Income from held-to-maturity available-for-sale financial assets investments	1,370.50	593.06
Income from disposal of financial assets held for trading	0.00	4,318.48
Income from disposal of available-for-sale financial assets	0.00	17.26
Others	1,334.39	7,417.56
	<u>34,024.11</u>	<u>67,086.13</u>

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6 Notes to the consolidated financial statements (Continued)

(52) Non-operating income and expenses

(a) Non-operating income	2013	2012
Gain on disposal of non-current assets	28,944.99	25,928.56
Including: Gain on disposal of fixed assets	25,142.30	21,533.19
Gain on disposal of intangible assets	3,729.80	4,384.36
Gain on disposal of non-monetary assets	36.58	0.00
Gain on debt restructuring	347,908.22	281.57
Government grants (i)	62,659.27	61,784.32
Gain on donation	0.00	0.00
Penalty income	3,490.28	2,640.41
Balance on which the combined cost of business merge under different control is less than net identifiable assets fair value enjoyed by the enterprise being invested	13.82	0.00
Others	76,557.53	18,761.81
	<u>519,610.69</u>	<u>109,396.67</u>

(i) Government grants

	2013	2012
Return of land-transferring fees	180.14	459.62
Compensation for land demolition	1,311.09	865.28
Free allocation of non-monetary assets	1.51	1.81
Tax return	18,532.01	13,076.44
Finance discount	2,879.54	4,536.70
Scientific research subsidies	10,552.48	8,949.67
Financial subsidies	11,532.46	16,667.33
others	17,670.04	17,227.47
	<u>62,659.27</u>	<u>61,784.32</u>

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6 Notes to the consolidated financial statements (Continued)

(52) Non-operating income and expenses (Continued)

(b) Non-operating expenses

	2013	2012
Loss on disposal of non-current assets	5,499.45	3,250.00
Including: Loss on disposal of fixed assets	4,878.23	2,174.41
Loss on disposal of intangible assets	550.39	1,073.15
Loss on non-monetary assets exchange	0.00	0.00
Loss on debt restructuring	104,186.20	643.37
Donation expense	0.00	0.00
Compensation and penalty expense	1,654.34	3,768.80
Others	253,381.42	2,383.58
	<u>370,150.03</u>	<u>55,401.98</u>

(53) Income tax expenses

	2013	2012
Current income tax	244,004.05	254,952.38
Deferred income tax	-22,099.78	-7,051.03
	<u>221,904.27</u>	<u>247,901.35</u>

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

	2013	2012
Total profit	444,401.07	-735,794.85
Income tax expenses calculated at statutory tax rates (25%)	111,100.27	-179,643.28
Income tax expense influenced by the differences between effective tax rate and general rate	-351,849.56	-43,923.55
Income tax expense influenced by the differences between effective tax rate and general rate	997.54	12,505.38
Deductible loss on deferred income tax assets unconfirmed for current period or for writeoff of pervious year	204,537.61	626,117.61
Income not subject to taxation	-490,592.83	-144,886.74
Paid the previous annual income tax	-2,331.69	-21,829.39
Expenses not deductible for tax purpose	184,440.33	27,457.22
Tax preference	-2,405.56	-23,581.21
Deductible loss on using deferred income tax assets unconfirmed for previous year	-10,037.78	-1,166.27
Adjustment of final settlement	0.00	0.00
Others	578,045.94	-2,816.64
Income tax expenses	<u>221,904.27</u>	<u>248,233.13</u>

6 Notes to the consolidated financial statements (Continued)

(54) Other comprehensive income

	2013	2012
Gain arising from available-for-sale financial assets	-5,532.58	-2,161.79
Less: Income tax relating to available-for-sale financial assets	-1,384.83	-559.09
Net amount of reclassifications from other comprehensive income to profit or loss	0.00	11.03
Subtotal	-4,147.75	-1,613.73
Share of other comprehensive income of investees accounted for using the equity method	9.91	0.00
Less: Income tax relating to share of other comprehensive income of investees accounted for using the equity method	0.00	0.00
Net amount of reclassifications from other comprehensive income to profit or loss	0.00	0.00
Subtotal	9.91	0.00
Gains/(losses) from cash flow hedging instruments	0.00	0.00
Less: Income tax relating to cash flow hedging instruments	0.00	0.00
Net amount of reclassifications from other comprehensive income to profit or loss	0.00	0.00
The adjustment to initially recognized amount of items transferred to hedging instruments	0.00	0.00
Subtotal	0.00	0.00
Exchange differences arising from translating foreign operations	3,762.92	-9,603.78
Less: Net amount transferred to profit or loss arising from the disposal of foreign operations	0.00	-1,037.53
Subtotal	3,762.92	-8,566.25
Others	33,300.67	-12,287.09
Less: Income tax relating to others	2,454.13	-700.91
Net amount of reclassifications from other comprehensive income to profit or loss.	0.00	0.00
Subtotal	30,846.55	-11,586.18
Total	30,471.63	-21,766.16

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6 Notes to the consolidated financial statements (Continued)

(55) Notes to consolidated cash flow statements

(a) Reconciliation from net profit to cash flows from operating activities

	2013	2012
(Net loss)/Net profit	222,496.80	-984,027.98
Add: Provisions for assets impairment/(return)	296,422.12	1,032,586.37
Fixed assets depreciation	294,850.72	323,714.24
Amortization of Investment real estate	0.00	0.00
Amortization of intangible assets	222,496.80	-984,027.98
Amortization of long-term prepaid expenses	5,092.59	6,270.10
Losses/(Gains) on disposal of fixed assets, intangible assets and other long-term assets	-23,679.24	-22,678.56
Losses/(Gains) on scrapping of fixed assets	31.42	37,807.91
Losses/(gains) on change in fair value	-3,935.51	-22.26
Financial expenses	475,274.53	673,985.30
Investment income	-34,024.11	-67,086.13
Decrease/(Increase) in deferred tax assets	-35,276.27	-10,146.71
Increase/(Decrease) in deferred tax liabilities	13,176.49	-3,295.97
Decrease/(Increase) in inventories	-204,754.71	-153,740.41
Decrease/(Increase) in operating receivables	-510,715.69	-601,715.40
Increase/(Decrease) in operating payables	1,436,581.20	220,063.00
Others	0.00	0.00
Net cash flows from operating activities	<u>1,972,047.87</u>	<u>495,035.56</u>

