



# 中國冶金科工股份有限公司

## METALLURGICAL CORPORATION OF CHINA LTD.\*

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

Stock Code: 1618



# 2020 ANNUAL REPORT

*\* For identification purpose only*

# IMPORTANT NOTICE

- I. The Board and the Supervisory Committee of the Company and its Directors, Supervisors and senior management warrant that there are no false representations, misleading statements or material omissions in the information set out in this annual report, and they severally and jointly accept legal responsibility for the truthfulness, accuracy and completeness of its contents.
- II. The Company convened the 26th the meeting of the third session of the Board on 29 March 2021. All Directors of the Company attended the meeting.
- III. WUYIGE Certified Public Accountants LLP issued an audit report with standard unqualified opinions to the Company.
- IV. Guo Wenqing, the Chairman and legal representative of the Company, Zou Hongying, the Vice President and the Chief Accountant of the Company, and Fan Wanzhu, the Deputy Chief Accountant and the Head of the Financial Planning Department, have declared that they warrant the truthfulness, accuracy and completeness of the financial report contained in this annual report.
- V. The proposal for profit distribution or transfer of capital reserve to share capital for the Reporting Period was considered by the Board.

MCC's consolidated net profit in the audited consolidated statement attributable to Shareholders of the Company in 2020 was RMB7,862,185 thousand, and MCC's undistributed profit was RMB2,090,245 thousand. Based on the total share capital of 20,723.62 million shares, the Company proposed to distribute cash dividend of RMB0.75 (tax inclusive) for every 10 shares and total cash dividend will amount to RMB1,554,271 thousand, the remaining undistributed profit of RMB535,974 thousand for the business development and coming year for distribution of the Company. The total cash dividend proposed by such proposal accounts for 19.77% with respect to the net profit attributable to the shareholders of the listed company in the 2020 consolidated statement of MCC.

- VI. Statement for the risks involved in the forward-looking statements  
The forward-looking statements contained in this report regarding the Company's future plans and others do not constitute any substantive commitment to investors and investors are reminded of investment risks.
- VII. Is there any misappropriation of non-operating funds by the Controlling Shareholder and its related parties  
No
- VIII. Is there any external guarantee made in violation of the required decision-making procedures  
No
- IX. Are there more than half of the Directors unable to guarantee the truthfulness, accuracy and completeness of the annual report disclosed by the Company  
No
- X. Warning of major risks

1. International and domestic macroeconomic trends

In the current period, the international and domestic economic situation is complex and grim as the instability and uncertainties have increased significantly. COVID-19 pandemic has a far-reaching effect, which resulted in the global economy being in deep recession and economic globalization facing a counter current and hindered the economic cycle. International trade and investment have shrunk sharply, economic downward pressure has been much higher than expected, and the full recovery of the domestic economy still faces many challenges. Since all business operations of the Company are affected by the international and domestic macro economic environment, the macroeconomic trends inside or outside China may have an impact on various business segments of the Company, including procurement, production and sale, thereby causing fluctuations in the Company's operating performance. Since the Company's operating income is mainly derived from the domestic market, its business operations may perform differently in various domestic economic cycles.

2. Changes in the policies of the industries in which the Company was involved and the demands of its domestic and overseas markets

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

- XI. Others

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

# Contents

---

DEFINITIONS	2
CHAIRMAN'S STATEMENT	4
COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS	7
REPORT OF THE BOARD OF DIRECTORS	17
BUSINESS DISCUSSION AND ANALYSIS	39
SIGNIFICANT EVENTS	64
CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS	93
PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF	102
CORPORATE GOVERNANCE	119
CORPORATE BONDS	135
FINANCIAL STATEMENTS	139
OTHER FINANCIAL DATA	373
DOCUMENTS FOR INSPECTION	374



## ABOUT THE COVER OF 2020 ANNUAL REPORT

The main design of the cover of this report is based on the chromoxylograph, Thousands of Commodious Mansions (《廣廈千萬間》), created by the printmaking institute of China First Metallurgical Group Co. Ltd., a subsidiary of the Company, showing the Company's magnificent picture of "building thousands of commodious mansions for China's urban and rural development" over the years. Since the outbreak of COVID-19 pandemic in early 2020, a number of subsidiaries in Wuhan, represented by China First Metallurgical Group Co. Ltd., urgently assisted the construction of 34 hospitals, including Huoshenshan Hospital, Leishenshan Hospital, Fangcang Hospital, Leishan Hospital in Ezhou, fully reflecting the fearless dedication and courageous commitment of MCC in the fight against the pandemic.



# DEFINITIONS

## I. DEFINITIONS

In this report, unless the context otherwise requires, the following expressions have the meanings as follows:

“A Share(s)”	the domestic shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the SSE and traded in RMB
“A Share Listing Rules”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange*
“Articles of Association”	the articles of association of Metallurgical Corporation of China Ltd.*
“Board”	the board of directors of Metallurgical Corporation of China Ltd.*
“China Minmetals”	China Minmetals Corporation
“connected person(s)”	connected party/parties under A Share Listing Rules and connected person(s) under the H Share Listing Rules
“Controlling Shareholder” or “CMGC”	China Metallurgical Group Corporation
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Hong Kong Listing Rules
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company, including all executive, non-executive and Independent Non-executive Directors
“H Share(s)”	the overseas listed foreign invested shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region
“Hong Kong Listing Rules” or “H Share Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Director” or “Independent Non-executive Director”	a director who is independent of the Shareholders of the Company and is not an employee of the Company, has no material business connections or professional connections with the Company or its management and is responsible for exercising independent judgment over the Company’s affairs
“MCC Real Estate”	MCC Real Estate Group Co., Ltd.
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules

# DEFINITIONS

“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Reporting Period”	from 1 January 2020 to 31 December 2020
“Rules of Procedures for Board Meetings”	Rules of Procedures of Board Meetings of Metallurgical Corporation of China Ltd.*
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of share(s) of the Company
“Shareholders’ Meeting”	the shareholders’ meeting of Metallurgical Corporation of China Ltd.*
“SSE”	the Shanghai Stock Exchange
“State Council”	the State Council of the People’s Republic of China
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the Supervisory Committee of Metallurgical Corporation of China Ltd.*
The “Company” or “MCC”	Metallurgical Corporation of China Ltd.*
“USD”	United States dollars, the lawful currency of the United States

# CHAIRMAN'S STATEMENT

Chairman

**Guo Wenqing**





# CHAIRMAN'S STATEMENT

Dear Shareholders,

The year 2020 just passed with instability and waves. In this year that is worth remembering, in the face of the severe external challenges such as the impact of pandemic and the economic downturn, MCC pushed forward against the pressure and moved forward against the trend. Results of our operation have again reached a historical new height with steady advancement in the quality of development.

During the Reporting Period, the operating revenue of MCC amounted to RMB400.115 billion, representing a year-on-year growth of 18.15%. Total profit was RMB11.917 billion, increasing by 21.83% year on year, of which net profit attributable to Shareholders of the Company recorded RMB7.862 billion, increasing by 19.13% year on year; newly signed contracts exceeded RMB1 trillion for the first time, amounted to RMB1,019.728 billion, representing a year-on-year increase of 29.47%. A great number of noteworthy results have been achieved of which 28 projects received the National Quality Project Award, and 7 projects received the Luban Award. The special reform such as "Double Hundred Pilot Actions" and the "Innovative Technology Reform Demonstration Actions" have achieved new progress. There were also improvements in scientific and technological innovation quality. The Company undertook 4 national key research and development projects and the National Technical Standards Innovation Base (International Standardization of Metallurgical Engineering) passed acceptance. More than 6,300 effective patents were added, with over 33,000 effective patents in aggregation. The Company took the lead to issue 5 international standards and issued 21 international standards as editor-in-chief. The long-term development trend of MCC continues to consolidate.

After the long-term adjustment, efforts and improvement, the development of the Company has entered a new historical point, and the high-quality development has entered a new stage. Looking forward to the 14th Five-Year Plan, the Company will always focus on the main responsibilities and principal business of metallurgy, making every effort to advance into the field of high-tech, high-quality construction and emerging industries. The Company strives to create "Five Batches", that is, to create a batch of first-class industry, a batch of profitable individuals, a batch of pioneering technologies, a batch of stable markets, a batch of top talents, striving to achieve the goal of "building a better MCC with long-term prosperity".

**Firstly, the Company will focus on the main responsibilities and principal business, speeding up the optimization and upgrading of industry to create new advantages.** The Company will promote the metallurgical construction of 14th Five-Year Plan to a new height and accelerate the achievement of new breakthroughs of key core technologies in metallurgical construction with "181 Plan" as the starting point. While standing at the high-end international level and the leading position of the whole metallurgical industry, the Company will shoulder the responsibilities of leading China's metallurgy to become an intelligent, green, low-carbon "advanced manufacturer" with efficient development, through the first-class core technology, continuous innovation research and development of self-controllable ability, irreplaceable integration advantages of the whole metallurgical industry chain. The Company will promote the basic construction of the 14th Five-Year Plan to a new level, focusing on strengthening the brand building capability, EPC's general contracting capacity, as well as the green, intelligent and industrial upgrading of buildings. The Company will push forward the new breakthroughs in the emerging industry of the 14th Five-Year Plan, intensively explore the technological advantages of iron and steel metallurgy, mining industry in water, gas, dust, soil and energy recycling for continuous transplant and transformation, and give full play to the amplification effect of "capital + industry + mode innovation".

**Secondly, the Company will focus on enhancing the technological innovation capability, forging hard power for new development.** It is necessary to systematically plan the layout of innovation and deploy the innovation chain around the industry chain. The Company will emphasize on the application of basic research and original innovation, focus on the improvement of application capability of basic research and original innovation, achieve self-reliance in scientific and technological innovation, and continue to support high-quality and sustainable development in the future. Efforts shall be made to improve the mechanism of synergistic innovation, to further break the "enterprise wall" of science and technology among scientific research institutes, design enterprises, and construction enterprises and to strengthen internal cooperation in various fields and professions. The Company will also create an innovative ecological atmosphere, further increase investment in science and technology, maximize the support of Minmetals Innovative and Entrepreneurial Fund, Science and Technology Innovation Fund, and actively participate in the "Double Hundred Actions", "Innovative Technology Reform Demonstration" and other reforms.



# CHAIRMAN'S STATEMENT

**Thirdly, the Company will adhere to the concept of system, strengthening the systematic construction in all aspects.**

The Company will comprehensively promote the construction of the corporate governance system and the improvement of governance capabilities, continuously optimize the top-level design of corporate governance, and the supply of system. While comprehensively enhancing the systematic strength, mobilizing the resources of the Company to complete the phased goal and implementation of the road map during the 14th Five-Year Plan period, the Company will solidify and promote the good practice of the emergency consistent command and adjustment, and pay attention to the integrity and systematization of the reform. The Company will also strengthen the construction of various business systems, and strive to create an efficient and controllable financial and capital management system, a marketing system with system advantages, and a mutually compatible, safe and practical, unified information support system. The Company will make every effort to promote the organic integration and coordination of various business systems for entering a new stage of system integration and efficient coordination.

**Fourthly, the Company will focus on the safety development at all times, ensuring the stability and the health of the Company with controllable risks.**

The Company will unswervingly focus on the pandemic prevention and control, strengthen the financial and capital risk management, strictly control the risks of investment and exercise caution over project quality. The Company will also focus on the control of foreign operation risks and prevention of legal risks, especially in relation to safe production, as well as coordinate the two major issues of development and safety, ensuring the high-quality development of enterprises with safety and stability.

**Fifthly, the Company will maintain the vitality and combat effectiveness of the team, safeguarding the high-quality development of enterprises with its strongest power.**

The Company will take practical responsibility as the guidance, continuously promote the training of outstanding talents; take the optimization of the structure as the goal, continuously promote the regular communication within the team; take market-oriented reform as the direction, take high-quality development as the goal, continuously improve the talent incentive mechanism to create an entrepreneurial atmosphere with "positively motivation and happiness of all staff".

Although the road is filled with barriers, the Company will insist on combat. We will uphold the principle of integrity and innovation and the practical responsibility with the enterprise spirit of "making progress every day, and do not slacken the pace". In that spirit, we will strive to write a new chapter of "Focusing on the core business of MCC in building a better MCC", to create new and greater value for the country, the Shareholders, the society and our employees!

国文法

# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

MCC is the world's largest and strongest metallurgical construction contractor and operation service provider, one of the state-recognized major resource enterprises, one of China's largest steel structure producer, one of the first 16 central enterprises designated by the SASAC with main business of real estate development, and the main force for China's infrastructure construction. In the early stages of China's reform and opening-up, MCC created the world-renowned "Shenzhen Speed". It ranked 8th in ENR's Top 250 Global Contractors in 2020.

Adhering to the strategic positioning of "being the national team of metallurgical construction, the main force of infrastructure construction, and the frontrunner of emerging industries, and insisting on the road of high-tech and high-quality development in the long term", MCC assumes the national responsibility of leading China's metallurgical industry to a higher level with its advanced core technology, integrated advantages in the irreplaceable whole metallurgy industry chain, and the capacity of continuous innovation. Relying on its outstanding scientific research, exploration, design and construction capabilities, MCC speeds up transformation and upgrading, builds up the "four-beam and eight-pillar" business system, and forges itself into the leading force of national infrastructure construction. By taking innovation as the new engine and fuel for corporate development, MCC undertakes the important task to innovate and lead China's development of emerging industries, thus constantly upgrading itself with new 'name card' for promoting sustainable development under the new normal.

As an innovation-oriented enterprise, MCC has 5 comprehensive Class A design qualifications and 39 special-grade general contracting construction qualifications. Among its subsidiaries, 3 are granted with quadruple special-grade construction qualifications, 5 are granted with triple special-grade construction qualifications and 4 are granted with dual special-grade construction qualifications, ranking forefront in China. MCC also has 26 national-level scientific research and development platforms and over 33,000 effective patents. Since 2009, it has won 73 China Patent Awards (winning the China Patent Gold Award for 3 consecutive years from 2015 to 2017). Since 2000, it has won 51 National Science & Technology Awards and published 50 international standards and 569 national standards. It has received the Luban Prize for Construction Projects for 114 projects in aggregate (including those participation), the National Quality Engineering Award for 230 projects (including participation), the Tien-yow Jeme Civil Engineering Prize for 19 projects (including participation), and 718 Metallurgy Industry Quality Engineering Excellent Achievement Awards. MCC has over 57,000 engineering technicians, 1 academician of the Chinese Academy of Engineering, 12 national exploration and design masters, 5 experts listed in the National "Hundred, Thousand and Ten Thousand" Talent Project, 489 staff members enjoying special government allowance from the State Council, 1 winner of the Grand Skill Award of China, 3 gold medalists of the WorldSkills Competition, and 65 National Technical Experts.