(b) Significant investing and financing activities that do not involve cash receipts and payments

	2013	2012
Conversion of debt into capital	85,646.34	5,390.00
Fixed assets held under finance leases	0.00	33,999.65
Others	0.00	0.00

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6 Notes to the consolidated financial statements (Continued)

(55) Notes to consolidated cash flow statements (Continued)

(c) Net change in cash and cash equivalents

	2013	2012
Cash at end of year	3,242,722.05	3,359,292.72
Minus : cash at beginning of year	3,359,292.72	4,483,034.00
Plus: year end balance of cash equivalent	0.00	0.00
Minus: balance at the beginning of year for cash equivalent	0.00	0.00
Net change in cash and cash equivalents	<u>-116,570.68</u>	<u>-1,123,741.28</u>

(d) Cash and cash equivalents

	31 December 2013	31 December 2012
Cash at bank and on hand	3,242,722.05	3,359,292.72
Including: Cash on hand	3,185.46	3,525.24
Bank deposits readily convertible to cash	3,113,340.07	3,208,141.80
Other cash balances readily convertible to cash	126,196.51	147,625.68
Cash and cash equivalents	0.00	0.00
Including: Bond investment due within three months	0.00	0.00
Cash and cash equivalents at end of year	<u>3,242,722.05</u>	<u>3,359,292.72</u>
Including: Restricted cash and cash equivalents of the parent company and subsidiaries		

(e) Net proceeds from acquisition of subsidiaries

Net proceeds from acquisition of subsidiaries see Note 16.

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6 Notes to the consolidated financial statements (Continued)

(55) Notes to consolidated cash flow statements (Continued)

(f) Net proceeds from disposal of subsidiaries

		Amount
Consideration from disposal		160,851.77
Cash and cash equivalents received from the disposal		117,783.19
Less: Cash and cash equivalents held by the Company		19,948.71
Net cash received from disposal		<u>97,834.48</u>
Net proceeds from disposal of subsidiaries		
	31 December 2013	31 December 2012
Current assets	903,080.22	840,467.94
Non-current assets	480,029.94	438,164.03
Current liabilities	1,024,836.11	969,692.12
Non-current liabilities	142,108.50	114,887.71
Net assets	<u>216,165.55</u>	<u>194,052.13</u>

From 1st, January, 2013 to date of disposal, the revenue, fees and profit the group got is as follows:

	Amount
Revenue	196,598.95
Minus: cost and fees	209,237.15
Total profit	-12,638.20
Minus: income tax expenses	3,136.92
Net profit	15,775.13

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6 Notes to the consolidated financial statements (Continued)

(55) Notes to consolidated cash flow statements (Continued)

(g) Cash received and paid relating to other operating activities

In the cash flow statement, cash received relating to other operating activities mainly comprises:

	2013	2012
Returned deposits	24,906.94	115,812.74
Cash received from other companies	648,781.59	57,684.62
Deposit return	38,991.24	78,921.17
Interest income	57,723.53	94,815.33
Subsidies, appropriations etc.	64,017.93	50,156.51
Staff-returned imprest	2,583.76	7,894.22
Collecting, withhold and remit tax fund	17,168.47	75,136.18
Others	0.00	0.00
	<u>854,173.45</u>	<u>480,420.77</u>

In the cash flow statement, cash paid relating to other operating activities mainly comprises:

	2013	2012
Deposits paid	23,982.22	81,843.57
Research and development expenditure	161,133.55	193,348.89
Retirement fee	57,646.30	62,684.59
Travel expenses	142,625.12	169,215.74
Administrative expenses	151,493.05	103,507.43
Entertainment expenses	22,192.63	43,731.73
Utilities fee	17,408.18	17,093.09
Repair and maintenance fee	177,783.36	49,382.34
Advertising and promotion expenses	3,551.40	8,047.39
Cash paid to other companies	46,657.23	0.00
Meetings and society membership fee	107,470.97	0.00
Others	0.00	138,852.77
	<u>911,944.01</u>	<u>925,865.90</u>

(56) Borrowing costs

Borrowing costs capitalized and recorded as part of the cost of assets of this year is RMB 319,451.98 ten thousand Yuan.

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7 Leases

(1) Finance Leases (Lessee)

(a) Fixed assets held under finance lease

	Buildings	Machinery and equipment	Motor vehicles	Other equipment	Total
Cost					
31 December 2013	0.00	17,286.58	316.00	0.00	17,602.58
31 December 2012	0.00	7,286.58	316.00	0.00	7,602.58
Accumulated depreciation					
31 December 2013	0.00	2,311.63	87.94	0.00	2,399.57
31 December 2012	0.00	1,889.28	87.94	0.00	1,977.22
Provision for impairment					
31 December 2013	0.00	0.00	0.00	0.00	0.00
31 December 2012	0.00	0.00	0.00	0.00	0.00
Net book value					
31 December 2013	<u>0.00</u>	<u>14,974.95</u>	<u>228.06</u>	<u>0.00</u>	<u>15,203.01</u>
31 December 2012	<u>0.00</u>	<u>5,397.30</u>	<u>228.06</u>	<u>0.00</u>	<u>5,625.36</u>

(b) Minimum lease payments

Future lease payments are summarized as follows:

	31 December 2013	31 December 2012
Remaining leases periods		
Within 1 year (including 1 year)	6,604.05	4,761.37
1-2 years (including 2 year)	4,531.42	1,971.21
2-3 years (including 3 year)	4,483.94	1,483.73
Over 3 years	<u>5,640.22</u>	<u>0.00</u>
	<u>21,259.63</u>	<u>8,216.31</u>

On 31 December, 2013, the unconfirmed financial charge is 3,657.05 ten thousand Yuan (on 31 December 2012, it was 613.73 ten thousand Yuan).

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7 Leases (Continued)

(2) Finance Leases (Lessor)

(a) Minimum lease receipts

Remaining leases periods	31 December 2013	31 December 2012
Within 1 year (including 1 year)	0.00	0.00
1-2 years (including 2 year)	0.00	184.48
2-3 years (including 3 year)	0.00	244.41
Over 3 years	0.00	205.42
	<u>0.00</u>	<u>634.31</u>

(3) Operating Leases (Lessee)

According to the non cancellable operating leases agreements, the future aggregate minimum lease payments are summaries as follows:

Remaining leases periods	31 December 2013	31 December 2012
Within 1 year (including 1 year)	716.53	2,381.95
1-2 years (including 2 year)	772.65	913.60
2-3 years (including 3 year)	1,083.92	859.75
Over 3 years	4,862.51	2,338.16
	<u>7,435.59</u>	<u>6,493.46</u>

(4) Operating Leases (Lessor)

Ending balance	Buildings	equipment	Transportation Tools	Other Fixed Assets	Total
31 December 2013	73,498.13	12,371.22	1,700.84	1.59	87,571.77
31 December 2012	87,069.80	8,312.42	1,665.89	11.89	97,059.99

(5) Leaseback rent is 13,040.01 ten thousand Yuan in total.

8 DisContinued operation

On 1st, January, 2012, under the aprovement by SASAC, the group had transferred the 100% shareholding of MCC hengtong cold rolling technology co., LTD to The China National Travel Service (HK) Group Corporation gratuitously.

On 31st, December, 2012, under the aprovement by SASAC, the group had transferred the 100% shareholding of MCC paper group co., LTD to China Chengtong Holdings Group Ltd.

On 28th, February, 2013, under the aprovement by SASAC, the group had transferred the 100% shareholding of Beijing Xingchengwang co., LTD to China Chengtong Holdings Group Ltd. gratuitously.

	31 December 2013	31 December 2012
DisContinued operation revenue	0.00	1,036,725.77
DisContinued operation cost and fees	0.00	1,212,650.98
DisContinued operation total profit	0.00	-168,287.48
DisContinued operation income tax expense	0.00	-1,083.94
DisContinued operation net profit	<u>0.00</u>	<u>-167,203.54</u>

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9 Segment information

(a) Segment information as at 31 December 2013 and for the year ended 31 December 2013 is as follows:

	Construction contract	Real estate	Resource development	Equipment manufacturing	Paper industry	Others	Undistributed amount	Elimination	Total
Revenue from external customers	16,181,733.11	2,637,775.82	725,868.53	878,100.60	0.00	295,298.83	0.00	0.00	20,718,776.88
Inter-segment revenue	336,452.56	0.00	19,883.51	75,833.32	0.00	9,555.73	0.00	-441,725.12	0.00
Income from investment on joint operation and joint venture enterprises	-12,493.06	-632.09	0.00	471.91	0.00	-103.03	0.00	0.00	-12,756.27
Asset impairment loss	158,984.06	-4,167.46	123,705.73	20,668.75	0.00	-2,768.97	0.00	0.00	296,422.12
Depreciation cost and amortization charge	159,384.09	6,441.86	114,965.37	43,975.82	0.00	15,683.85	0.00	0.00	340,450.99
Total profit	506,197.61	306,564.69	-315,925.49	-36,413.74	0.00	3,383.36	-20,781.56	1,376.21	444,401.07
Income tax expense	134,459.39	73,966.51	1,220.72	6,073.86	0.00	6,183.80	0.00	0.00	221,904.27
Net profit	371,738.22	232,598.18	-317,146.21	-42,487.60	0.00	-2,800.44	-20,781.56	1,376.21	222,496.80
Total assets	21,473,099.23	10,375,970.74	2,860,249.55	1,767,688.98	0.00	4,640,994.07	298,734.62	-8,170,524.93	33,246,212.26
Total liabilities	19,090,814.86	8,633,925.67	2,466,494.88	1,096,510.38	0.00	3,319,002.48	56,209.12	-6,083,269.48	28,579,687.90
Other non-cash expenses other than depreciation and amortization	156,371.78	-3,965.07	157,761.40	20,942.09	0.00	-3,258.22	0.00	0.00	327,851.97
Long-term equity investment on joint operation and joint venture enterprises	345,957.66	67,384.47	0.00	0.00	0.00	812.15	0.00	0.00	414,154.29
Additional amount of non-current assets other than long-term equity investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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9 Segment information (Continued)

(b) Segment information as at 31 December 2012 and for the year ended 31 December 2012 is as follows:

	Construction contract	Real estate	Resource development	Equipment manufacturing	Paper industry	Others	Undistributed amount	Elimination	Total
Revenue from external customers	17,266,701.22	2,521,096.66	709,694.81	1,087,705.13	1,034,768.53	568,802.18	0.00	0.00	23,188,768.53
Inter-segment revenue	254,292.89	5,427.10	19,752.60	52,828.76	1,957.24	11,930.26	0.00	-346,188.84	0.00
Income from investment on joint operation and joint venture enterprises	4,203.51	-829.73	-194.27	599.15	-328.04	288.64	0.00	0.00	3,739.24
Asset impairment loss	151,158.16	6,894.04	640,245.36	56,530.88	147,788.39	29,969.55	0.00	0.00	1,032,586.37
Depreciation cost and amortization charge	153,063.38	4,934.88	68,467.39	54,786.34	53,504.92	10,427.60	0.00	0.00	345,184.51
Total profit	339,666.76	340,078.30	-906,774.02	-92,290.28	-311,071.98	-27,976.78	-22,505.89	-37,699.21	-718,573.12
Income tax expense	132,586.06	117,446.27	-10,777.82	115.60	-1,083.94	9,615.18	0.00	0.00	247,901.35
Net profit	207,080.70	222,632.03	-895,996.20	-92,405.88	-309,988.04	-37,591.97	-22,505.89	-37,699.21	-966,474.47
 Total assets	 19,688,937.73	 11,135,787.68	 2,909,712.07	 2,197,854.39	 0.00	 4,218,615.06	 266,968.99	 -6,767,448.49	 33,650,427.44
 Total liabilities	 18,801,409.82	 9,066,899.65	 3,262,467.15	 1,492,845.46	 0.00	 2,159,096.85	 55,734.69	 -6,073,463.47	 28,764,990.15
 Other non-cash expenses other than depreciation and amortization	 841,693.98	 6,755.90	 -70,065.33	 54,960.07	 5,003.89	 171,623.94	 0.00	 0.00	 1,009,972.44
 Long-term equity investment on joint operation and joint venture enterprises	 183,924.56	 66,445.50	 0.00	 0.00	 0.00	 954.52	 0.00	 0.00	 251,324.58
 Additional amount of non-current assets other than long-term equity investment	 314,553.38	 48,486.18	 260,357.33	 129,842.00	 104,353.89	 7,885.81	 0.00	 0.00	 865,478.59