MCC was listed on the main board of the SSE and the Hong Kong Stock Exchange on 21 September 2009 and 24 September 2009, respectively. At present, the A Shares of the Company have been selected to be a constituent stock of the SSE Central State-owned Enterprises Index, MSCI Concept Index, SSE Constituent Index and 300 Innovation Index, etc.; while the H Shares have been selected to be a constituent stock of Hang Seng Composite Index, Hang Seng Stock Connect Hong Kong Index, Hang Seng Mainland Composite Index and Hang Seng China State-holding Enterprises Index, etc. Specific information of the Company is set out below:

# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

## I. CORPORATE INFORMATION

Company name (in Chinese)	中國冶金科工股份有限公司
Abbreviation in Chinese	中國中冶
Company name (in English)	Metallurgical Corporation of China Ltd.*
Abbreviation in English	MCC
Legal representative of the Company	Guo Wenqing

## II. CONTACT PERSONS AND CONTACT METHOD

	Secretary to the Board	Joint Company secretaries
Name	Zeng Gang	Zeng Gang and Ng Sau Mei
Address	MCC Tower, 28 Shuguang Xili, Chaoyang District, Beijing, PRC	MCC Tower, 28 Shuguang Xili, Chaoyang District, Beijing, PRC
Telephone	+86-10-59868666	+86-10-59868666
Facsimile	+86-10-59868999	+86-10-59868999
E-mail	ir@mccchina.com	ir@mccchina.com

## III. BASIC INFORMATION

Registered address of the Company	28 Shuguang Xili, Chaoyang District, Beijing, PRC
Postal code of registered address of the Company	100028
Business address of the Company in the PRC	MCC Tower, 28 Shuguang Xili, Chaoyang District, Beijing, PRC
Postal code of the business address of the Company in the PRC	100028
Place of business of the Company in Hong Kong	Room 3205, 32/F Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong
H Share registrar and transfer office	Computershare Hong Kong Investor Services Limited
Address of H Share registrar and transfer office	17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Website address of the Company	<a href="http://www.mccchina.com">http://www.mccchina.com</a>
E-mail	ir@mccchina.com

## IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Name of media of A Shares information disclosure designated by the Company	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website designated by the CSRC for publication of an annual report of A Shares	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>
Website designated by the Hong Kong Stock Exchange for publication of an annual report of H Shares	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>
Place where an annual report of the Company is available for inspection	MCC Tower, 28 Shuguang Xili, Chaoyang District, Beijing, PRC



# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

## V. SHARES OF THE COMPANY

Types of Shares	Stock exchanges of listing	Stock abbreviation	Stock codes
A Shares	Shanghai Stock Exchange	MCC	601618
H Shares	The Stock Exchange of Hong Kong Limited	MCC	01618

## VI. OTHER RELEVANT INFORMATION

Auditor appointed by the Company	Name	WUYIGE Certified Public Accountants LLP
	Office address	Room 1504, Institute International Building, No. 1 Zhichun Road, Haidian District, Beijing, the PRC
	Signing auditors	Wang Jin, Cai Jinliang
Sponsor performing continuous supervisory duty during the Reporting Period	Name	CITIC Securities Company Limited
	Office address	23/F, CITIC Securities Tower, 48 Liangmaqiao Road, Chaoyang District, Beijing, PRC
	Signing representatives of sponsor	Yang Bin, Chen Shumian
	Period of continuous supervision	CITIC Securities Company Limited acted as the sponsor for the initial public offering of A Shares of MCC on 21 September 2009, and its continuous supervisory period expired on 31 December 2011. As the A Shares proceeds raised by MCC have not been fully utilized, CITIC Securities Company Limited continues to supervise MCC on the use of A Shares proceeds, and performs the relevant continuous supervisory duties after the expiry of continuous supervisory period. CITIC Securities Company Limited, acting as the sponsor for the non-public issuance of A Shares of MCC (the share registration was completed on 6 January 2017), performed sponsoring duty for the management and use of proceeds from the non-public issuance of A Shares of the Company and carried out continuous supervisory work.
PRC legal advisor appointed by the Company	Name	Beijing Jia Yuan Law Offices
	Office address	F408 Ocean Plaza, 158 Fu Xing Men Nei Avenue, Xicheng District, Beijing
Overseas legal advisor appointed by the Company	Name	King & Wood Mallesons
	Office address	13/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong

# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

## VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS IN THE RECENT THREE YEARS

### (I) Major accounting data

Unit: RMB'000

Major accounting data	2020	2019	Increase/decrease for the period as compared to the corresponding period of the previous year (%)	2018
Operating revenue	400,114,623	338,637,609	18.15	289,534,523
Net profit attributable to Shareholders of the Company	7,862,185	6,599,712	19.13	6,371,580
Net profit attributable to Shareholders of the Company after deducting non-recurring profits and losses	7,171,792	5,812,260	23.39	6,152,241
Net cash flow generated from operating activities	28,031,705	17,577,933	59.47	14,049,970

	At the end of 2020	At the end of 2019	Increase/decrease at the end of the period as compared to the corresponding period of the previous year (%)	At the end of 2018
Net assets attributable to Shareholders of the Company	97,891,638	97,949,725	-0.06	83,943,362
Total assets	506,392,963	458,506,213	10.44	438,915,843

### (II) Major financial indicators

Major financial indicators	2020	2019	Increase/decrease for the period as compared to the corresponding period of the previous year (%)	2018
Basic earnings per share (RMB/Share)	0.32	0.27	Increased by RMB0.05	0.26
Diluted earnings per share (RMB/Share)	N/A	N/A	-	N/A
Basic earnings per share after deducting non-recurring profits and losses (RMB/Share)	0.29	0.23	Increased by RMB0.06	0.25
Weighted average return on net assets (%)	8.93	7.99	Increased by 0.94 percentage point	8.25
Weighted average return on net assets after deducting non-recurring profits and losses (%)	8.01	6.87	Increased by 1.14 percentage points	7.92

# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

## (III) Financial Highlights

### 1. Overview

The highlights of Company's financial position as at 31 December 2020 and the operating results for 2020 are as follows:

- Operating revenue amounted to RMB400,115 million, representing an increase of RMB61,477 million or 18.15 % from RMB338,638 million in 2019.
- Net profit amounted to RMB9,382 million, representing an increase of RMB1,805 million or 23.83% from RMB7,577 million in 2019.
- Net profit attributable to Shareholders of the Company amounted to RMB7,862 million, representing an increase of RMB1,262 million or 19.13% from RMB6,600 million in 2019.
- Basic earnings per share amounted to RMB0.32, and the basic earnings per share in 2019 amounted to RMB0.27.
- As at 31 December 2020, total assets amounted to RMB506,393 million, representing an increase of RMB47,887 million or 10.44% from RMB458,506 million as at 31 December 2019.
- As at 31 December 2020, Shareholders' equity amounted to RMB140,355 million, representing an increase of RMB23,449 million or 20.06% from RMB116,906 million as at 31 December 2019.
- Newly signed contracts amounted to RMB1,019,728 million, representing an increase of RMB232,111 million or 29.47% from RMB787,617 million in 2019.

*Note:* The percentages of increase or decrease are calculated by rounding up to RMB.

### 2. Revenue from Principal Business Segments

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

#### (1) Engineering Contracting Business

Operating revenue amounted to RMB363,965 million, representing an increase of RMB52,128 million or 16.72% from RMB311,837 million in 2019.

#### (2) Property Development Business

Operating revenue amounted to RMB24,114 million, representing an increase of RMB4,152 million or 20.80% from RMB19,962 million in 2019.

#### (3) Equipment Manufacturing Business

Operating revenue amounted to RMB11,057 million, representing an increase of RMB3,825 million or 52.88% from RMB7,232 million in 2019.

#### (4) Resources Development Business

Operating revenue amounted to RMB4,384 million, representing a decrease of RMB801 million or 15.45% from RMB5,185 million in 2019.

#### (5) Other Businesses

Operating revenue amounted to RMB3,702 million, representing a decrease of RMB730 million or 16.46% from RMB4,432 million in 2019.

*Note:* The segment revenue above is the revenue before inter-segment elimination; the percentages of increase or decrease are calculated by rounding up to RMB.



# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

## 3. Summary of financial statements

The following is a summary of financial information prepared in accordance with China Financial Reporting Standards:

### (1) Consolidated Income Statement

Unit: RMB'000

Item	Note	2020	2019
<b>I. Total operating revenue</b>		<b>400,114,623</b>	338,637,609
Including: Operating revenue	VII52	<b>400,114,623</b>	338,637,609
<b>II. Total operating costs</b>		<b>384,200,258</b>	325,246,672
Including: Operating costs	VII52	<b>354,685,571</b>	299,247,115
Taxes and levies	VII53	<b>1,967,862</b>	1,896,372
Selling expenses	VII54	<b>2,441,204</b>	2,315,815
Administrative expenses	VII55	<b>11,011,320</b>	9,354,662
Research and development expenses	VII56	<b>12,326,903</b>	9,934,444
Financial expenses	VII57	<b>1,767,398</b>	2,498,264
Including: Interest expenses		<b>2,509,970</b>	4,149,873
Interest Income		<b>1,738,474</b>	2,393,377
Add: Other gains	VII58	<b>451,602</b>	241,945
Investment losses	VII59	<b>(1,139,662)</b>	(987,178)
Including: (Losses) gains from investments in associates and joint ventures		<b>(177,587)</b>	14,461
(Losses) gains from derecognition of financial assets at amortised cost		<b>(870,347)</b>	(945,269)
(Losses) gains from changes in fair values	VII60	<b>33,823</b>	(12,810)
Impairment losses of credit	VII61	<b>(3,086,669)</b>	(2,418,539)
Impairment losses of assets	VII62	<b>(593,338)</b>	(939,749)
Gains from disposal of assets	VII63	<b>232,899</b>	67,810
<b>III. Operating profit</b>		<b>11,813,020</b>	9,342,416
Add: Non-operating income	VII64	<b>475,004</b>	523,777
Less: Non-operating expenses	VII65	<b>370,754</b>	84,035
<b>IV. Total profit</b>		<b>11,917,270</b>	9,782,158
Less: Income tax expenses	VII66	<b>2,534,913</b>	2,205,339

# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

Item	Note	2020	2019
<b>V. Net profit</b>		<b>9,382,357</b>	7,576,819
(I) As classified by continuity of operation			
Net profit from continuing operations		<b>9,382,357</b>	7,576,819
Net profit from discontinued operations		-	-
(II) As classified by vested ownership			
Net profit attributable to Shareholders of the Company		<b>7,862,185</b>	6,599,712
Profit or loss of minority Shareholders		<b>1,520,172</b>	977,107
<b>VI. Other comprehensive income, net of income tax</b>	VII67	<b>(570,934)</b>	222,207
Other comprehensive income attributable to Shareholders of the Company, net of income tax		<b>(240,002)</b>	214,714
(I) Items that will not be reclassified subsequently to profit or loss		<b>190,591</b>	225,096
1. Re-measurement of defined benefit obligations		<b>158,075</b>	163,322
2. Change of fair value of investments in other equity instruments		<b>32,516</b>	61,774
(II) Other comprehensive incomes that can be reclassified into loss and profit in the future		<b>(430,593)</b>	(10,382)
1. Other comprehensive income that can be reclassified to profit or loss under the equity method		<b>23,780</b>	(5)
2. Changes of fair value of receivables at FVTOCI		<b>(15,986)</b>	(91,861)
3. Exchange differences on translating financial statements in foreign currencies		<b>(438,387)</b>	81,484
Other comprehensive income attributable to non-controlling interests, net of income tax		<b>(330,932)</b>	7,493
<b>VII. Total comprehensive income</b>		<b>8,811,423</b>	7,799,026
Total comprehensive income attributable to Shareholders of the Company		<b>7,622,183</b>	6,814,426
Total comprehensive income attributable to non-controlling interests		<b>1,189,240</b>	984,600
<b>VIII. Earnings per share</b>	XV3		
(I) Basic earnings per share (RMB/share)		<b>0.32</b>	0.27
(II) Diluted earnings per share (RMB/share)		<b>N/A</b>	N/A

# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

## (2) Summary of Consolidated Total Assets and Total Liabilities at the end of December 2020

Unit: RMB'000

	31 December 2020	31 December 2019
Total assets	<b>506,392,963</b>	458,506,213
Total liabilities	<b>366,037,656</b>	341,600,705
Total Shareholders' equity	<b>140,355,307</b>	116,905,508

Explanation of major accounting data and financial indicators for the previous three years of the Company at the end of the Reporting Period

Applicable  Not applicable

## VIII. DIFFERENCE IN ACCOUNTING DATA BETWEEN DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

### (I) Differences in net profit and net asset attributable to Shareholders of the Company disclosed in financial reports under International Accounting Standards (IAS) and Chinese Accounting Standards for Business Enterprises

Applicable  Not applicable

### (II) Differences in net profit and net asset attributable to Shareholders of the Company disclosed in financial reports under Overseas Accounting Standards and Chinese Accounting Standards for Business Enterprises

Applicable  Not applicable

### (III) Explanation on the differences in domestic and overseas accounting standards:

Applicable  Not applicable

## IX. MAJOR FINANCIAL DATA IN 2020 ON A QUARTERLY BASIS

Unit: RMB'000

	The first quarter (January–March)	The second quarter (April–June)	The third quarter (July–September)	The fourth quarter (October–December)
Operating revenue	<b>72,724,921</b>	107,840,272	87,407,887	132,141,543
Net profit attributable to Shareholders of the Company	<b>1,892,109</b>	1,699,816	1,015,433	3,254,827
Net profit attributable to Shareholders of the Company after deducting non-recurring profits and losses	<b>1,811,154</b>	1,469,471	922,857	2,968,310
Net cash flow generated from operating activities	<b>-8,893,561</b>	10,307,578	-259,379	26,877,067

Explanation on the difference between quarterly data and the data in the disclosed periodical report

Applicable  Not applicable



# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

## X. NON-RECURRING PROFIT AND LOSS ITEMS AND THEIR AMOUNTS

Unit: RMB'000

<b>Non-recurring profit and loss items</b>	<b>Amount in 2020</b>	<i>Note (if applicable)</i>	Amount in 2019	Amount in 2018
Profit or loss on disposal of non-current assets	<b>232,899</b>	Note XVII	67,810	138,415
Tax refund or exemption in relation to documents of unauthorized approval or without formal approval or of incidental nature	-		-	-
Government grants recognized in current profit or loss (except for the government grants that are closely related to the normal operating business of the Company and received in a certain amount or fixed quantity in accordance with the state's regulations)	<b>817,764</b>	Note XVII	593,562	635,756
Fund possession cost paid by non-financial enterprises and recorded under current profit and loss	-		-	-
The excess of the fair value of identifiable net assets acquired over the cost for acquisition of subsidiaries, associates and joint ventures	-		-	-
Profit/loss of non-monetary asset swap	-		-	-
Profit/loss from entrusted investment or asset management	-		-	-
Provision for impairment of assets due to force majeure, i.e. natural disaster	-		-	-
Profit/loss from debt restructuring	-		-	-
Corporate restructuring expenses, i.e. expenses on employee placement, integration costs, etc.	-		-	-
Profit/loss from the excess of the fair value of a transaction of unfair consideration	-		-	-
Current net profit/loss of subsidiaries resulting from merger of enterprises under common control from the beginning of the period to the date of merger	-		-	-
Profit/loss from contingencies irrelevant to the normal operating business of the Company	-		-	-

# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

<b>Non-recurring profit and loss items</b>	<b>Amount in 2020</b>	<i>Note (if applicable)</i>	Amount in 2019	Amount in 2018
Profit/loss from the change of fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, and investment income from the disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments except for those gain/loss relating to the hedging transactions under the Company's normal operating business	<b>106,863</b>	Note XVII	78,500	51,934
Write back of the provision for impairment of accounts receivable and contract assets that is individually tested for impairment	-		-	-
Profit/loss from external entrusted loans	-		-	-
Profit/loss from changes in fair value of investment properties using the fair value model for subsequent measurement	-		-	-
Effects of one-off adjustment to current profit/loss in accordance with laws and regulations on taxation and accounting, etc.	-		-	-
Income of entrustment fees from entrusted operations	-		-	-
Other non-operating income and expenses other than the above items	<b>-59,935</b>	Note XVII	227,720	-465,729
Other profit or loss items that fall within the meaning of non-recurring profit and loss	<b>9,511</b>	Note XVII	107,797	32,071
Impact on non-controlling interests	<b>-145,370</b>	Note XVII	-106,881	-90,758
Impact on income tax	<b>-271,339</b>	Note XVII	-181,056	-82,350
Total	<b>690,393</b>	Note XVII	787,452	219,339

## XI. ITEMS MEASURED UNDER FAIR VALUE

Unit: RMB'000

<b>Item</b>	Balance at the beginning of the period	<b>Balance at the end of the period</b>	Changes during the period	Impact on the profit of the current period
Financial assets held for trading	2,162,432	<b>2,250,940</b>	88,508	48,330
Receivables financing	7,855,940	<b>11,759,582</b>	3,903,642	-344,568
Other investments in equity instruments	1,871,747	<b>1,964,664</b>	92,917	61,359
Other non-current financial assets	4,171,068	<b>4,418,546</b>	247,478	72,041
Derivative financial assets	401	<b>46,412</b>	46,011	46,012
Derivative financial liabilities	-4,230	-	4,230	17,495
Total	16,057,358	<b>20,440,144</b>	4,382,786	-99,331

# REPORT OF THE BOARD OF DIRECTORS

## I. EXPLANATION ON THE PRINCIPLE BUSINESS, OPERATING MODEL AND INDUSTRY OF THE COMPANY DURING THE REPORTING PERIOD

Following the strategic positioning of “being the national team for metallurgical construction, the main force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for development with advanced technologies and high quality” and relying on the excellent abilities in research, investigation, design, and construction, MCC has developed a complementary comprehensive business structure with significant synergy effect of “four beams and eight pillars”, among which, beams refer to four business sectors of engineering contracting, property development, equipment manufacturing and resources development, while pillars are comprised of metallurgical engineering, high-end housing construction, mid and high-end real estate, transportation and municipal infrastructure, mine construction and development, core technology equipment and MCC’s steel structure, environmental engineering and new energy and featured theme projects.