9 Segment information (Continued)

The Group's revenue from external customers domestically and other countries/regions, and the Group's total non-current assets excluding financial assets and deferred tax assets domestically and other countries/regions are as follows:

Revenue from external customers	2013	2012
China	19,527,422.76	22,264,281.47
Other countries/regions	<u>1,191,354.13</u>	<u>926,255.52</u>
	<u>20,718,776.88</u>	<u>23,190,536.99</u>
 Total non-current assets	 31 December 2013	 31 December 2012
China	7,503,488.18	5,221,768.98
Other countries/regions	<u>1,488,063.66</u>	<u>1,447,038.73</u>
	<u>8,991,551.84</u>	<u>6,668,807.71</u>

10 Commitments

(1) Significant capital commitments

	Approved investment amount	Accumulated investment amount	Investment amount after term
Houses, buildings and equipment	4,317,193.46	1,778,905.31	2,589,779.58
Intangible assets	2,713,752.85	2,262,985.96	450,766.88

(2) Operating lease commitments

See Note 9.

(3) Investment abroad commitments

On 31 December 2013, the Group has no investment commitments.

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11. Contingencies

(1) Guarantee

(a)	Guarantor	Secured party	Guarantee Item	Guarantee Amount	Start Date of Guarantee	End date of Guarantee
	China 22 MCC Group Co., Ltd	Xi'an Triangle Aviation Technology Co., Ltd.	Joint liability guarantee	3,500.00	2008/09/09	2014/12/31
	Capital Engineering & Reaserch Incorporation Limited	Shigang Jingcheng Equipment Technology Co., Ltd.	Joint liability guarantee	22,239.00	2009/01/14	2015/07/14
	Capital Engineering & Reaserch Incorporation Limited	Shigang Jingcheng Equipment Technology Co., Ltd.	Joint liability guarantee	35,400.00	2009/06/18	2017/12/02
	Capital Engineering & Reaserch Incorporation Limited	Shigang Jingcheng Equipment Technology Co., Ltd.	Joint liability guarantee	24,780.00	2010/02/02	2017/12/02
	China Metallurgical Group Corporation	MCC Meili Paper Industry Co., Ltd.	Joint liability guarantee	23,200.00	2009/05/19	2021/05/18
	China Metallurgical Group Corporation	MCC Meili Paper Industry Co., Ltd.	Joint liability guarantee	363.00	2008/07/15	2015/12/20
	China Metallurgical Group Corporation	MCC Meili Paper Industry Co., Ltd.	Joint liability guarantee	28,676.00	2009/05/19	2021/05/18
	China 22 MCC Group Co., Ltd	Heibei Iron and Steel Group Luanxian Sijiaying Iron Ore Co., Ltd.	Joint liability guarantee	2,058.00	2007/09/07	2015/09/06
	China 22 MCC Group Co., Ltd	Heibei Iron and Steel Group Luanxian Sijiaying Iron Ore Co., Ltd.	Joint liability guarantee	6,000.00	2007/10/10	2014/08/30
	The North China Metallurgical Construction Corporation of China	Handan Iron & Steel Group Co., Ltd.	Joint liability guarantee	2,876.12	2003/12/19	2015/12/19
	Huludao Zinc Industry Co., Ltd	Jinzhou Jincheng Paper Co., Ltd.	Joint liability guarantee	3,000.00	2003/11/19	2004/08/17
	Total			<u>152,092.13</u>		

11 Contingencies (Continued)

(2) Pending lawsuits

On 31 December 2013, as a plaintiff, the Group is subject to pending lawsuits claims of 158,585.66 ten thousand Yuan; as a defendant, the Group is subject to pending lawsuits of 133,064.38 ten thousand Yuan.

The pending lawsuits in which the Group acts as defendant includes contentious matters related to balance payment of AUD 80,000,000 contract objects and interests from delay in payment. Singapore arbitration center has made adjudication in August 2013 that the Group should deposit balance payment of AUD 80,000,000 in account jointly administrated by the Group and complaint opened in main commercial bank of Australia. This verdict should not constitute the final determination. Up to December 31, 2013, the Group had deposited above mentioned money into specified account according to the verdict and this sum had been booked in other payables. Based on current status, the Group considers that legation outcome of this lawsuit is difficult to be judged, so it hadn't been confirmed as anticipant liabilities.

The Group has been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. Provision as set out in Note 6(39) have been made for the probable losses to the Group on those claims when management could reasonably estimate the outcome of the lawsuits based on management's judgments and the legal advice. No provision has been made for pending lawsuits if the outcome of the lawsuits couldnot be reasonably estimated or the management believes the outflow of resources is not probable.

12 Non-adjusting events post balance sheet date

None.

13 Related parties and related party transactions

(1) Parent and ultimate party

The ultimately controlling party of the group is SASAC.

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13 Related parties and related party transactions

(2) General information of subsidiaries

Please refer to Note 16.

(3) Joint venture and associates

Please refer to Note 6(14) : Long-term equity investment.

(4) Related party transaction

(a) Pricing policies

The Group's pricing on products sold to related parties and raw materials purchased from related parties is based on market price.