### (I) Engineering Contracting Business

#### 1. Industry Overview

In 2020, coupled with the impact of multiple factors including the unexpected COVID-19 pandemic and the intensified friction in international trade, the development of our national economy faced unprecedented challenges. Consumption and exports were seriously impacted, with GDP bottoming out in the first quarter, marking the first negative growth of -6.8%. With the effective control of the pandemic, further resumption of production and continuous introduction of contracyclical adjustment policies, the national economy has hit the bottom since the second quarter. In 2020, the national fixed asset investment (excluding farmers) was RMB51,890.7 billion, representing a year-on-year increase of 2.9%; while the national infrastructure investment (excluding electricity, heat, gas and water production and supply industries increased by 0.9% year on year. In 2020, China implemented proactive fiscal policy with special bonds of RMB3.35 trillion, issuing special government bond of RMB1 trillion, vigorously developing new infrastructure construction, new urbanization, and increasing investment in major construction plans such as transportation and water conservancy, and infrastructure industry developed steadily.

In the field of metallurgical construction, with the oversupply of global steel industry and steel output in China, steel industry in China has entered a deep adjustment period of “resolving excess production capacity” and “transformation and upgrade”, in particular, as follows: firstly, continuing to promote the work of reducing production capacity and resolutely preventing new steel production capacity; secondly, promoting the industry to speed up merger and reorganization, intelligent and green transformation to boost the whole industry chain to a higher level and enhance the risk resistance capability of the industry; thirdly, focusing on the collaborative innovation between upstream and downstream, developing new steel material, innovating new energy-saving and low-carbon technologies, improving domestic supporting capabilities such as key equipment, components. In 2020, steel industry in China further advanced the supply-side structural reform, achieved remarkable results in resolving excess production capacity, made a more reasonable industrial structure, positive progress in green transformation, smart manufacturing and international cooperation, which effectively supported the healthy economic and social development of China.

In the field of fundamental construction, with the further advancement of the national strategic planning, including the integration of the Yangtze River Delta, coordinated development in the Beijing-Tianjin-Hebei Region, construction of Xiong’an New Area and Guangdong-Hong Kong-Macao Greater Bay Area, Chengdu-Chongqing Economic Circles, Western development, the construction of China (Hainan) Pilot Free Trade Zone, the construction for new infrastructure, new urbanization, large infrastructure projects have been further accelerated. Emerging industries maintained strong growth momentum. Businesses related to these emerging industries, including eco-environmental protection, featured theme project, prefabricated buildings, public health, smart engineering will embrace great potential for development.

# REPORT OF THE BOARD OF DIRECTORS

From the perspective of overseas markets, in 2020, the COVID-19 pandemic seriously hit the global economy. The lock-up measures of various countries once caused significant economic shutdowns and the unemployment rate soared. The decline of GDP in the second quarter generally reached a historical extreme value. Although the frozen economy was released and restarted after the pandemic was relieved, which led to a sharp rebound in GDP in the third quarter, it also caused a strong backlash against the pandemic. Some countries were forced to put the “stay-home” order in place again, economic activities were limited again in the fourth quarter and the recovery momentum slowed down significantly.

According to statistics from the Ministry of Commerce and State Administration of Foreign Exchange, in 2020, China’s direct foreign investment was RMB916.97 billion (equivalent to USD132.94 billion), representing a year-on-year increase of 3.3%. Among them, China’s domestic investors conducted non-financial direct investment with an accumulated amount of RMB759.77 billion (equivalent to USD110.15 billion), down by 0.4% year on year, in 6,790 foreign enterprises based in 172 countries and regions in the world. The total amount of turnover of completed overseas contracting projects amounted to RMB1,075.61 billion (equivalent to USD155.94 billion), decreased by 9.8% year on year; the value of newly signed contracts amounted to RMB1,762.61 billion (equivalent to USD255.54 billion), decreased by 1.8% year on year. The total amount of the labours dispatched through external labour cooperation numbered 301,000, down by 186,000 as compared with the corresponding period of last year, of which, 139,000 were dispatched under contracting projects, and 162,000 were dispatched under labour corporation. Various labours working overseas as at the end of 2020 numbered 623,000.

## 2. Operating Results of the Business

In 2020, facing the challenges of pandemic, flooding and international trade friction, the Company firmly seized the favorable opportunity of the new development pattern with the domestic great circulation as the main body and the mutual promotion of the international and domestic dual circulation, focusing on high-quality development, setting sales and marketing as our leading objective, pursuing innovation as new engine for development. The Company focused on core industries, core areas, core projects and core customers and achieved higher-than-expected business performance. The newly signed contracts exceeded RMB1 trillion for the first time, creating a record high against the downtrend. During the Reporting Period, the newly signed engineering contracts of the Company amounted to RMB978.607 billion, representing a year-on-year increase of 30.37%, further creating a record high. Newly signed metallurgical engineering contracts amounted to RMB143.403 billion, and accounted for 14.65% of the newly signed engineering contracts, representing a decrease of 2.42 percentage points over the same period of 2019. Newly signed non-metallurgical engineering contracts amounted to RMB835.204 billion, and accounted for 85.35% of the newly signed engineering contracts, representing an increase of 2.42 percentage points over the same period of 2019.

### Overall operating results of the engineering contracting business in 2020

Unit: RMB'000

	2020	% of the total	2019	Year-on-year increase/decrease
Segment operating revenue	<b>363,965,127</b>	89.38%	311,836,814	16.72%
Gross margin (%)	<b>10.17</b>	–	10.14	Increased by 0.03 percentage point

Note: The segment operating revenue and gross margin are data without offsetting inter-segment transactions.



# REPORT OF THE BOARD OF DIRECTORS

## (1) Metallurgical Engineering Construction Business

MCC, as the largest and most capable metallurgical construction contractors and operating service providers of metallurgical enterprises in the world, being the national team of the world's top metallurgical construction as the target. By strictly following the pace of green transformation and intelligent manufacturing in domestic iron and steel industry, the Company has re-constructed a new supply system of metallurgical construction service, which was in line with future sustainable development, standing firmly on the top of the world's technology and the high end of industry chain value, undertook the national responsibility of guiding the metallurgy in China to a higher level and to the central world stage, and establish the core technology and control capabilities in eight major parts and nineteen units of the traditional metallurgical procedures of the Company, thereby providing overall solutions for the entire industry chain of iron and steel enterprises. In terms of market expansion, the Company leveraged the advantages of the entire industry chain to provide convenient one-stop solutions for our customers. Ensuring that large and mediumsized projects of major iron and steel companies kept up with pace to occupy 90% of the domestic metallurgical market and 60% of the global metallurgical market, the Company firmly consolidated the absolute status of being the "national team for metallurgical construction".

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

Unit: RMB'000

Items of revenue	2020		2019		2018	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Metallurgical engineering	90,498,906	24.87	70,286,830	22.54	64,836,330	25.10

Note: The segment operating revenue is data without offsetting inter-segment transactions.

During the Reporting Period, the Company closely kept up with the pace of adjustment to the layout and upgrading of industry, facilitated further cooperation with key steel enterprises and continued to consolidate the leading position of the metallurgical market. Newly signed metallurgical engineering contracts amounted to RMB143.4 billion, creating a record high. The Company successively won the bid for more than 20 major general contracting metallurgical projects, including Zenith Steel, Angang Zhoukou Base, Zhongxin Steel, Guangxi Fangcheng Port Steel, Rizhao Steel in Shandong, Shandong Linyi Steel, among which, Shandong Linyi Special Steel Project is the largest single metallurgical EPC project in China. At the same time, the Company gave full play to the leading role in the high-tech field of the industry, and actively implemented the green and intelligent development concept of the steel industry. In terms of greening, the Company won the bid for the design of HBIS hydrogen energy development and utilization demonstration project, the world's first hydrogen energy development and utilization demonstration project, exploring the best way for the world steel industry to develop a low-carbon or even "zero-carbon" economy; In terms of intelligence, Maanshan Iron and Steel former Integrated Intelligent Management and Control Center project, which has the largest scale, the largest number of production lines and the highest integration in the bid-winning industry, achieved the transition from experience-driven to digital- and intelligent-driven of iron smelting production of the Company.

# REPORT OF THE BOARD OF DIRECTORS

In the international market, the Company undertook the responsibility of guiding the metallurgy in China to a higher level and to the central world stage, persistently distinguished itself as the brand of “the national top one team for metallurgical construction” in the world with its first-class design and construction. During the Reporting Period, Dexin Steel, the first long-process common carbon steel production base in Indonesia, which is designed and constructed by the Company’s general contract, has been successfully put into production, expanding the Company’s brand influence in Southeast Asia. The Company entered into the contract for high-end electrical steel continuous annealing unit used in new energy vehicles with NLMK, a steel giant in Russia; the contract for rotary hearth furnace EPC project with Formosa Ha Tinh Steel Corporation; the general contract for Converter Gas Recovery Project with HBIS Serbia Steel Factory; the equipment supply contract for Phase II and Phase III of the RKEF project of lateritic nickel mine with CNI Company of Indonesia, to continuously promote the overall output of self-development of core technology and equipment.

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

No.	Name of Contract	Contractual Amount (RMB100 million)
<b>Domestic Projects</b>		
1	General Contracting Project for Coking Engineering Bidding Section of Zenith Green and Premium Steel (Tongzhou Bay to Port of Haimen Area) of Zenith Steel Group (Nantong) Co., Ltd. <sup>Note</sup> (中天鋼鐵集團(南通)有限公司中天綠色精品鋼(通州灣海門港片區)項目)	114.70
2	General Contracting Project of Annual Production of 2.7 million tons of Special Steel by Linyi Iron & Steel Investment Group Special Steel Co., Ltd. (臨沂鋼鐵投資集團特鋼有限公司年產270萬噸優特鋼項目)	96.52
3	Base Project of Advanced, Excellent and Special Steel Industry in Shandong Iron & Steel Group Yongfeng Lingang (山鋼永鋒臨港先進優特鋼產業基地項目)	50.02
4	Engineering General Contract for 2 × 1,580m <sup>3</sup> Blast Furnace and Supporting Public Auxiliary Facilities in Chifeng Zhongtang Special Steel Co., Ltd. (赤峰中唐特鋼有限公司2 × 1,580m <sup>3</sup> 高爐及配套公輔設施項目總承包合同)	16.80
5	General Contracting Project of Steelmaking Engineering Relocation for the City Steel Plant Relocation of Hebei Tianzhu Steel Group Co., Ltd. (河北天柱鋼鐵集團有限公司城市鋼廠搬遷煉鋼工程總承包項目)	14.94
6	EPC of Zhongxin Steelmaking system (中新煉鋼系統總承包項目)	13.37
7	Energy-saving and Environmental Protection Projects of No. 5 and 6 Coking Oven of Pangang Vanadium (攀鋼釩5、6號焦爐節能環保改造項目)	13.02
8	General Contracting Project of Zhongxin Ironmaking System (中新煉鐵系統總承包項目)	11.73
9	General Contracting Project of Promotion of Supply-side Structural Reform and Implementation of Environmental Protection Transformation and Upgrading Project and Engineering of Comprehensive Raw Materials Factory of Kunming Iron & Steel Holdings Co. Ltd. of Wuhan Iron and Steel Group (武鋼集團昆明鋼鐵股份有限公司推進供給側結構性改革實施環保搬遷轉型升級項目綜合原料場工程總承包合同)	11.11
10	Cold Rolling Construction Project of Shanxi Jingang Zhizao Science and Technology Industrial Park Development Co., Ltd. (山西晉鋼智造科技產業園開發有限公司冷軋工程)	11.10
11	General Contracting Project of the Steelmaking and Continuous Cast of Zhoukou Iron and Steel (周鋼煉鋼連鑄總承包項目)	10.78
12	General Contracting Project of Steel-making Main and Auxiliary Facilities Project in Relocation of Iron & Steel for Environmental Protection of Kunming Iron & Steel (昆鋼環保搬遷煉鋼主體及輔助設施工程總承包項目)	10.49

# REPORT OF THE BOARD OF DIRECTORS

No.	Name of Contract	Contractual Amount (RMB100 million)
<b>Overseas projects</b>		
1	Supply Contract for Phase II and Phase III of CNI Ferronickel Project, Indonesia (印尼CNI 鍊鐵項目二期、三期工程供貨合同)	16.80
2	First Section of OBI Nickel Iron Project in Indonesia (印尼OBI鍊鐵項目一標段工程)	8.53
3	Renovation and Construction Project of a Metal Manganese Plant in Troitsk, Cheju, Russia (俄羅斯車州特洛伊茨克金屬錳廠改造及新建項目)	6.72
4	EPC General Contracting Contract for Converter Gas Recovery System for Technological Upgrade Project of Hegang Serbia Co., Ltd. (河鋼塞爾維亞有限公司技術改造項目轉爐煤氣回收系統EPC總承包合同)	5.46

*Note:* The different bidding sections of the project are respectively implemented by subsidiaries of ACRE Coking & Refractory Engineering Consulting Corporation, CISDI Group Co., Ltd., Zhong Ye Chang Tian International Engineering Co., Ltd., Huatian Engineering & Technology Corporation, China 22MCC Group Co., Ltd. and other companies, the contract amount here only includes the contractual of more than RMB500 million, excluding the contractual amount of less than RMB500 million.

## (2) Non-Steel Engineering Construction Business

### ① Housing Construction and Infrastructure Construction

MCC, as the major force for fundamental construction, plays a role in the new development layout of international and domestic dual cycle. The Company has actively served and supported major national strategies and has given full play to the leading role in the fundamental construction industry. During the Reporting Period, the Company closely followed the national regional development strategy, and adhered to the large regional market development strategy. The newly signed contracts value in the four major regions, namely Beijing-Tianjin-Hebei, Chuanyu, Central China, Jiangsu-Zhejiang-Shanghai, has all exceeded RMB100 billion, among which, the development project of Shandong Linyi International Port Area has set a record for the largest contract value of the Company's EPC. Xi'an Subway and Shenzhen Subway have enabled the Company to make major breakthroughs in the field of the subway construction. The Xiamen Tianma Project is the single electrical plant project with the largest floor area in the world.

The Company has actively explored new business models and obtained the "high-tech, new, multi-functional and large-scale" by participating in PPP and investment, financing, construction projects. The contract value of the bid-winning investment and financing project reached RMB87.2 billion for the whole year, which effectively assisted in contracting signature major projects, among which, the ABO Project of the Tract Development of Urban Village in the Main Urban Area of Baoding City is the largest single contract with the largest investment amount signed by the Company in recent years by adopting the new business model.