(b) Sales of goods

	2013	2012
Tianjin SERI Machinery Equipment Co., Ltd	0.00	554.86
	<u>0.00</u>	<u>554.86</u>

(c) Labour service

	2013	2012
Shanghai MCC Xiangqi Investment Co., Ltd.	0.00	609.63
Tianjin Zhongji Equipment Manufacturing Co., Ltd.	84.10	25,912.46
Ma'anshan MCC Economic and Technology development Zone Real Estate Co., Ltd.	28,478.61	0.00
Suzhou Suma MCC Construction and Development Co., Ltd.	20,298.46	0.00
Shanghai MCC Shineton Investment Co., Ltd.	5,371.93	0.00
Shanghai Zhihu Real Estate Development Co., Ltd.	6,183.81	0.00
Tangshan MCC Fangzhou Real Estate Development Co., Ltd.	7,370.32	0.00
Zhuhai Kadoo Haijun Real Estate Development Co., Ltd.	41,242.63	0.00
	<u>109,029.86</u>	<u>26,522.09</u>

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13 Related parties and related party transactions

(d) Purchases of goods

	2013	2012
Tianjin SERI Machinery Equipment Co., Ltd	82.97	2,579.23
MCC (Xiangtan) Heavy Industrial Equipment Co., Ltd.	2,119.43	460.26
Yichang MCC Heavy Industry Machinery Co., Ltd.	0.00	2,840.93
Shanghai Baoshan Iron & Steel 13th Metallurgical Qianpan Building Materials Co., Ltd.	946.64	1,590.40
Tianjin 20th Metallurgical Steel Structure Manufacturing Co., Ltd.	633.00	1,883.97
	<u>3,782.04</u>	<u>9,354.79</u>

(e) Receiving labor service

	2013	2012
Wuhan Zhonghe Project Quality Test Co., Ltd.	64.91	105.25
Shanghai Tongji-Baoye Construction Robot Co., Ltd.	5.00	0.00
CERI (Xiangtan) Heavy Industry Equipment Co., Ltd.	15.38	0.00
	<u>85.29</u>	<u>105.25</u>

(f) Interest income from providing loans

	2013	2012
MCC (Xiangtan) Heavy Industrial Equipment Co., Ltd	808.60	530.00
Mudanjiang MCC Real Estate Co., Ltd.	535.30	219.00
MCC Real Estate (Fujian) Co., Ltd.	1,284.58	264.00
MCC South (Xinyu) Cold Rolling New Material Technology Co., Ltd.	0.00	338.00
Wuhan Industry Vocational & Technical College	0.00	76.00
Zhuhai Ka Du Hai Jun Real Estate Development Co., Ltd	14,282.90	10,359.72
Baotou MCC Real Estate Co., Ltd.	3,654.30	0.00
Tangshan MCC Fangzhou Real Estate Development Co., Ltd.	524.40	0.00
Tangshan Caofeidian 22nd Metallurgical Project	20.60	0.00
Tangshan 22nd Metallurgical Wanzhu	378.90	0.00
	<u>21,489.58</u>	<u>11,787.72</u>

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13 Related parties and related party transactions

(4) related party transaction(Continued)

(g) Lease Expense (Lessor)

	2013	2012
Chengde project department of Tangshan Caofeidian Engineering Technology Co., Ltd.	221.74	286.52
Yichang MCC Heavy Industry Machinery Co., Ltd.	0.00	16.63
	<u>221.74</u>	<u>303.15</u>

(5) Receivables from and payables to related parties

(a) accounts receivable

	31 December 2013		31 December 2012	
	Book balance	Bad debt	Book balance	Bad debt
Shanghai MCC Shineton Investment Co., Ltd.	1,123.15	13.34	3,713.89	177.90
Tangshan Caofeidian MCC Jingtang Engineering Technology Co. Ltd.	14,849.59	2,081.01	15,120.77	0.00
Tianjin SERI Machinery Equipment Co., Ltd.	0.00	0.00	287.24	0.00
Shigang Jingcheng Equipment Technology Co., Ltd.	27,301.00	4,589.56	0.00	0.00
Zhuhai Kadoo Haijun Real Estate Development Co., Ltd.	21,512.95	480.16	0.00	0.00
MCC South (Xinyu) Cold Rolling New Materials Technology Co., Ltd.	14,531.00	4,310.67	0.00	0.00
Maanshan MCC Economic and Technology Development Zone Real Estate Co., Ltd.	12,886.87	0.00	0.00	0.00
Tianjin MCC Xinhua Real Estate Co., Ltd.	9,259.48	477.34	0.00	0.00
Suzhou Suma MCC Construction Development Co., Ltd.	5,691.52	0.00	0.00	0.00
Tangshan MCC Fangzhou Real Estate Development Co., Ltd.	5,206.82	46.41	0.00	0.00
Tianjin MCC Tuanpo Urban-Rural Development Co., Ltd.	2,932.50	0.00	0.00	0.00
Tianjin Zhongji Equipment Manufacturing Co., Ltd.	2339.70	114.7	0.00	0.00
Shanghai United Auto Road Development Construction Co., Ltd.	1,588.53	158.85	0.00	0.00
Tianjin 20 th Metallurgical Steel Structure Manufacturing Co., Ltd.	45.75	0.04	0.00	0.00
	<u>119,223.07</u>	<u>12,272.08</u>	<u>19,121.90</u>	<u>177.90</u>

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13 Related parties and related party transactions