In overseas market, the business structure has achieved diversified development. During the Reporting Period, the Company won the bid for the New Cambodia International Airport project in Phnom Penh, the highest level 4F international airport, and successfully signed the project of the Wanli Safari in Singapore, the world's first rainforest theme park. At the same time, the Company worked to ensure high-quality contract performance, solidly promoted, which is the production of No. 1 production line of the Saudi YAMAMA cement plant project the largest cement plant in the world with daily production capacity.

# REPORT OF THE BOARD OF DIRECTORS

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

Unit: RMB'000

Items of revenue	2020		2019		2018	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Housing construction						
Engineering	165,001,421	45.33	147,049,726	47.16	107,540,465	41.63
Transportation						
infrastructure	77,372,999	21.26	67,393,860	21.61	54,016,566	20.91
Other engineering	31,091,801	8.54	27,106,398	8.69	31,937,562	12.36

Note: The segment operating revenue is data without offsetting inter-segment transactions.

During the Reporting Period, the key projects in the fields of housing construction and infrastructure construction entered into by the Company are as follows:

No.	Name of Project	Contractual Amount (RMB100 million)
1	Infrastructure Construction Project in International Inland Port Area of Linyi, Shandong (山東臨沂國際陸港片區基礎設施建設項目)	189.80
2	Baoding Main Urban Area Contiguous Development of Village in City ABO Project (保定市主城區城中村連片開發ABO項目)	96.50
3	PPP Project of Rongan to Congjiang Expressway Phase I Engineering (融安至從江高速公路一期工程(融安至安太段)PPP項目)	64.11
4	2020 Nine Bundled Urban Development Investment and Construction Projects in Cuiping District (翠屏區2020年城市建設九個打捆項目)	51.60
5	University Town (Phase I) Project in Suji New District, Leshan City (樂山市蘇稽新區大學城(一期)項目)	45.11
6	Section II of Baoding Main Urban Area Contiguous Development of Village in City ABO Project (保定市主城區城中村連片開發ABO項目(二標段))	40.80
7	Section I for General Construction of Housing and Ancillary Facilities relocation Project of Unit A in Xiongdong Area (雄東片區A單元安置房及配套設施項目施工總承包一標段)	40.45
8	Construction and Engineering Project of New City Campus in the Eastern Part of Sichuan University of Science & Engineering (四川輕化工大學東部新城校區建設工程項目)	40.43
9	Project of Sanxing Lake Water Conservancy Project Supporting Facilities and Backbone Road Network Construction of "integrated" in High-tech Zone, Deyang City (德陽高新區三星湖水利工程基礎配套設施建設項目及高新區骨幹路網建設[打捆]項目)	40.20
10	General Contracting Project for Guangxi Wuzhou Light Industry Park for Premium Stainless Steel Production Infrastructure (廣西梧州高端不銹鋼製品輕工園區基礎設施總承包項目)	37.63
11	Linyi Chengfa Urban Construction Development Co., Ltd. Railway Station Area Infrastructure Construction Project (山東臨沂城發城建開發有限公司火車站片區基礎設施建設項目)	37.00
12	Chongqing-Hunan Double-track Line (Main City to Youyang Section) and Wulong-Daozhen (Chongqing Section) Expressway (渝湘複綫(主城至酉陽段)、武隆至道真(重慶段)高速公路)	36.37
13	EPC Engineering General Contracting for Phase I of Hangzhou International Science and Innovation Center Project of Zhejiang University (浙江大學杭州國際科創中心項目一期EPC工程總承包)	35.33
14	Southern Region Ancillary Engineering Project of Zhongguancun Science and Technology Innovation Base in Shenyang (瀋陽中關村科技創新基地南區配套工程項目)	31.85
15	National Highway G247: Zigong Qishu to Yibin Highway Construction and Chongqing Kunming Expressway Xiangbi Exit to Zigong Qishu Highway Reconstruction Works (Phase I) (Ming Wei Avenue) Project (國道G247線自貢漆樹至宜賓段公路建設、渝昆高速象鼻出口至自貢漆樹公路改造工程一期(明威大道)項目)	29.82



# REPORT OF THE BOARD OF DIRECTORS

No.	Name of Project	Contractual Amount (RMB100 million)
<b>Overseas projects</b>		
1	General Contracting Project for Design and Construction of Airfield of New Phnom Penh International Airport in Cambodia (柬埔寨金邊新國際機場飛行區設計建造總承包項目)	26.72
2	North & South Park General Contracting Project in Wanli Ecological Rainforest in Singapore (新加坡萬禮生態雨林北部、南部公園總承包工程項目)	20.40
3	General Contracting Project of Design and Construction of Executive Condominium Project of Yishun 9 Road in Singapore (新加坡義順9道執行共管公寓工程設計施工總承包項目)	7.93
4	Yuetai Phnom Penh Harbour Urban Complex Project in Cambodia (Phase III) (柬埔寨寨粵泰金邊港城市綜合體項目三期)	7.40

## ② Emerging Industries

During the Reporting Period, the Company seized the opportunity for development of national strategic emerging industries. With strong technological advantages accumulated in the fields of iron and steel metallurgy and infrastructure construction, the Company constantly increase its competitiveness in emerging markets through resource integration, technological advancement, and marketing model adjustment. The Company made new breakthroughs in areas such as in eco-environmental protection industry, featured theme engineering, healthcare and senior care.

**In terms of eco-environmental protection industry**, the Company has actively participated in the eco-environmental protection improvement. The Company focused on key development of markets such as municipal wastewater treatment, general treatment of river basins, general treatment of black odorous water, waste-to-energy, and soil and mine remediation. In recent years, the Company is developing rapidly in the field of water management and continuously expanding its market share. Currently, there are a total of 27 water projects in operation, mainly in North China, East China and Southern China, which are economically developed and with high urbanization and population density, with a total designed capacity of 2.62 million tons per day. In 2020, the Company continued its efforts to optimize and integrate the existing water management segment. The Company established China Metallurgical Ecological Environmental Protection Group Co., Ltd., a professional subsidiary with specialized full industry chain, integrated with water, solid waste, ecological environment management investment, engineering construction and operation. The specialized company relies on the "MCC" brand, leveraging double drive of technology and investment to fully capture the market share of water segment and strive to become a leading enterprise in the ecological environmental protection industry during the 14th Five-Year Plan period.

# REPORT OF THE BOARD OF DIRECTORS

During the Reporting Period, the Company made a lot of significant progress in the development of the field of eco-environmental protection improvement. The Company successfully obtained the energy station project in Rongdong Area in Xiong'an, the most advanced in energy conservation and environmental protection in China, and the recycled building materials yard project in Anzhou feature towns and Zangang Area with the most advanced environmental protection design in China. The Company won the bid for a number of major projects, including the Great Yangtze River Protection Project of Changyang in Yichang City, the comprehensive ecological restoration project in ecological zones around the city of Chengdu, Fuhuanhe outlet reach of Yangtze River tributary comprehensive treatment project (Phrase I) in Wuhan, "One River and Two Banks" water environment treatment project in Xiling and Hi-tech Zone of Yichang City, the construction of comprehensive water environment treatment project (Phase I) Shujia River (north section) of basin of Fujiang River in Hi-tech District, Suining, the demonstration city construction project for urban black and odorous water treatment in Zhaotong City, Zhanjiang Potou (Haidong High-tech Zone) water supply (pipe network) project, the project for upgrading construction for sewage treatment plant in Zhuozhou, treatment project for geological environment of mines in the mining areas in the east of Sanhe, Langfang City (Phase V), technology transformation project for Xiangyang Enfi household waste incineration power plant, Ganzhou Nankang household waste incineration power plant project.

**In terms of the field of special theme projects**, MCC, as the world's largest contractor for theme park construction with the only professional design institute for theme parks in China, is the country's one and only enterprise qualified for both theme park design and the execution of entire construction projects. During the Reporting Period, the project of Hollywood and Transformers Base Scenic area in Universal Studios Beijing constructed by the Company were completed and accepted for inspection. The completed project will surpass the Universal Studios Orlando in the United States, becoming the world's largest, most intelligent and most high-end global theme park. The first snowmobile and sleigh track project in China – the National Snowmobile Sled Center for Winter Olympics in Beijing undertaken by the Company, has successfully completed the landscape certification and operation security work. On this basis, the Company successfully won the bid and signed a series of major featured themes projects, including the general contracting project for Mandai Rainforest Northern Park in Singapore, project engineering for Expo Park of 2021 Yangzhou World Horticultural Expo, Paramount Film Theme Park in Xianshan International Cultural Village, Wuzhou Guangxin Forest Park, to further demonstrate the leading demeanor of the Company in this field.

**In terms of the healthcare and senior care industry**, the Company actively conformed to the development trend of the public healthcare and senior care industry and the pressing needs in demand of the market by adopting the double innovative mode of "research institute + healthcare and senior care investment platform". Leveraging the technological advantage of the Healthcare and Senior Care Industry Technology Research Institute of MCC, the Company offered owners with all-round and comprehensive services of "healthcare, rehabilitation, senior care, health-consciousness, fitness, travel and culture" with professional and full-range perspectives. During the Reporting Period, the Company gradually won the bid for and obtained a number of major projects, including the project for Shenzhen Shajing People's Hospital Extension (Phase II), Tianjin Dong Li Hu Lijianyuan Big Health Industry Upgrading Project, general EPC project for Medical Health Emergency Industry Base in Sichuan, relocation PPP project of Guangdong Province Wuchuan People's Hospital, to create the "healthcare and senior care +" brand effect of MCC.

# REPORT OF THE BOARD OF DIRECTORS

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

No.	Name of Project	Contractual Amount (RMB100 million)
<b>Ecological and Environmental Protection Projects</b>		
1	Comprehensive Renovation Engineering Construction of Southern and Northern River Water and Environment of the Sponge City in Siping City, Jilin Province, and Construction Project for Transformation Engineering of Rain and Sewage Diversion of the Construction Center of the Sponge City in Siping City (四平市海綿城市建設南北河水環境綜合整治工程、四平市海綿城市建設中心城區雨污分流改造工程施工項目)	24.96
2	PPP Project for Phase I of Bailian River Ecological Protection and Green Development Demonstration Zone in Huanggang City (黃岡市白蓮河生態保護和綠色發展示範區一期PPP項目)	20.00
3	EPC General Contracting Contract of Comprehensive Treatment PPP Project of Water Environment for the Central City of Ma'an Shan (馬鞍山市中心城區水環境綜合治理PPP項目EPC總承包合同)	16.20
4	EPC General Contracting Contract for Ancillary Infrastructure Project of Wuzhou Lingang Economic Zone (梧州臨港經濟區配套基礎設施項目EPC總承包合同)	13.93
5	Operation and Maintenance (I) of Comprehensive Treatment PPP Project of Water Environment for the Central City of Ma'an Shan (馬鞍山市中心城區水環境綜合治理PPP項目運營維護(一))	11.46
6	Geological Environmental Treatment Project (Phase V) for Mines in the Mining Areas at the East of Sanhe, Langfang City, Hebei Province (河北省廊坊市三河東部礦區礦山地質環境治理工程(五期))	10.55
7	Section II of Baoshan Renewable Energy Utilization Center Project (寶山再生能源利用中心項目施工二標段)	10.08
<b>Featured Construction Projects</b>		
1	EPC of Culture and Science Park of Phase II of Overseas Chinese Town Cultural Tourism Resort in Xiangyang (襄陽華僑城文化旅遊度假區二期文化科技園工程總承包)	24.80
2	Tianfu Art Park, Culture and Wenbofang Area Construction Project Survey – Design – Construction General Contract (天府藝術公園•文博坊片區場館建設項目勘察-設計-施工總承包)	15.72
3	Paramount Film Theme Park, Villa Area and Supporting Facilities in Xianshan International Cultural Village (崑山國際文化村派拉蒙影視主題樂園、別墅區及配套工程項目)	15.22
4	General Contracting Project of Fluorite Mine Park Project, Hong'an County, Huanggang City, Hubei Province (湖北省黃岡市紅安縣螢石礦山公園項目總承包建設工程)	12.00
5	Performance Project in Yuandu Lake of Bailang Oasis Wetland (白浪綠洲濕地公園鳶都湖演藝項目)	11.80
<b>Projects in Healthcare Field</b>		
1	Project of Chinese Academy of Medical Sciences Cancer Hospital Branch (Langfang Hospital Area) (中國醫學科學院腫瘤醫院分院(廊坊院區)項目)	47.49
2	EPC Project of Rural Zhenxing Healthcare Living Town in Zhanghuang Town, Zhoucheng (鄒城市張莊鎮鄉村振興康養宜居小鎮EPC項目)	12.00
3	Construction of Section I of Phase I of Zhihui Yunjin Incubation Base Project of Great Health Pharmaceutical Industry in Guizhou (貴州大健康醫藥產業智匯雲錦孵化基地項目一期一標段施工)	10.70

# REPORT OF THE BOARD OF DIRECTORS

## (II) Property Development Business

### 1. *Industry Overview*

In early 2020, the domestic economy faced a greater pressure due to the impact of COVID-19 pandemic. The central government continued to adhere the principle of “housing is for living but not speculation”, and reiterated that it would not use the real estate as short-term measures for stimulating the economy. On local level, multi-lands are flexible and measures are taken in response to local conditions. China focused on improving the market-oriented resource allocation of land, population, capital and other factors. Intensive policies issued for the supply and demand sides stabilize expectation, promote growth and strengthen the capital management and control of the real estate market. During the Reporting Period, the financing environment of real estate enterprises became more stringent. With the “three red lines” being put forward, the regulation of real estate financing has been further strengthened, and the corporate financing has been further tightened. The highly leveraged, highly debted operating model will not be sustainable. At the same time, the 14th Five-Year Plan of the PRC proposed to “promote the balanced development of finance, real estate and the real economy, achieve an effective connection between upstream and downstream in production, supply and marketing, and promote the coordination of the relationship among various industries”. In the long run, the echelon division of real estate enterprises and competition in the industry will continue to intensify and the competitive advantages of large-scale will be further deepened.

In 2020, the sales area and amount of commodity housing in China rebounded rapidly month by month after the pandemic, and the growth rate experienced a general trend of an initial increase followed by a downward trend. According to the National Bureau of Statistics, in 2020, the sales area of commodity housing in China was 1,760.86 million sq.m., representing an increase of 2.6% over the previous year. Among which, the sales area of residential housing increased by 3.2%, the sales area of office building decreased by 10.4%, and the sales area of commercial business properties decreased by 8.7%. The sales of commodity housing rose by 8.7% to RMB17,361.3 billion. Among which, the sales of residential housing increased by 10.8%, the sales of office building decreased by 5.3%, and the sales of commercial business properties decreased by 11.2%. In 2020, the housing construction area of real estate developers was 9,267.59 million sq.m., representing an increase of 3.7% over the previous year. National real estate development investment amounted to RMB12,949.2 billion, representing a year-on-year increase of 6.8%. In 2020, the land acquisition area of real estate developers was 255.36 million sq.m., representing a decrease of 1.1% over the previous year, and the transaction price of land was RMB1,726.9 billion, representing an increase of 17.4%.

### 2. *The Operating Results of the Business*

Weighted by the property development policies during the Reporting Period, the Company adopted different policies that were tailored to characteristics of each category and of each city, and continuously carried on accomplishing the strategic layout that Yangtze River Delta, Pearl River Delta and the Beijing-Tianjin-Hebei Region are taken as core development areas with coverage nationwide by speeding up works on reserving quality land parcels in key areas. In 2020, through market tender, the Company acquired 6 land parcels with site area and permissible gross floor area of 108,100 sq.m. and 205,700 sq.m. respectively. During the Reporting Period, the amount invested by the Company in property development was RMB23.271 billion, representing an increase of 21% year-on-year; the construction area was 10.4151 million sq.m., representing a decrease of 11% year-on-year; of which the new construction area was 1.9879 million sq.m., representing an increase of 14% year-on-year, while completed area was 2.7706 million sq.m., representing an increase of 72% year-on-year.