(5) Receivables from and payables to related parties

(b) Other receivables

	31 December 2013		31 December 2012	
	Book balance	Bad debt	Book balance	Bad debt
Zhuhai Kadu Haijun Real Estate Development Co., Ltd	92,693.53	0.00	113,375.90	0.00
MCC (Xiangtan) Heavy Industrial Equipment Co., Ltd	17,787.50	0.00	8,287.50	0.00
Tangshan Caofeidian 22 nd Engineering Technology Co., Ltd.	8,379.85	58.12	8,398.00	0.00
Beijing Era Antai Real Estate Co., Ltd.	0.00	0.00	4,623.60	0.00
Beijing Xinghua Zhiben Investment Co., Ltd.	0.00	0.00	12.90	0.00
MCC Real Estate (Fujian) Co., Ltd.	17,029.70	3,057.67	33,585.10	2,468.20
Beijing Tiancheng Guyun Property Management Co., Ltd.	0.00	0.00	3.50	0.00
Beijing Youya Engineering Construction Technology Co., Ltd.	22.54	0.00	22.50	0.00
Chengdu Metallurgical Construction Mechanical Equipment Co., Ltd.	69.21	0.00	69.20	0.00
Mudanjiang MCC Real Estate Co., Ltd.	8,744.44	0.00	8,045.00	0.00
Shanghai Baoshan Iron & Steel 13th Metallurgical Qianpan Building Materials Co., Ltd.	8,184.06	1,529.91	8,184.10	587.10
Tangshan 22 nd Metallurgical Wanzhu Real Estate Co., Ltd.	8,348.44	0.00	9,969.50	0.00
Tangshan MCC Fangzhou Real Estate Co., Ltd.	4,043.21	0.00	3,518.80	0.00
Shanghai Jinhai Real Estate Development Co., Ltd.	21.91	0.00	0.00	0.00
Tianjin 20 th Steel Structure Manufacturing Co., Ltd.	43.78	2.19	0.00	0.00
Inner Mongolia MCC Debon Real Estate Co., Ltd.	2482.91	243.34	0.00	0.00
Tianjin MCC Xinhua Real Estate Co., Ltd.	4,619.53	230.98	0.00	0.00
Shanghai United Auto Road Development Construction Co., Ltd.	7,838.00	6,303.69	0.00	0.00
Shigang Jingcheng Equipment Technology Co., Ltd.	15,132.23	1,209.99	0.00	0.00
Tianjin MCC Tuanpo Urban-Rrural Development Co., Ltd.	38,895.46	0.00	0.00	0.00
Financial department of Baotou MCC Real Estate Co., Ltd.	40,665.53	2,033.99	0.00	0.00
Shanghai MCC Staff & Workers Hospital	1.00	0.00	0.00	0.00
MCC Beris & Gangneng Heavy-Duty Industry Co., Ltd.	5,639.80	5,639.80	0.00	0.00
Huludao Xinixng Transportation Co., Ltd.	145.85	145.85	0.00	0.00
	<u>280,788.48</u>	<u>20,455.53</u>	<u>198,095.60</u>	<u>3,055.30</u>

(c) Advances to suppliers

	31 December 2013	31 December 2012
Tianjin SERI Machinery Equipment Co., Ltd.	10.20	10.20
MCC (Xiangtan) Heavy Industrial Equipment Co., Ltd	0.00	420.00
Chengdu branch Pangang Group International Economic & Trading Corporation. Ltd.	34.12	0.00
Shigang Jingcheng Equipment Technology Co., Ltd.	1,563.89	0.00
	<u>1,608.21</u>	<u>430.20</u>

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13 Related parties and related party transactions

(5) Receivables from and payables to related parties (Continued)

(d) Accounts payable

	31 December 2013	31 December 2012
Shanghai Tongji-Baoye Construction Robot Co., Ltd.	0.00	5.00
Tianjin Zhongji Equipment Manufacturing Co., Ltd.	868.77	1,354.70
Yichang MCC Heavy Industry Machinery Co., Ltd.	0.00	2,031.00
Shanghai Baoshan Iron & Steel 13th Metallurgical Qianpan Building Materials Co., Ltd.	1,230.27	842.70
Tianjin SERI Machinery Equipment Co., Ltd.	4,636.45	2,352.90
Wuhan Zhonghe Project Quality Test Co., Ltd.	76.46	87.50
MCC (Xiangtan) Heavy Industrial Equipment Co., Ltd.	3.65	112.20
Shigang Jingcheng Equipment Technology Co., Ltd.	1,878.93	0.00
	<u>8,694.53</u>	<u>6,786.00</u>

(e) Other payables

	31 December 2013	31 December 2012
Huludao Nonferrous Metals Group Co., Ltd.	4,413.75	500.00
Shanghai MCC Shineton Investment Co., Ltd.	1,722.51	1,916.80
Shanghai MCC Xiangqi Investment Co., Ltd.	2,072.07	1,389.10
Tangshan Caofeidian 22 nd Engineering Technology Co., Ltd.	0.00	1,200.00
Shanghai Zhihu Real Estate Development Co., Ltd.	0.00	146.90
Yichang MCC Heavy Industry Machinery Co., Ltd.	0.00	135.30
Tianjin 20th Metallurgical Steel Structure Manufacturing Co., Ltd.	0.00	127.50
Wuhan Zhonghe Project Quality Test Co., Ltd.	0.00	5.00
Mananshan MCC Economic and Technology development Zone Real Estate Co., Ltd.	90.00	0.00
Zhuhai Da Heng Qin Investment Co., Ltd.	19.65	0.00
Shigang Jingcheng Equipment Technology Co., Ltd.	319.03	0.00
	<u>8,637.01</u>	<u>5,420.60</u>

Other payable are unsecured, non-interest bearing and repayable no fixed insults.

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13 Related parties and related party transactions

(5) Receivables from and payables to related parties (Continued)

(f) Account collected in advance

	31 December 2013	31 December 2012
MCC (Xiangtan) Heavy Industrial Equipment Co., Ltd	7.20	7.20
Yichang MCC Heavy Industry Machinery Co., Ltd.	0.00	70.00
Shigang Jingcheng Equipment Technology Co., Ltd.	1,454.10	0.00
Tangshan project department of Tangshan Caofeidian 22 nd Engineering Technology Co., Ltd.	83.00	0.00
	<u>1,544.30</u>	<u>77.20</u>

14 Business combination

None.

15 Exchange of non-monetary assets and debt restructuring

(1) Exchange of non-monetary assets

Class of assets	Assets Surrendered		Way of cost confirmation	Assets Received	
	Book value	Fair value		Class of assets	Fair value
Other receivables	681.65	681.65	Book value of swap-out assets added with tax	House	681.65
Scrap machines	0.17	36.75	Protocal	Product processing	36.75
Total	681.82	718.40		Total	718.40

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15 Exchange of non-monetary assets and debt restructuring (Continued)

(2) Debt restructuring

(a) The company acts as debtor

As a results of Projects capitalisation of debts	Debt restructuring methods	Debt restructuring capital gain/(loss)	Debt is converted into capital as a result of equity (Paid up capital) additional amount	Contingent charge
Debt restructuring of Huludao Zinc Industry Co., Ltd.	Paying off debt by assets	248,142.68	0.00	0.00
Debt restructuring of Iraq	Modifying terms of debt	34,084.06	0.00	0.00
Other debt restructuring		2,095.60	0.00	0.00
Total		284,322.34	0.00	0.00

(b) This company acts as creditor

As a results of Projects capitalisation of debts	Debt restructuring methods	Total amount of loss on debt restructuring	Accrual of long-term investment	Coursed by transfer from creditor's rights to stock rights Percentage occupied in creditor's shares (%)	Gain contingency
Debt restructuring of Iraq	Modifying terms of debt	37,571.51	0.00	0.00	0.00
Others		3,028.82	0.00	0.00	0.00
Total		40,600.33	0.00	0.00	10,705.00

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16 Subsidiaries

(1) Details of subsidiaries included in the consolidation scope as at 31 December 2013 are as follows:

No	Company	Equity Interest (%)	Voting right (%)	character	Registered location	Registered Capital	Investment amount	Tier	Type of company	Type of audit opinion	Note
1	Beijing Metallurgical technology corporation	100.00	100.00	Dongxing new development Professional Technique Service	Beijing	90.08	90.08	2	1	1	Establishment or investment
2	Beijing MCC Construction taxi rental Co., Ltd.	100.00	100.00	Transportation	Beijing	937.74	937.74	2	1	1	Establishment or investment
3	MCC Shanghai employees	100.00	100.00	General hospital	Shanghai	4,584.23	4,584.23	2	1	1	Establishment or investment
4	MCC Huludao Nonferrous Metals Group Co., Ltd.	51.06	51.06	Lead and zinc smelting	Liaoning	166,065.00	0.00	2	1	1	Negotiated acquisition
5	MCC Assets Management Co., Ltd.	100.00	100.00	Assets management Engeneering, manufacturing, resource development, real estate development, etc.	Beijing	100.00	100.00	2	1	1	Establishment
6	China Metallurgical Group Co., Ltd.	64.18	64.18		Beijing	1,911,000.00	1,940,042.96	2	1	1	Establishment or investment

[Note: type enterprise: 1. Domesitic non-financial subsidiary; 2.Domestic financial subsidiary; 3.Overseas subsidiary; 4. Public institution; 5.Capital construction unit]

[Note: type of audit opinion: 0. unaudited 1.standard unqualified opinion 2. Unqualified opinion with emphasis on matter paragraph; 3. Qualified opinion; 4. Adsverse opinion 5.disclaimer of opinion]

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16 Subsidiaries (Continued)

(2) Changes of subsidiaries' registered capital

No.	Company Name	12 Dec 2012	Current year additions	Current year reduction	12 Dec 2013
1	Beijing Dongxing Metallurgical new development corporation	90.08	0.00	0.00	90.08
2	Beijing MCC Construction taxi rental corporation	937.74	0.00	0.00	937.74
3	MCC Shanghai employees' hospital	4,584.23	0.00	0.00	4,584.23
4	MCC Huludao Nonferrous Metals Group Co., Ltd.	166,065.00	0.00	0.00	166,065.00
5	MCC Assets Management Co., Ltd.	0.00	100.00		100.00
6	China Metallurgical Group Co., Ltd.	1,911,000.00	0.00	0.00	1,911,000.00

(3) Equity interest of subsidiaries held by the Company and their changes are as follows:

No.	Company Name	31 December 2012		Addition	Reduction	31 December 2013	
		Amount	Proportion			Amount	Proportion
1	Beijing Dongxing Metallurgical new technology development corporation	90.08	100.00	0.00	0.00	90.08	100.00
2	Beijing MCC Construction taxi rental corporation	937.74	100.00	0.00	0.00	937.74	100.00
3	MCC Shanghai employees' hospital	4,584.23	100.00	0.00	0.00	4,584.23	100.00
4	MCC Huludao Nonferrous Metals Group Co., Ltd.	0.00	51.06	0.00	0.00	0.00	51.06
5	MCC Assets Management Co., Ltd.	0.00	0.00	100.00	0.00	100.00	0.00
6	China Metallurgical Group Co., Ltd.	1,940,042.96	64.18	0.00	0.00	1,940,042.96	64.18

17 Financial instruments and their risks

None.

18 Clarification on other significant events

1 Reorganization matters

(1) Reorganization matters of MCC Huludao Nonferrous Metals Group Co., Ltd. (Hereafter referred to as Huludao Group)

On 31st, January, 2013, Huludao Intermediate People's Court of Liaoning Province (hereafter referred to as Huludao Intermediate People's Court) issued *Civil Ruling Paper* (2013) Huminerpozi No. 00001, ruling that Huludao Group should be made reorganization according to creditor's application.

On 5th, December, 2013, Huludao Intermediate People's Court issued *Civil Ruling Paper* (2013) Huminerpozi No. 00002-4, ruling to approve *Reorganization Plan (draft) of MCC Huludao Nonferrous Metals Group Co., Ltd.*, and hereby terminated the reorganization procedure.

(2) Reorganization matters of Huludao Zinc Industry Co., Ltd.

On 31st, January, 2013, Huludao Intermediate People's Court of Liaoning Province (hereafter referred to as Huludao Intermediate People's Court) issued *Civil Ruling Paper* (2013) Huminerpozi No. 00001, ruling that Huludao Zinc Industry Co., Ltd. should be made reorganization according to creditor's application.

On 5th, December, 2013, Huludao Intermediate People's Court issued *Civil Ruling Paper* (2013) Huminerpozi No. 00001-3, ruling to approve *Reorganization Plan (Draft) of Huludao Zinc Industry Co., Ltd.*, and hereby terminated the reorganization procedure.

According to regulations of Contributor's Interests Adjustment Plan in reorganization plan, based on total capital, Huludao Zinc Industry Co., Ltd. conduct capitalizing of common reserves with 2.7 shares upon each 10 shares, about 29,973.60 ten thousand shares capitalized in total (hereafter referred to as Capitalized Share). Meanwhile, all shareholders will assign their shares of Huludao Zinc Industry Co., Ltd. in proportion of 10%, totally 11,101.33 ten thousand shares (hereafter referred to as Assigned Share). The amount of above mentioned capitalized and assigned shares are about 41,074.93 ten thousand shares in total. After checked with China Securities Depository and Clearing Corporation Limited, the final amount of capitalized and assigned shares is about 41,074.93 ten thousand shares. According to reorganization plan, all above mentioned shares should be disposed and liquidated by conductor as required for executing reorganization plan.