# REPORT OF THE BOARD OF DIRECTORS

During the Reporting Period, the real estate business of the Company showed outstanding performance. Shijiazhuang MCC. Shengshi International Plaza Project received the LEED CS Gold rating, and Shenzhen Qianhai MCC Science and Technology Building successfully won the gold medal in architectural concept of 2020 MUSE Design Awards. The quality of development has been recognized in the industry.

## The overall operating results of the property development business in 2020

Unit: RMB'000

	2020	% of the total	2019	Year-on-year increase
Segment revenue	<b>24,114,286</b>	5.92%	19,961,558	20.80%
Gross margin (%)	<b>20.66</b>	–	25.95	Decreased by 5.29 percentage points

Note: The segment operating revenue and gross margin are data without offsetting inter-segment transactions.

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

- (1) Zhuhai MCC Yijing Mansion Project. The project is located in the international residential area planned by Hengqin Free Trade Area. The land parcel is the first land parcel solely for residential purpose in the international residential area, and the first land parcel transferred by Hengqin Free Trade Area solely for residential purpose since 2013. The project covers a site area and permissible gross floor area of 170,000 sq.m. and 230,000 sq.m. respectively, with an integrated plot ratio of 1.35. The project lies against mountain and is faced with sea, which is a scarce low-density landscape residential project in Hengqin New Area and even in Zhuhai. Project phase I started its first sales on 28 June 2018, and began completion acceptance on 22 June 2020; project phase II started its sales on 24 May 2020, and it is in the process of construction of its main structure with completion acceptance to be conducted in June 2021.
- (2) Qinhuangdao Zhongye Dexian Huaifu Project. The project is located in Qinhuangdao development zone, which is recognized as popular property development areas in Qinhuangdao. The project covers a site area and permissible gross floor area of 37,600 sq.m. and 74,600 sq.m. respectively, with an integrated plot ratio of 1.98. Its construction was conducted in August 2018, while sales started in October 2019. As a large intelligent community integrating low-density foreign-style houses, small high-rise buildings, and business street covering an area of approximately 30,000 sq.m., office building with high standards and other comprehensive businesses built by MCC in Qinhuangdao after Dexian Mansion was constructed, the project attracted high-end customers who desired to improve their living environment with the concept of green, health and intelligence as well as the brand advantage of the first health experience hall in Qinhuangdao.
- (3) Shijiazhuang Zhongye Dexian Huaifu and Dexian Shengshi Plaza Project. Located in Xinhua District, Shijiazhuang City, the project enjoys convenient transportation and favorable geographical location as it sits near Zhonghua Street and North Second Ring Highway. The project covers a site area and permissible gross floor area of 103,200 sq.m. and 332,400 sq.m. respectively, with an integrated plot ratio of 2.8 for residential property and 4.5 for commercial property. Its construction started in April 2019, and sales began in October 2019. The phase I residential houses were delivered at the end of 2020.

# REPORT OF THE BOARD OF DIRECTORS

- (4) Qingdao Zhongye Dexian Mansion Project. Located in the West Jimo District, Qingdao, the project enjoys planning advantages in the development of main urban areas in Jimo moving towards west, and has supporting resources such as quality school access resources and industrial markets, making it a popular property project in Jimo District over the past few years. The project covers a site area and permissible gross floor area of 190,100 sq.m. and 359,500 sq.m. respectively, with an integrated plot ratio of 2.0 for residential and commercial land and 1.5 for amusement park. Its construction started in June 2020, and the selling began in August 2020. The project was awarded “2020 China TOP 100 Value Property Project” in Seminar for Trends in Property Market in the First Half of 2020 held by China Real Estate Index System and China Index Academy.
- (5) Sanhe City MCC Headquarters Base Project. The project is located in the Northern Yanjiao Economic and Technology Development Zone, Sanhe City, Hebei Province with an aggregate site area of 219.7 mu. Phase I is planned to have four product formats, including Science and Technology Office, SOHO Office, Business Support and Convention Center. It is committed to achieving the “four builds”: firstly, to build a headquarters base under the leadership of MCC State-level research and development platform and with the support from regional headquarters of central enterprises; secondly, to build an innovative ecosystem composed of upstream and downstream supporting industries of MCC and high-end industries in the capital; thirdly, to build an industrial complex integrating research and development office, innovation incubation, industry display; fourthly, to build a hub for innovative enterprises in Beijing, Tianjin and Hebei, and the upgrade and development of industry. The construction of the southern and northern districts of the project commenced in the third quarter of 2020 and is scheduled to launch in the first quarter of 2021.
- (6) MCC Xinglong Xincheng • Hongshijun Project. The project is located in Xinglong County, Chengde City, Hebei Province, which represents transformation of MCC Real Estate from a traditional developer to an urban development operator. The project was launched for initial sale on 23 June 2018, with the first batch delivered on 26 December 2019. The remaining parcels are currently in the progress of main structure construction and internal and external decoration. A number of the parcels are scheduled to be delivered by the end of 2021.

## (III) Equipment Manufacturing Business

### 1. Industry Overview

In recent years, China has adopted such strategies and support policies for the industry as the “Belt and Road” Initiative, “Made in China 2025”, “Powerful Manufacturing Country with Pillar Segments”. With the acceleration of industrial transformation and upgrading and structural adjustment, the metallurgy equipment manufacturing industry embraced important reform and development opportunities. In the future, advanced technology, digitalized equipment, intelligent production and green process will become the development trends in China’s metallurgy equipment manufacturing industry.

Ever since the “13th Five-year Plan”, China has issued several policies on the development of steel structure industry. Opinions of the General Office of the State Council on Promoting Healthy Growth of Construction Industry\* (國務院辦公廳《關於促進建築業持續健康發展的意見》) proposes to “strive to enable the number of prefabricated construction accounting for 30% of the number of the newly constructed buildings around a decade”; the 13th Five-Year Plan of the Development of Construction Industry (《建築業發展「十三五」規劃》) issued by the Ministry of Housing and Urban-Rural Development proposes to “devote greater efforts in steel structure construction, guide the construction of newly-built public buildings with priority to adopt steel structures, actively and steadily promote steel structure housing” so as to create a favorable policy environment for the upgrade and rapid development of the industry. It is foreseeable that in the future, steel structure construction in China will usher in greater market opportunities, especially the prefabricated building system and steel structure housing system with broad market application prospects and independent intellectual property rights.

# REPORT OF THE BOARD OF DIRECTORS

## 2. The Operating Results of the Business

The business of the Company's equipment manufacturing segment mainly includes research and development, design, manufacturing, sale, installation, fine-tuning, inspection and repair of metallurgical equipment and its spare parts, steel structures and other metal products as well as other related services. After years of construction, the Company's equipment manufacturing business is dominated by metallurgical equipment products, which basically covers the entire process of steel metallurgy construction, and the Company possesses a number of proprietary intellectual property rights and a strong metallurgical equipment integration capability. Closely keeping pace with layout adjustment and industrial upgrading in China's steel industry, the Company adopted energy conservation and environmental protection, green manufacturing and smart manufacturing as breakthrough points to accelerate and facilitate productization and industrialization of core technologies in equipment manufacturing sector. In addition, the Company also integrated competitive upstream and downstream business resources, included core equipment manufacturing into equipment industry park for unified management, put core technologies developed by the Company into fuse box to be sold and delivered along with its products to the "Belt and Road" regions and all over the world, and developed equipment manufacturing business into the "Hard Support" of the national team, the "Incubator" of new products for metallurgical equipment and the "Carrier" for the "MCC Equipment" brand.

As of the end of the Reporting Period, the Company had a total of 10 second-tier subsidiaries with equipment manufacturing (metallurgical and non-metallurgical) businesses and 22 manufacturing bases (excluding equity participation enterprises), whose main representative products were sintering machines, cooling machine, industrial furnace, feeder, rolling mill, blast furnace, steelmaking, continuous casting and other metallurgical products, as well as entertainment equipment, welding materials, steel connectors and other non-metallurgical products.

### The overall operating results of the equipment manufacturing business in 2020

*Unit: RMB'000*

	2020	% of the total	2019	Year-on-year increase/ decrease
Segment revenue	<b>11,056,954</b>	2.72%	7,232,276	52.88%
Gross margin(%)	<b>13.92</b>	–	10.21	Increased by 3.71 percentage points

*Note:* The segment operating revenue and gross margin are data without offsetting inter-segment transactions.

## 3. Steel Structure Business

The Company is the founder of steel structure engineering in New China and is one of the pioneers in the steel structure industry in China with a leading technological and industrial advantage formed in the process of long-term development. The Company currently owns several state-level steel structure engineering technology centers, such as the National Steel Structures Engineering Technology Research Centre, MCC Steel Structure Manufacturing and Installation Engineering Technology Center, with several scientific research and design subsidiaries edited and participated in drafting all kinds of domestic rules and standards for the design, manufacture and construction of steel structures, such as Code for Design of Steel Structures, Code for Welding of Steel Structures, Code for Constructional Quality Acceptance of Steel Structure Engineering, which make the Company in a leading position in the field of comprehensive technology of steel structure in China.

# REPORT OF THE BOARD OF DIRECTORS

At present, the capacity (including base and on-site production), industry scale and manufacturing volume of steel structure manufacturing of the Company rank forefront in the same industry in China. As of the end of the Reporting Period, the Company had a total of 13 second-tier subsidiaries with steel structure business and 32 steel structure manufacturing bases (excluding the proposed establishment and equity participation enterprises). The total designed capacity of steel structure manufacturing bases (excluding on-site production and outsourcing parts) is 1.65 million tons, and the main representative products were the processing production of industrial plants, super high-rise buildings, other public buildings, bridges, towers and other non-standard steel components.

The steel structure manufacturing base of the Company covers nearly all the economic hotspots in China, which have participated in the construction of most of the stadiums for sports events and the construction of a number of major international conference venues. The Company has completed large number of major and iconic infrastructure projects and established a good brand image in the market. In the future, the Company will continue to promote the pilot integration work of the steel structure business in areas with well-developed resources allocation, and gradually optimize the strategic layout of steel structure business through regional integration and complementary advantages and resources, so as to give full play to the Company's steel structure business from the whole industry chain integration advantages integrated with research and development, design and production, installation, testing and maintenance for the continuous build up of the core competitiveness of the "MCC steel structure" brand.

## (IV) Resources Development Business

### 1. *Industry Overview*

In 2020, the COVID-19 pandemic suddenly and rapidly spread around the world, the global economy shrank, and the economic downturn led to an overall decline in demand for mineral products. Looking back at the global mining market in 2020, there are several key features: firstly, both production and sales were in the doldrums, and China was the main market; secondly, different varieties were differentiated with obvious differences; thirdly, the investment in the exploration continued to decline, which restricted the development of the industry; fourthly, the merger and acquisition of the mining industry decreased and the problem of financing became more difficult; fifthly, many countries strengthen the control of resources and deepen the resource nationalism; sixthly, the overall supply of mineral products exceeds demand, however, the price of mineral products witnessed an upsurge after a decline under the impact of the economic stimulus policies and the accommodative monetary policy of major countries around the world, and the metal price has been pushed up due to the optimism about the vaccines research.

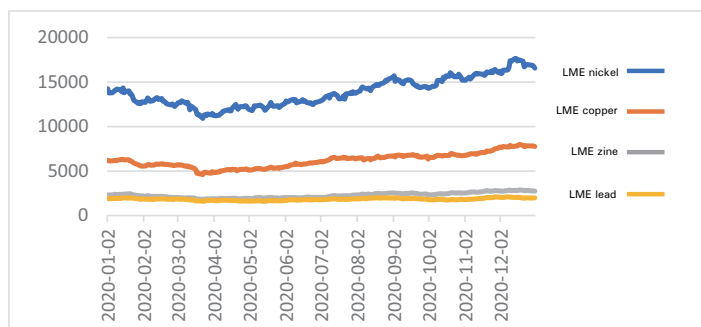
Looking at the trend of an upsurge after a decline of 4 non-ferrous metals over the year on the LME, namely nickel, copper, zinc and lead, the price of nickel was in a down trend with fluctuations from USD14,240/ton at the beginning of the year to a year-low at USD10,915/ton in March, and then rose to around USD17,000/ton at the end of the year. The price of copper slipped from USD6,207/ton at the beginning of the year to a year-low at USD4,601/ton in March, and then rose to around USD7,800/ton. The price of zinc slipped from USD2,305/ton at the beginning of the year to a year-low at USD1,818/ton in March, and then rose to around USD2,800/ton. The price of lead slipped from USD1,915/ton at the beginning of the year to a year-low at USD1,608/ton in March, and then rose to around USD2,000/ton.



# REPORT OF THE BOARD OF DIRECTORS

**Price trend of LME nickel, copper, zinc and lead in 2020**

Unit: USD/ton



Source: Wind

In the face of unprecedented changes, green, safety, harmony, intelligence and high-efficiency are gradually becoming the new ideas for the development of the mining industry, pointing out the development direction of the mining industry, which is both an opportunity and a challenge for mining enterprises. Looking forward to 2021, although the severe impact of the epidemic will not be extricated in a short period of time, it is unlikely that the global economy will continue to decline, while the chance of a slight rebound will be greater. The transportation sector and manufacturing sector are gradually returning to normal, and infrastructure upgrades will drive up the demand for minerals commodities. The green economy and new energy policies targeting carbon neutrality will further drive demand for metals such as nickel, cobalt and copper, and the contradiction between supply and demand may be more prominent. The epidemic will also reveal the demand for copper, silver and other mineral products related to antibacterial disinfection and improving air quality, and will promote the exploration and development of related mineral properties and the development of the raw material processing industry.

## 2. The Operating Results of the Business

During the Reporting Period, the business of the Company's resources development mainly focuses on mining, selection and refining of metal resources of nickel, cobalt, copper, zinc, lead and other metals. In line with the objective of "refining management, enhancing quality, reducing costs, controlling risks and making profits", the Company strived to improve the development and operating levels of its own mineral resources. The producing Papua New Guinea Ramu nico mines, Pakistan Duddar lead-zinc mines and Saindak copper mines adopted strong measures such as closed management, strict quarantine and pandemic prevention and complete disinfection. These measures successfully defended against the huge risks of prevention and control of imported pandemic cases from overseas to achieve zero infection, as well as overcame the extension of work shift of the staff, the difficulty of relative shortage of human resources. The Company adhered to meet the targeted production and sales and reach the full production and sales, and the annual profit plan target has doubled.

### The overall operating results of the resources development business in 2020

Unit: RMB'000

	2020	% of the total	2019	Year-on-year increase/decrease
Segment revenue	<b>4,383,658</b>	1.08%	5,184,624	-15.45%
Gross margin(%)	<b>28.24</b>	-	25.23	Increased by 3.01 percentage points

Note: The segment operating revenue and gross margin are data without offsetting inter-segment transactions.

# REPORT OF THE BOARD OF DIRECTORS

During the Reporting Period, details of the Company's mineral resource projects under development and in operation are as follows:

**(1) Papua New Guinea Ramu Nico Project**

During the Reporting Period, the average ratio of production capacity of the project for the year reached 103.2%, ranking first in the world's leaching of laterite nickel ore, and achieving over-production for four consecutive years since 2016. During the Reporting Period, the project produced Ni-Co hydroxide that contained 33,659 tons of nickel and 2,941 tons of cobalt in aggregate, and the unit cash production cost was the lowest among the laterite nickel mines in the world. The project is the mine with the highest production rate and operation level among the existing laterite nickel mine in production in the world with good market competitiveness and development prospects. As the demand for high-nickel ternary motive battery in the downstream new energy automobile industry continues to expand and release, it is expected that the price of nickel will continue to operate at a high level. In the future, this project is expected to achieve a new breakthrough in profit for the year on the basis of meeting the targeted production and sales and reaching the full production and sales, which will make further contributions to the improvement of the Company's performance.

**(2) Pakistan Duddar Lead-Zinc Mine Project**

During the Reporting Period, the project achieved the mine production capacity of 503,000 tons, and the target of mine production capacity of 500,000 tons/year for two consecutive years, producing zinc concentrate contained 35,054 tons of zinc aggregate and lead concentrate contained 7,094 tons of lead in aggregate throughout the year. The profit for the year was over RMB100 million with remarkable production and sales performance.

**(3) Pakistan Saindak Copper-Gold Mine Project**

The production scale of the project is 12,800 tons of ore per day, with an average annual smelting capacity of 20,000 tons and crude copper as the product. Upon the outbreak of pandemic, In early June 2020, the project successfully organized an international charter flight to resume production and work, and successfully escorted the Chinese employees of the smelter to the project site. After the expiration of the centralized isolation period, the smelter successfully ignited and resumed production in the first half of July 2020. In order to overcome the shortage of human resources during the pandemic, the project adjusted the "three shifts" work system of the smelter to "two shifts". All Chinese and Pakistan staff made concerted efforts to improve the daily production level of crude copper. The Company produced 13,200 tons of crude copper in aggregate throughout the year, achieving a dividend income of over RMB100 million, and successfully completed the annual production and operation task. At present, the project has started the open-pit overburden removal of the east orebody, laying the foundation for the future development of the east orebody resources and the long-term stable production and operation of the project.

**(4) Afghanistan Aynak Copper Mine Project**

During the Reporting Period, the amount of project resources is 662 million tons, the contained copper is 11.08 million tons, with an average copper grade of 1.67%, which is a world-class super large copper mine. Affected by the pandemic and other factors, the Company is still negotiating with the Afghan government about the mining contract and will continue to strengthen communication with the Afghan government. The Company will steadily push ahead with amendment on mining contract negotiations, strive to win national policy support, and safeguard the legitimate rights and interests of the Company in a reasonable and orderly manner.

# REPORT OF THE BOARD OF DIRECTORS

## II. MATERIAL CHANGES IN MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

Applicable       Not applicable

## III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

**In the metallurgical engineering construction field**, the Company is the world's largest and most powerful metallurgical construction contractor and metallurgical enterprise operation service provider. With top-notch core technologies, incessant reformational and innovation capabilities as well as irreplaceable whole-industry chain integration advantage in metallurgical construction, the Company shoulders the state responsibility of leading China to a higher level of development of metallurgy and is the best and the largest "national team" of metallurgical construction and operational services in the world. In the domestic market, the technical level, engineering performance, construction effect and owner satisfaction of environmental protection raw material site, coking, sintering and pelletizing, iron-making, steel-making and continuous casting, hot rolled flat wood, hot rolled long wood and cold rolling business are in an absolute leading position. In the foreign market, the Company always stands at the international high-level and setting its eyes on the growth of metallurgical industry, adheres to the innovation-driven strategy, constantly develops new core technologies and creates new competitive advantages overseas. The Company is highly competitive in terms of high-end consulting and overall design capabilities in ferrous metallurgy field, as well as technical competitiveness in eight major business parts of iron and steel engineering, which fully represents China's strength and level in technological development and engineering construction in ferrous metallurgy field.

**In housing construction and infrastructure construction field**, the Company, as one of the world's largest engineering contracting companies, has strong construction and technical advantages in housing construction, municipal infrastructure, and comprehensive industrial engineering. In recent years, the Company has made continuous efforts in emerging industries such as ecological and environmental protection, featuring themes such as engineering, beautiful countryside and smart city, healthcare and senior care, and has achieved a leading position in the industry. The Company has a large number of patented technologies and proprietary technologies with independent intellectual property rights in areas of energy and environmental protection such as sewage treatment, water environment treatment, air pollution treatment, soil remediation, solid waste treatment, waste incineration, comprehensive utilization of resources of waste heat and pressure. The Company has occupied 60% of the market share in the field of large-scale incineration power generation consulting and design in China. The Company has the only professional design institute for theme parks in China. The Company has successfully constructed famous theme park projects in China, including Universal Studio Beijing, Universal Studio Singapore at Sentosa, Shanghai Disney Resort's Adventure Isle and Tomorrowland, Chimelong Ocean Kingdom in Zhuhai.

**In equipment manufacturing field**, the Company has thousands of equipment design research and development personnel, as well as several technology research and development centres at state-level with various independent intellectual property rights, including the National Technology Research Centre for Iron Metallurgy, Equipment and System Integration, the automated laboratory and thermal product laboratory in the National Research Center of Energy Efficiency Optimization of Steel Production, the National Engineering and Technological Research Center for Sintered Pelletizing Equipment System. The metallurgical equipment products basically cover the whole process of different levels of production in steel and metallurgy construction, and have a strong metallurgical equipment integration capacity. As one of the pioneers in the steel structure industry in China, the Company has established a leading edge in steel structure technology and integrated advantages in industry chain. At present, the capacity, industry scale and manufacturing volume of steel structure manufacturing (including base and on-site production) of the Company rank forefront in the same industry in China.

**In mineral resource development field**, the Company has developed various domestic and international leading mining, selection, metallurgical processes and core technologies and has an absolute competitive edge and leading position in the field of mining engineering. The Company has established a design institute with the strongest comprehensive strength in nonferrous metallurgy in China, possessing well-developed mining and smelting processes and equipment technologies of copper, lead, zinc, nickel, cobalt and plenty of other metal, and having developed digital measurement and geographic information system and geotechnical engineering investigation technology for complicated geological conditions. In terms of metallurgical mining, the Company plays a leading role in largescale underground iron ore mining technology and large-scale open mining technology in China.

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

# REPORT OF THE BOARD OF DIRECTORS

## IV. TECHNOLOGICAL INNOVATION

2020 is the final year of 13th Five-Year Plan, the Company focused strictly and serviced on the strategic positioning of “being the national team for metallurgical construction, the main force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for development with advanced technologies and high quality”. The Company focused on strengthening the national-level scientific research and development platforms and the layout and implementation of research and development project of major fields, and actively developed technologies, standards and intellectual property systems that support the transformation and upgrading of the Company’s main business to comprehensively enhance the core competitiveness. The Company focused on advancement, re-creation and optimization in metallurgical construction, enhanced its competitiveness in fundamental construction, occupied the commanding position in emerging industries, gained new advantages in international market development, driving the development of enterprises with technological innovation and recreating new advantages of enterprises with technology.

- 1. Investment in science and technology has been continuously augmented.** In 2020, the Company continued to increase investment in science and technology. The investment in science and technology for the year amounted to RMB13.3 billion in aggregate, accounting for 3.3% of the annual operating income; among which, investment in research and development amounted to RMB12.4 billion, accounting for 3.1% of the annual operating income. The Company made good use of research and development investment in the technological innovation of green development and intelligent manufacturing, actively promoted the construction and upgrade of the national team system for metallurgical construction, as well as fully aroused the enthusiasm of researchers to meet the overall needs of the Company’s scientific and technological research and development.
- 2. Construction of the national team system for metallurgical construction has been continuously upgraded.** The construction and upgrade of the national team system for metallurgical construction is the focus of the Company’s science and technology system construction in 2020. Facing the opportunities for new round of industrial competition led by green development and intelligent manufacturing, the Company aimed at the commanding position of future technology development on the basis of accurately grasping the development trend of the iron and steel industry, sorting out the technical roadmap of the national team for metallurgical construction. The Company also further optimized and improved the organizational structure to ensure the sustainable competitiveness of the national team in the future, and constantly consolidate the position of the world’s first national team for metallurgical construction. In 2020, the “industrial application of diagnosis and treatment technology for existing industrial building structure”, “complex lead-based polymetallic solid waste synergetic smelting technology and large-scale equipment”, “development and application of intelligent management and control platform for networked collaborative production of iron and steel industry”, “MEMS-based high temperature resistant micro-nano film temperature sensor and industrial application” first declared by the Company have been approved, leading to further enhancement of the Company’s core competitiveness and influence in the relevant technology fields.
- 3. Better results has been made in science and technology.** In 2020, the Company won 18 prizes at the Metallurgical Technology Award organised by China Iron and Steel Association, including 3 first prize and 6 second prize, ranking the leading place in both award level and number. The Company won 7 first prize and 6 second prize in China Nonferrous Metals Industry Science and Technology Award, 17 engineering construction science and technology awards of China Construction Enterprise Management Association, including 4 first prize and 13 second prize, as well as 6 awards in the category I, 5 awards in category II and 10 awards in category III in China Construction Engineering BIM Competition.
- 4. The technological innovation platform system has been continuously improved.** MCC was recognized as Beijing City Enterprise Technology Center. MCC TianGong Group Corporation Limited (the “MCC TianGong”), a subsidiary of the Company, officially obtained the approval of the MIIT to become a National Demonstrative Enterprise of Technology Innovation, and the National Enterprise Technology Center Branch Center under WISDRI City Environment Protection Company has been approved for construction.
- 5. The intellectual property rights system is improving.** In 2020, the Company strengthened patent layout and patent applications, the number of valid patents amounted to 33,000 in aggregate, which set a new record.



# REPORT OF THE BOARD OF DIRECTORS

6. **International standards support the “going global” strategy.** In 2020, the Company took the lead in developing and issuing 3 international standards, 2 jointly initiated standards and 21 national standards, 14 enterprise technical standards and completed 28 enterprise technology standards in 2020, covering three major areas of metallurgical construction, fundamental construction and emerging industries. The National Technical Standards Innovation Base constructed by the Company (International Standardization of Metallurgical Engineering) passed the inspection, while the Research on Overseas Application and Demonstration Project of Chinese Standard in Vietnam Ha Tinh Iron and Steel Project (《越南河靜鋼鐵項目中國標準海外應用示範工程研究》), a standardised innovation management program of the National State Administration for Market Regulation undertaken by the Company passed the inspection. In addition, the national standard “General Technical Requirements for Emergency Medical Modular Isolation Units” (《應急醫用模塊化隔離單元通用技術要求》) (Chinese and English versions), edited by MCC TianGong, has been officially approved and released, initiated the establishment of relevant international standards and helped the prevention and treatment of the COVID-19 pandemic in the world. The gradual deepening of the Company’s standardization strategy has further enhanced the dominance of rule in the relevant technology field, and provided a strong technical support for participating in the global market competition.
7. **The formulation of market and efficiency technologies has accelerated.** “MCC Demonstration Project” is an essential starting point for the Company’s innovation incubation model, and an important vehicle for scientific and technological innovation and achievement promotion, which is conducive to enhance the market competitiveness of the Company. During the Reporting Period, the Company continued to build the brand of MCC demonstration project and push forward the promotion of 10 new technologies in the construction industry, as well as established 71 new technology application to be undertaken by Central Research Institute of Building and Construction Co., Ltd., MCC Group and organized 21 inspection and acceptance work. At the same time, the Company gave full play to the important role of BIM technology in engineering project management, and constantly improves the research and development and application capabilities of intelligent steel and intelligent construction. The Company won the Glorious Grand Prize in the 2020 Global Infrastructure Glorious Grand Prix, becoming the only domestic industrial engineering company being awarded in this competition. The Company has won this award for three consecutive years and has been highly recognised by international peers.

## V. MAJOR CUSTOMERS AND SUPPLIERS

For details of the major customers and suppliers of the Company, please refer to “Information of major customers and major suppliers” on page 45 of this report.

None of the Directors, their respective associates or any Shareholders (interested in 5% or more of the share capital to the best knowledge of the Board) has any interest in any of the five largest suppliers or the Company’s five largest customers.

## VI. RESERVES AND DISTRIBUTABLE RESERVES

Movements in the reserves of the Company during the Reporting Period are set out in the consolidated statement of changes in shareholders’ equity from pages 155 to 156 of this report and Note VII 51 to the consolidated financial statements on page 267.

Pursuant to the Company Law of the People’s Republic of China (the “Company Law”), undistributed profits could be distributed as dividend upon deducting statutory surplus reserve. As at 31 December 2020, the undistributed profit of the Company amounted to RMB2,090.245 million.

# REPORT OF THE BOARD OF DIRECTORS

## VII. DONATIONS

While the Company strives to reward its Shareholders with first-class business performance, the Company actively fulfills its social responsibilities and undertakes practical actions to pay back to the society. In 2020, through poverty alleviation by cadres, industries, projects and donations, the Company successfully lifted two designated poverty alleviation counties in Guizhou out of poverty. During the Reporting Period, the Company allocated a total of RMB8.4243 million in aid funds to the designated poverty alleviation targets, completed more than RMB27 million or so in poverty alleviation by consumption, spent RMB5.4489 million for direct purchase of agricultural products to national-level poverty-stricken counties outside the poverty alleviation designated counties and made due contributions to the national and local designated poverty alleviation. For details of poverty alleviation and donation of the Company, please refer to “(I) Performance of poverty alleviation by the Company” on page 80 of this report.

In the fight against the battle of pandemic prevention and control, the Company and its subsidiaries at all levels consciously shoulder the mission and actively serve the economy and society with a high sense of social responsibility. Among them, more than 4,600 employees from 7 enterprises assisted 34 epidemic prevention medical institution construction, more than 2,000 medical staff from 6 transformed hospitals helped at the front line against the pandemic, anti-epidemic materials donated to all sectors of the community amounted to RMB4.4733 million, which received wide public praise. In 2021, local clustering cases appeared in Shijiazhuang and Xingtai one after another. The Company and its subsidiaries once again provided emergency assistance to help fight against the battle of pandemic prevention and control in Hebei, and received thank-you letter from relevant local government.

## VIII. DIVIDENDS

For the details of the cash dividend distribution proposal of the Company during the Reporting Period, please see “I. Proposal for Profit Distribution for Ordinary Shares or Transfer of Capital Reserve to Share Capital” on page 64 of this report.

## IX. PROPERTIES HELD FOR DEVELOPMENT AND SALE

Locations	Current use of land	Site area (sq.m.)	Floor area (sq.m.)	Status of project	Progress towards completion	Estimated completion date	Percentage of the interest attributable to the Company in the development projects
To the west of Jiangbian Road, east of Huilong Bridge, west of Jiangbian Road, north of Yangtze River Bridge, south of Guihua Road, Xiaguan District, Nanjing City	Sales after development, planned use are mainly residential, commercial, etc.	321,952.01	823,172.83	Under construction	53.18%	2022	98.52%
East end of Qianshou Road, South end of Aiqin Road, West end of Qianfu Road, North end of Huandao Road, Hengqin New District, Zhuhai City	Sales after development, planned use are mainly residential	169,301.35	353,348.79	Under construction	86.73%	2021	100.00%
Nantumen Village, Hongshila Village, Xinglong Town, Xinglong County, Chengde City, Hebei Province	Sales after development, planned use are mainly residential, commercial, etc.	647,735.77	625,003.49	Under construction	27.87%	2023	100.00%
No. 333, Hongyanhe Yi Road, Jimo District, Qingdao City	Sales after development, planned use are mainly residential, commercial, etc.	190,021.00	487,925.00	Under construction	37.50%	2022	100.00%

# REPORT OF THE BOARD OF DIRECTORS

## X. RISK FACTORS

For risk factors faced by the Company, please refer to “(IV) Possible risks and measures adopted by the Company” on page 60 of this report.