Up to 27th, January, 2014, capitalized and assigned shares of Huludao Zinc Industry Co., Ltd., 41,074.93 ten thousand shares in total, have been dealt, among which 20,537.60 ten thousand shares transferred through open bidding with transfer procedures completed, but the transfer procedures of the shares transferred through negotiating hasn't been completed.

On 30, December, 2013, Huludao Zinc Industry Co., Ltd. received interests-free loan 1.05 billion from dominant stockholder MCC Huludao Nonferrous Metals Group Co., Ltd., dedicated for covering bankruptcy expenses and paying off debts of common benefit and other kinds of debts, with loan term of six months from 31st, December, 2013 to 30, June, 2014.

After receiving fund realized from assigned shares and interests-free loan from Huludao Group, Huludao Zinc Industry Co., Ltd. basically fulfilled debt repayment obligations, and the portion unsettled should be transferred to a special account supervised and managed by administrator according to related requirements.

On 31st, December, 2013, Huludao Zinc Industry Co., Ltd. received *Civil Ruling Paper* (2013) Huminerpozi No. 00001-7 from Huludao Intermediate People's Court, confirming that *Reorganization Plan of Huludao Zinc Industry Co., Ltd.* had been completely executed.

18 Clarification on other significant events(Continued)

2 Debt restructuring

(1) Debt restructuring of Huludao Group

According to reorganization plan approved by the court, the amount of obligations should be paid by Huludao Group is 482,104.92 ten thousand Yuan in total, among which secure claims is 77,705.72 ten thousand Yuan, creditor's rights of employee 362,585.74 ten thousand Yuan, creditor's rights of tax 8,881.72 ten thousand Yuan and general creditor's rights 32,931.74 ten thousand Yuan.

According to relative conference spirit of SASAC and Liaoning government, creditor's rights of employee, MCC Goup should afford staff resettlement expenses and reassignment resettlement fees for personnel of enterprises burdened with social responsibilities, owned factories operated by state-owned enterprises and retired staff medical insurance should be afford by Liaoning government or resolved through negotiation. Therefore, Huludao Group doesn't withdraw anticipation liabilities.

Estimated amount for paying off of undeclared creditor's rights is 0.02 billion Yuan.

Up to the date of issuing financial report, all the funds for Huludao Group to pay off debt has been arrived, so the significant uncertainty of the execution and results of reorganization plan has been relieved. Huludao Group confirmed the net earning of reorganization for this term is 556,466.36 ten thousand Yuan,

(2) Debt Restructuring of Huludao Zinc Industry Co., Ltd.

According to reorganization plan approved by the court, the amount of all kinds of creditor's rights is 180,081.13 ten thousand Yuan, among which secure claims is 77,389.39 ten thousand Yuan, creditor's rights of employee 60,188.70 ten thousand Yuan, creditor's rights of tax 11,984.24 ten thousand Yuan and general creditor's rights 30,518.80 ten thousand Yuan.

① The adjudication amount of secure claims confirmed through ruling of the court is 84,253.65 ten thousand Yuan, among which 77,389.39 ten thousand Yuan should be fully paid off, and the rest should be listed in general creditor's rights in which 6,864.26 ten thousand should be paid off. The secure claims has been paid off which is 77,389.39 ten thousand Yuan in total.

② The adjudication amount of creditor's rights of employee confirmed through ruling of the court is 60,188.70 ten thousand Yuan, mainly includes severance package, social insurance fee and etc. payable to staff according to laws and administration laws and regulations. Thereof, compensation money for on-post staff, 20,851.00 ten thousand Yuan, hasn't been paid as the arrangement made by Huludao Zinc Industry Co., Ltd. that labor contract of on-post staff won't be relieved.

Among creditor's rights of employee, excluding unpaid labor dispute legal cost, off-post medical test fee of staff in high risk industry, social insurance of temporary work 1,200.00 ten thousand Yuan in total that haven't occurred, the rest of creditor's rights of employee, which is 38,137.70 ten thousand Yuan in total, has all been paid off.

The above mentioned unpaid creditor's right of employee, which is 1,200.00 ten thousand Yuan, has been deposited in account designated by the administrator.

18 Clarification on other significant events(Continued)

2 Debt restructuring (Continued)

③ The adjudication amount of tax creditor's rights confirmed through ruling of the court is 11,984.24 ten thousand Yuan.

The adjudication amount of tax creditor's rights confirmed through ruling of the court is 11,984.24 ten thousand Yuan. Tax creditor's rights had been paid off.

④ General creditor's rights confirmed through ruling of the court is 22,466.42 ten thousand Yuan according to court decision, settlement amount of general creditor's rights which has not been reviewed is 1,188.12 ten thousand Yuan, 6,864.26 ten thousand Yuan creditor's rights which is unable to obtain priority for guarantee of property is paid off as general creditor's rights, among which the adjudication amount of general creditor's rights which has not been reviewed is 2,453.43 ten thousand Yuan. The adjudication amount of general creditor's rights which has not been reviewed is 3,641.55 ten thousand Yuan, the settlement amount of general creditor's rights group is 30,518.80 ten thousand Yuan. The amount of above general creditor's rights which has been repaid by Huludao Zinc Industry is 26,289.25 ten thousand Yuan, the capital specially used for repayment which is escrowed to administrator is 4,229.55 ten thousand Yuan.

⑤ Another estimated paid off amount of undeclared debt is 0.03 billion Yuan, which has been deposited in account designated by the administrator.

Up to 31st, December, 2013, Huludao Zinc Industry had been confirmed 403,374.33 ten thousand Yuan as current debt restructuring net earnings due to the performance of restructuring agreement.

Excluding internal matters of debt restructuring, the net earnings is recognized 248,142.68 ten thousand Yuan by Group due to debt restructuring of Huludao Group and Huludao Zinc Industry in 2013.

19 Approval of consolidated financial statements

The above consolidated financial statements have been approved and reported by the Board of the Group on March 28, 2014.

Company Name : China Metallurgical Group Corporation

Legal representative: Person in charge of accounting function: Head of accounting department:

Date: 28 March 2014

Date: 28 March 2014

Date: 28 March 2014