## XI. PERFORMANCE OF SOCIAL RESPONSIBILITIES WITH RESPECT TO ENVIRONMENTAL PROTECTION

The Company has consistently adhered to Xi Jinping’s thoughts on ecological civilization, guided by the Opinions on Strengthening Ecological Environment Protection and Resolutely Fighting Against Pollution and Prevention to fully implement the laws and regulations, standards and policies and policies of the state on energy conservation and environmental protection, implement responsibilities, strengthen assessment, improve the system and refine the task measures. At the same time, the Company vigorously developed the environmental protection industry, conscientiously implemented the responsibility of environmental protection and environmental protection, actively promoted energy conservation and emission reduction, and promoted green construction and other related work. The Company has been committed to the research of energy conservation and environmental protection technology and the research and development of equipment in the area of metallurgical engineering and emerging business. The Company leveraged its technology advantages, focused on the commencement of research on emerging technology and technological innovation of pollution treatment in the metallurgical industry, sewage treatment, atmospheric treatment, solid waste treatment and soil remediation in municipal and other fields, and formed a large number of energy conservation and environmental protection technologies meeting domestically leading and internationally advanced standards. In order to strive for pollution prevention, we proactively contributed to enhancing ecological civilization and building a beautiful China.

In terms of water environment treatment, the Company has unique advantages in municipal water supply and drainage, reclaimed water reuse, industrial wastewater treatment, river treatment, and other aspects, and has invested and operated nearly 30 urban sewage treatment plants, of which, the Beijing Liangxiang Sewage Treatment Plant operated by China ENFI Engineering Co., Ltd. (hereinafter referred to as “China ENFI”), a subsidiary of the Company, is the first project in the PRC to combine sewage, water and photovoltaic power generation. The second phase will implement the standard of Beijing Standard A, which surpassed the standards of the European Union and will become the sewage treatment plant with the highest standard in the country.

In the solid waste treatment business, China ENFI, a subsidiary of the Company, has undertaken more than 90 projects, such as waste incineration power generation and solid waste treatment, which are consulted and designed, and accounted for about 30% of the total daily treatment capacity of the domestically completed urban domestic waste incineration projects of which, the Shenzhen Baoan Waste Incineration Power Plant is currently the largest in terms of domestic processing capacity (10,000 tons/day), which has won the first prize of National Engineering Construction Outstanding Achievement and the National Quality Project Gold Prize. In addition, the BOT projects invested, constructed and operated by China ENFI for household waste incineration power generation in Xiangyang and Ganzhou effectively eliminated the phenomenon of “Garbage Siege” and achieved the harmless treatment, recycling and reduction of urban domestic waste.

In order to promote green construction, MCC has comprehensively implemented the “Green Construction Demonstration Atlas of MCC” to enhance the standardization of management level of engineering projects of the Company and promote green construction through the use of new technologies such as the Internet and big data. In 2020, the Company proactively applied to China Construction Enterprise Management Association for green construction level evaluation projects, and 42 projects were successful in such applications.

For further details of the environmental policy and performance of the Company, please refer to “(III) Information on environmental protection of the Company” on page 81 of this report. For details of the performance of social responsibilities by the Company, please refer to the 2020 Social Responsibility Report as separately prepared and disclosed by the Company.

# REPORT OF THE BOARD OF DIRECTORS

## XII. EMPLOYEES

For details of the employees, please refer to “VI. Employees of the Parent Company and Principal Subsidiaries” on page 116 of this report.

## XIII. LEGAL LIABILITIES WHICH HAVE SIGNIFICANT IMPACT ON THE COMPANY

During the Reporting Period, the Company was not under investigation by judicial authorities or subject to administrative penalties by relevant government authorities due to violation of laws, regulations and policies which have significant impact on the businesses of the Company. For details of the quality control system, compliance with laws and regulations in relation to production safety and operation of the production safety system of the Company, please refer to “8. The Operation of the Quality Control System and Production Safety System of the Company” on page 53 of this report.

## XIV. LIST OF DIRECTORS

For the list of Directors during the Reporting Period and as at the date of this report, please refer to “Particulars of Directors, Supervisors, Senior Management and Staff” on page 102 of this report.

## XV. LIABILITY INSURANCE PURCHASED FOR DIRECTORS AND SUPERVISORS

In 2020, the Company renewed the liability insurance of Directors, Supervisors and senior management with Huatai Property Insurance Co., Ltd. and People’s Insurance Company of China Limited for Directors, Supervisors, senior management and management personnel with management and supervising responsibilities.

## XVI. EQUITY-LINKED AGREEMENTS

During the Reporting Period, no equity-linked agreement was entered into by the Company.

## XVII. INFORMATION OF TAX DEDUCTION FOR HOLDERS OF LISTED SECURITIES

The shareholders of the Company are taxed and/or enjoy tax relief for the dividend income received from the Company in accordance with the Individual Income Tax Law of the People’s Republic of China, the Enterprise Income Tax Law of the People’s Republic of China, and relevant administrative rules, governmental regulations and normative documents. Please refer to the announcement published by the Company on the website of SSE on 13 July 2020 for the information on income tax in respect of the dividend distributed to the holders of A Shares and on the HKEXnews website of Hong Kong Stock Exchange on 12 July 2020 for the information on income tax in respect of the dividend distributed to the holders of H Shares during the Reporting Period.



# BUSINESS DISCUSSION AND ANALYSIS

## I. PRINCIPAL OPERATION RESULTS DURING THE REPORTING PERIOD

During the Reporting Period, the operating revenue of the Company amounted to RMB400,114,623 thousand, representing a year-on-year growth of 18.15%, the total profit amounted to RMB11,917,270 thousand, representing a year-on-year growth of 21.83% and the net profit attributable to shareholders of parent company amounted to RMB7,862,185 thousand, representing a year-on-year growth of 19.13 %.

### (1) Analysis on major operating business

*Analysis on the changes in the relevant items in income statement and cash flow statement*

Unit: RMB'000

Items	Amount for the current year	Amount for the prior year	Change in proportion (%)
Operating revenue	<b>400,114,623</b>	338,637,609	18.15
Operating costs	<b>354,685,571</b>	299,247,115	18.53
Selling expenses	<b>2,441,204</b>	2,315,815	5.41
Administrative expenses	<b>11,011,320</b>	9,354,662	17.71
Research and development expenses	<b>12,326,903</b>	9,934,444	24.08
Financial expenses	<b>1,767,398</b>	2,498,264	-29.25
Net cash flows from operating activities	<b>28,031,705</b>	17,577,933	59.47
Net cash flows from investing activities	<b>-12,287,433</b>	-9,835,377	N/A
Net cash flows from financing activities	<b>-5,311,280</b>	-9,150,117	N/A

#### 1. Analysis on revenue and costs

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

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

##### 1) Trend of macro-economy internationally and domestically

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

# BUSINESS DISCUSSION AND ANALYSIS

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

The Company's engineering contracting, property development, resources development and equipment manufacture businesses were all influenced by the policies of the industry. In recent years, the Company's adjustments to the business fields and regional market strategies were, to a certain extent, a result by following the structure adjustment and upgrade of the steel and iron industry, the implementation of "Made in China 2025", a nation strengthening strategy focusing on manufacturing industries, and the implementation of regulatory policies for the property industry, periodic fluctuations of the industries and changes in the operating situation of upstream and downstream enterprises of the industries, which thereby affected the Company's internal business structure and in return affected its financial position.

Both items 1) and 2) above were the major risk factors that impacted the Company's performance of 2020.

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

### ① **Impact from changes in the tax policy**

The Company's operating results and financial position were influenced by changes in the state's tax policy through the impact of tax burdens of the Company and its subsidiaries. The preferential tax policy for the development of the western regions and the preferential tax policies for hi-tech enterprises currently enjoyed by some of the Company's subsidiaries, as well as the resources tax may undergo some changes following the changes in the PRC's tax policies. Changes in the relevant preferential tax policies would affect the Company's financial performance.

### ② **Impact of the fluctuation in exchange rate and monetary policy**

Part of the Company's business revenue came from overseas markets. Changes in the exchange rates may bring exchange rate risks to the Company's overseas business revenue and currency settlement. In addition, adjustment in banks' deposit reserve ratio and changes in the benchmark interest rates for deposits and loans would impact on the Company's financing costs and interest income.

## 4) **Overseas tax policies and their changes**

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

# BUSINESS DISCUSSION AND ANALYSIS

## 5) **Changes in major raw materials prices**

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

## 6) **Construction subcontracting expenses**

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

## 7) **Operation of subsidiaries and key projects**

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

## 8) **Enhancement in the quality of operational management**

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

## 9) **Uneven distribution of revenue**

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

# BUSINESS DISCUSSION AND ANALYSIS

## (2) Major business by segment, product and region

Unit: RMB'000

Segments	Explanation on Major Business by Segment					
	Operating revenue	Operating costs	Gross margin (%)	Increase or decrease in the operating revenue as compared to that of last year (%)	Increase or decrease in the operating costs as compared to that of last year (%)	Increase or decrease in the gross margin as compared to that of last year (%)
Engineering contracting	363,965,127	326,948,449	10.17	16.72	16.68	Increased by 0.03 percentage point
Property development	24,114,286	19,132,860	20.66	20.80	29.44	Decreased by 5.29 percentage points
Resources development	11,056,954	9,518,033	13.92	52.88	46.57	Increased by 3.71 percentage points
Equipment manufacturing	4,383,658	3,145,663	28.24	-15.45	-18.85	Increased by 3.01 percentage points

Region	Explanation on Major Business by Region					
	Operating revenue	Operating costs	Gross margin (%)	Increase or decrease in the operating revenue as compared to that of last year (%)	Increase or decrease in the operating costs as compared to that of last year (%)	Increase or decrease in the gross margin as compared to that of last year (%)
PRC	382,282,330	339,786,971	11.12	21.11	21.48	Decreased by 0.27 percentage point
Other countries/regions	17,832,293	14,898,600	16.45	-22.39	-23.75	Increased by 1.49 percentage points

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



# BUSINESS DISCUSSION AND ANALYSIS

Description of major business by segment, product and region

## 1) Explanation on Major Business by Segment

### ① Engineering contracting business

Engineering contracting business is the traditional core business of the Company which is mainly carried out by way of EPC contract and general financing and construction contracting contract, and is currently the major source of income and profits of the Company. The gross profit margins of the engineering contracting business for the year 2020 and 2019 were 10.17% and 10.14%, respectively, with a year-on-year increase of 0.03 percentage point, which was basically the same as the previous year.

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

Unit: RMB'000

Items of revenue	2020		2019		2018	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Metallurgical engineering	90,498,906	24.87	70,286,830	22.54	64,836,330	25.10
Housing construction engineering	165,001,421	45.33	147,049,726	47.16	107,540,465	41.63
Transportation infrastructure	77,372,999	21.26	67,393,860	21.61	54,016,566	20.91
Other engineering	31,091,801	8.54	27,106,398	8.69	31,937,562	12.36
<b>Total engineering contracting</b>	<b>363,965,127</b>	<b>100.00</b>	<b>311,836,814</b>	<b>100.00</b>	<b>258,330,923</b>	<b>100.00</b>

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

### ② Property development business

For the years of 2020 and 2019, the total gross profit margins of the Company's property development business were 20.66% and 25.95%, respectively, with a year-on-year decrease of 5.29 percentage points. The decrease was mainly due to factors such as the macro-control environment of the property market.

### ③ Equipment manufacturing business

The Company's equipment manufacturing business mainly included metallurgical equipment, steel structures and other metal products. For the years of 2020 and 2019 the gross profit margin of the Company's equipment manufacturing business were 13.92% and 10.21%, respectively, representing an increase of 3.71 percentage points as compared with the same period last year. The increase was mainly due to the Company's continuous efforts to strengthen cost control, increase market expansion, and increase the gross profit margin of the segment.

# BUSINESS DISCUSSION AND ANALYSIS

## ④ Resources development business

The Company's resources development business included mining and processing. MCC Tongsin Resources Limited (MCCT) (中冶銅鋅有限公司) and MCC-JJJ Mining Development Company Limited (中冶金吉礦業開發有限公司) were mainly engaged in the mining business while China Silicon Co., Ltd. (洛陽中矽高科技有限公司), the polysilicon manufacturing enterprise, was mainly engaged in the processing business. For the years of 2020 and 2019, the gross profit margin of the Company's resources development business were 28.24% and 25.23%, respectively, representing an increase of 3.01 percentage points as compared with the same period last year, which was mainly due to market fluctuations in raw material prices and the impact of the cost control measures of the Company.

## 2) Explanation on Major Business by Region

For the years of 2020 and 2019, the Company realized overseas operating revenue of RMB17,832,293,000 and RMB22,976,112,000, respectively. The revenue mainly came from the engineering contracting business including the OCH and Central Expressway Project in Sri Lanka, Kuwait 6th Ring Road and 6.5th Ring Road Construction Project, property development business in Singapore, and the resources development business including the Ramu Nico Laterite Mine Project in Papua New Guinea.

## (3) Table of production and sales volume analysis

Applicable  Not Applicable

## (4) Table of cost analysis

Unit: RMB'000

Segment	Costs component	By segment				
		Amount for the current period	Proportion of the amount for the current period to the total costs (%)	Amount for the same period in the previous year	Proportion of the amount for the same period in the previous year to the total costs (%)	Percentage change in the amount for the current period as compared to that for the same period in the previous year (%)
Engineering contracting	operating costs	326,948,449	90.40	280,215,442	90.65	16.68
Property development	operating costs	19,132,860	5.29	14,780,917	4.78	29.44
Equipment manufacturing	operating costs	9,518,033	2.63	6,493,846	2.10	46.57
Resources development	operating costs	3,145,663	0.87	3,876,340	1.25	-18.85

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

# BUSINESS DISCUSSION AND ANALYSIS

The major components of cost used in construction project of the Company for the same period of the recent three years are as follows:

Unit: RMB'000

Item of Cost	2020		2019		2018	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Subcontracting expenses	180,518,387	55.21	155,379,127	55.45	125,851,962	54.44
Materials expenses	100,136,643	30.63	84,268,225	30.07	70,538,264	30.52
Labour costs	18,101,161	5.54	14,499,481	5.17	12,567,004	5.44
Machinery usage fees	6,389,727	1.95	5,230,932	1.87	4,648,370	2.01
Others	21,802,531	6.67	20,837,676	7.44	17,536,677	7.59
<b>Total engineering costs</b>	<b>326,948,449</b>	<b>100.00</b>	<b>280,215,442</b>	<b>100.00</b>	<b>231,142,277</b>	<b>100.00</b>

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

(5) Information of major customers and major suppliers

The sales of top five major customers amounted to RMB17,594,606 thousand, accounting for 4.40% of the total annual sales; of which, the sales of top five major customers derived from the sales to related parties amounted to RMB0 thousand, accounting for 0% of the total annual sales.

Unit: RMB'000

Customer's name	Operating revenue	Proportion of the total operating revenue of the Company (%)
Unit 1	7,095,657	1.77
Unit 2	3,369,442	0.84
Unit 3	2,583,241	0.65
Unit 4	2,425,331	0.61
Unit 5	2,120,935	0.53
<b>Total</b>	<b>17,594,606</b>	<b>4.40</b>

# BUSINESS DISCUSSION AND ANALYSIS

The procurement of top five major suppliers amounted to RMB4,255,541 thousand, accounting for 1.20% of the total annual procurement; in particular, the procurement from related parties under the procurement of top five major suppliers amounted to RMB2,592,176 thousand accounting for 0.73% of total annual procurement.

Unit: RMB'000

Supplier's name	Procurement for the current period	Proportion of the total operating costs of the Company (%)
Supplier 1	1,066,669	0.30
Supplier 2	985,838	0.28
Supplier 3	878,394	0.25
Supplier 4	677,527	0.19
Supplier 5	647,113	0.18
Total	4,255,541	1.20

## 2. Expenses

### (1) Selling expenses

The Company's selling expenses mainly include employee compensation costs, travelling expenses, transportation expenses, advertising and sale services expenses. In 2020 and 2019, the Company's selling expenses were RMB2,441,204 thousand and RMB2,315,815 thousand respectively, representing a year-on-year increase of 5.41%, which was mainly due to the company intensified market development and related expenses increased.

### (2) Administrative expenses

The Company's administrative expenses mainly include employee compensation costs, depreciation expenses and office expenses. In 2020 and 2019, the Company's administrative expenses were RMB11,011,320 thousand and RMB9,354,662 thousand respectively, representing a year-on-year increase of 17.71%, which was mainly due to the increase in labour costs.

### (3) Financial expenses

The Company's financial expenses include costs of borrowing, exchange gains or losses, bank charges, etc. incurred in operating business. In 2020 and 2019, the Company's financial expenses were RMB1,767,398 thousand and RMB2,498,264 thousand respectively, representing a year-on-year decrease of 29.25%, which was mainly due to the company makes overall arrangements for interest-bearing liabilities, reducing capital costs.

### (4) Research and development expenses

The Company's research and development expenses include personnel labour costs, direct input costs, depreciation expenses and external research and development commission expenses. In 2020 and 2019, the Company's research and development expenses were RMB12,326,903 thousand and RMB9,934,444 thousand respectively, representing a year-on-year increase of 24.08%, which was mainly because the increase in R&D materials and increased R&D investment.



# BUSINESS DISCUSSION AND ANALYSIS

## 3. Research and development expenditure

### (1) Table of research and development expenditure

Unit: RMB'000

Research and development expenditure for the current period	12,326,903
Capitalized research and development expenditure for the current period	47,575
Total research and development expenditure	12,374,478
Proportion of total research and development expenditure to operating income (%)	3.09

### (2) Description

Applicable  Not Applicable

## 4. Cash flow

The cash flows of the Company are as follows:

Unit: RMB'000

Items	2020	2019
Net cash flows from operating activities	<b>28,031,705</b>	17,577,933
Net cash flows from investing activities	<b>-12,287,433</b>	-9,835,377
Net cash flows from financing activities	<b>-5,311,280</b>	-9,150,117

### (1) Operating activities

The Company's net cash flows generated from operating activities for the years 2020 and 2019 amounted to RMB28,031,705,000 and RMB17,577,933,000, respectively, representing a year-on-year increase of 59.47%. For the years 2020 and 2019, the cash inflow generated from operating activities mainly came from the cash received from sales of products and provision of services, accounting for 98.65% and 98.83% respectively with respect to the cash inflow generated from operating activities.

The Company's cash outflow generated from operating activities mainly consisted of cash paid out for commodities purchased and the labour services received, cash paid to and for staff and payment for various taxes, etc.. For the years 2020 and 2019, the respective proportions of such cash outflow with respect to the cash outflow generated from operating activities accounted for 86.51%, 6.42%, 2.60% and 86.07%, 7.23%, 3.20%, respectively.

# BUSINESS DISCUSSION AND ANALYSIS

## (2) Investing activities

In 2020 and 2019, the Company's net cash flows generated from investing activities amounted to RMB-12,287,433 thousand and RMB-9,835,377 thousand, respectively. The investing activities of the Company mainly relate to engineering contracting and property development business. The Company's cash inflow generated from investing activities mainly consisted of cash receipts from recovery of investments, investment income and disposal of assets. In 2020 and 2019, the respective investing of such cash inflow with respect to the cash inflow generated from investing activities accounted for 11.03%, 18.09%, 8.44% and 7.52%, 9.98%, 15.77%, respectively. Cash outflow mainly included cash payments to acquire or construct fixed assets, intangible assets and other long-term assets and cash payments to acquire investments. In 2020 and 2019, such cash outflow accounted for 26.55%, 29.22% and 30.05%, 69.95% respectively with respect to the cash outflow generated from investing activities.

## (3) Financing activities

In 2020 and 2019, the Company's net cash flows generated from financing activities amounted to RMB-5,311,280 thousand and RMB-9,150,117 thousand respectively. A large amount of net cash outflow from financing activities was mainly due to the higher amount of cash paid for debt repayment, together with the cash for distributed dividend, profit and interest paid for the current period than that of cash received from borrowings. The Company's cash inflow from financing activities mainly consisted of cash receipts from borrowings which accounted for 75.74% and 89.66% respectively of the cash inflow generated from financing activities for the years 2020 and 2019. The Company's cash outflow from financing activities mainly consisted of cash repayments of borrowings and cash payments for distribution of dividends, profits or settlement of interest expenses, accounting for 84.57%, 5.84% and 90.76%, 6.50% respectively of the cash outflow from financing activities for the years 2020 and 2019.

## (II) Description of material changes in profits from non-major business

Applicable  Not Applicable

# BUSINESS DISCUSSION AND ANALYSIS

## (III) Analysis on Assets and Liabilities

### 1. Assets and Liabilities

Unit: RMB'000

Items	Amount at the end of the current period	Proportion of the amount at the end of the current period with respect to total assets/total liabilities (%)	Amount at the end of the previous period	Proportion of the amount at the end of the current period with respect to total assets/total liabilities (%)	Percentage change in the amount at the end of the current period as compared to that at the end of the previous period (%)
<b>Current Assets</b>	<b>389,253,555</b>	<b>76.87</b>	347,435,959	75.78	12.04
Cash and bank balances	53,095,827	10.49	43,677,662	9.53	21.56
Accounts receivable	69,436,480	13.71	66,026,606	14.40	5.16
Inventories	60,581,435	11.96	60,636,905	13.22	-0.09
Contract assets	83,199,483	16.43	72,800,575	15.88	14.28
<b>Non-current Assets</b>	<b>117,139,408</b>	<b>23.13</b>	111,070,254	24.22	5.46
Intangible assets	17,491,859	3.45	15,796,873	3.45	10.73
<b>Total Assets</b>	<b>506,392,963</b>	<b>100.00</b>	458,506,213	100.00	10.44
<b>Current Liabilities</b>	<b>331,791,251</b>	<b>90.64</b>	305,923,537	89.56	8.46
Short-term borrowings	29,252,171	7.99	40,476,556	11.85	-27.73
Bills payable	30,472,634	8.32	31,487,132	9.22	-3.22
Accounts payable	133,722,043	36.53	115,855,013	33.92	15.42
Contract liabilities	85,653,732	23.40	64,595,970	18.91	32.60
<b>Non-current Liabilities</b>	<b>34,246,405</b>	<b>9.36</b>	35,677,168	10.44	-4.01
Long-term borrowings	25,631,067	7.00	27,219,615	7.97	-5.84
<b>Total Liabilities</b>	<b>366,037,656</b>	<b>100.00</b>	341,600,705	100.00	7.15

#### (1) Analysis on the structure of assets

##### Cash and bank balances

As at 31 December 2020 and 31 December 2019, the balances of cash and bank balances of the Company were RMB53,095,827 thousand and RMB43,677,662 thousand, respectively, representing a year-on-year increase of 21.56%.

As at 31 December 2020 and 31 December 2019, the restricted cash and bank balances of the Company were RMB10,930,525 thousand and RMB11,862,762 thousand respectively, which accounted for 20.59% and 27.16% of the cash and bank balances, respectively. The restricted cash and bank balances mainly included the cash deposits of acceptance bill, deposit reserve, etc.

# BUSINESS DISCUSSION AND ANALYSIS

## **Accounts receivable**

As at 31 December 2020 and 31 December 2019, the carrying value of the Company's accounts receivable were RMB69,436,480 thousand and RMB66,026,606 thousand, respectively, representing a year-on-year increase of 5.16%, which was mainly due to an increase in accounts receivables related to engineering contracting services.

## **Inventories**

The inventories of the Company mainly consisted of properties under development, completed properties held for sale, raw materials, work in process and finished goods, etc. The inventory structure of the Company reflected the characteristics of the engineering and contracting, property development, equipment manufacturing and resources development businesses in which the Company was engaged.

As at 31 December 2020 and 31 December 2019, the Company's net inventories were RMB60,581,435 thousand and RMB60,636,905 thousand, respectively, representing a year-on-year decrease of 0.09%.

## **Contract assets**

Contract assets of the Company are mainly completed and unsettled inventories and construction quality guarantee deposits with regard to the engineering contracting service contracts. As at 31 December 2020 and 31 December 2019, the net contract assets of the Company amounted to RMB83,199,483 thousand and RMB72,800,575 thousand, respectively, representing a year-on-year increase 14.28%, which was mainly due to an increase in contract assets related to engineering contracting services.

## **Intangible assets**

As at 31 December 2020 and 31 December 2019, the aggregated carrying value of the Company's intangible assets were RMB17,491,859 thousand and 15,796,873 thousand respectively, representing a year-on-year increase of 10.73%. The Company's intangible assets mainly included land use rights, franchise right, patent and proprietary technology, as well as mining rights etc.

## (2) Analysis on the structure of liabilities

### **Long-term and short-term borrowings**

Long-term and short-term borrowings of the Company mainly consisted of credit loans, pledge loans and guaranteed loans from commercial banks and other financial organizations. As at 31 December 2020 and 31 December 2019, the carrying amount of the Company's short-term borrowings were RMB29,252,171 thousand and RMB40,476,556 thousand, respectively, with a year-on-year decrease of 27.73%. As at 31 December 2020 and 31 December 2019, the carrying amount of the Company's long-term borrowings were RMB25,631,067 thousand and RMB27,219,615 thousand, respectively, with a year-on-year decrease of 5.84%.

During the Reporting Period, the long-term loans and short-term loans repaid by the Company amounted to RMB16,378,578 thousand and RMB94,140,432 thousand, respectively. As at the end of the Reporting Period, the balances of fixed-rate short-term borrowings and fixed-rate long-term borrowings amounted to RMB20,286,483 thousand and RMB13,347,967 thousand, respectively.

# BUSINESS DISCUSSION AND ANALYSIS

## Accounts payable

Accounts payable mainly included such material costs payable to suppliers and engineering costs payable to subcontractors by the Company. As at 31 December 2020 and 31 December 2019, the Company's carrying value of accounts payable were RMB133,722,043 thousand and RMB115,855,013 thousand respectively, representing a year-on-year increase of 15.42%.

## Contract liabilities

Contract liabilities mainly comprises contract liabilities related to engineering contracting services and sales contracts. As at 31 December 2020 and 31 December 2019, the Company's carrying value of contract liabilities amounted to RMB85,653,732 thousand and RMB64,595,970 thousand, respectively, representing a year-on-year increase of 32.60%.

## 2. Restrictions on major assets as at the end of the Reporting Period

For details of the restrictions on assets, please refer to "VII.70. Assets with title restrictions" on page 281 of this report.

## (IV) Analysis on the Operational Information in the Industry

### Analysis on the operational information in the construction industry

#### 1. Inspection and acceptance on completion of construction projects during the Reporting Period

Unit: RMB'000

Sub-segment	Housing Construction	Infrastructure Construction	Metallurgical engineering	Others	Total
Number of projects (Unit)	2,515	849	2,010	1,028	6,402
Total amount	11,114,766	10,132,055	8,838,010	2,354,279	32,439,110

Unit: RMB'000

Project location	Number of projects (Unit)	Total amount
Domestic	6,259	31,343,826
Overseas	143	1,095,284
Total	6,402	32,439,110

Note: The data above are data without offsetting inter-segment transactions.



# BUSINESS DISCUSSION AND ANALYSIS

## 2. Projects under construction during the Reporting Period

Unit: RMB'000

Sub-segment	Housing Construction	Infrastructure Construction	Metallurgical engineering	Others	Total
Number of projects (Unit)	4,195	2,666	4,279	1,622	12,762
Total amount	154,772,845	72,952,768	81,663,851	29,487,469	338,876,933

Unit: RMB'000

Project location	Number of projects (Unit)	Total
Domestic	12,003	327,866,546
Overseas	759	11,010,387
Total	12,762	338,876,933

## 3. Substantial projects under construction

Applicable  Not Applicable

## 4. Overseas projects during the Reporting Period

Unit: RMB'000

Project location	Number of projects (Unit)	Total
Asia	614	7,230,006
Africa	118	1,852,139
South America	63	1,166,596
Europe	50	415,782
Oceania	35	958,293
North America	22	482,855
Total	902	12,105,671

# BUSINESS DISCUSSION AND ANALYSIS

## 5. Accumulated number of newly signed projects during the Reporting Period

During the Reporting Period, the accumulated number of newly signed projects amounting to over RMB50 million was 2,369, and the total amount was RMB941,559.5525 million.

## 6. Orders in hand as at the end of the Reporting Period

As at the end of the Reporting Period, the outstanding contractual value of construction orders with an amount of over RMB50 million amounted to RMB1,169,700,805,600. In particular, the outstanding portion of the projects under construction was RMB859,404,278,200, and the outstanding contract value of the projects that have been signed but yet to be commenced amounted to RMB310,296,527,400.

## 7. Competency for construction projects of the Company

As at the end of the Reporting Period, the Company and its subsidiaries altogether held over 700 qualifications and permits of construction enterprises, covering construction investigation, construction design, construction work, construction supervision, property development etc.

The number of subsidiaries with special qualifications for general contracting reached 39, among which three subsidiaries held four special qualifications, five subsidiaries held three special qualifications, four subsidiaries held two special qualifications. In addition, five of the subsidiaries have the integrated engineering design qualification of Grade A, three of the subsidiaries have the construction surveying and engineering design qualification of Grade A, and six of the subsidiaries have the integrated engineering supervision qualification of Grade A.

During the Reporting Period, the Company has added one enterprise with four special qualifications and there are a total of three enterprises with four special qualifications.

## 8. The operation of the quality control system and production safety system of the Company

In 2020, the operation of the quality control system of the Company was normal and the overall construction quality was under control without occurrence of any significant quality accident. The quality control system of the Company, which comprises three core levels, namely the headquarters, the subsidiaries and the project management department, operated smoothly. Each of the levels stringently executes the national, industrial and local standards of quality. The Company introduced new inspection approaches such as “Four Don’ts and Two Directs” (「四不兩直」), “Looking Back” (「回頭看」). The Company implemented effective quality control on construction projects by various measures such as commencing self-check by subsidiaries, regional quality check, special inspection, and quality assessment which focused on promoting standardization of quality management and building quality constructions, and commenced publicity and educational activities such as “quality month” activities as safeguard measures.

# BUSINESS DISCUSSION AND ANALYSIS

In 2020, the Company's safety management system operated effectively and the production safety situation was basically stable. The Company thoroughly carried out the important discussion on safety production of General Secretary Xi Jinping, adhered to the people's supremacy, the supremacy of life, coordinated the development and safety of two major events, firmly established the concept of safe development, and focused on the three-year action plan for the national security production in order to strengthen the implementation of responsibilities, focus on hidden danger investigation, vigorously promote standardization construction, strengthen education and training, earnestly carry out various safety production work and continuously improve the Group's production safety management capabilities. The Company proactively adopted inspection methods such as "Four Don'ts and Two Directs", "Looking Back" and re-inspection, organizing activities such as special period inspection, area inspection, special inspection, one-month safety production inspection and "100-day operation", etc.. The principal person-in-charge of the Company personally led the team to carry out in-depth inspections on the front line, and dared to stop the construction when problems are identified, and dared to impose penalties. For the first time, technical and special equipment management experts were included in the inspection team to strengthen the authority of security inspections. Combined with the security training and education model, 400 video nodes were distributed and 4,700 video attendees, including 1,087 project managers in 35 of them attended the training, and the training of 17,422 management personnel in the project department was greatly expanded. With the training coverage, the Group's training demand has reached the grass-roots level, and the Group has secured the standardization of safety and civilisation with the aim of ensuring safety through on-site protection of the market, standardization of safety and standardization. The 14 projects have won the honorary title of "standardized construction sites for safe production in national construction project", 151 projects have obtained provincial-level safety and civilized standard chemical sites, and 136 projects have obtained provincial-level safety and civilized standard chemical sites, setting benchmarks for the image of MCC.

## 9. Financing arrangements of the Company

### (1) Debt financing and financing by other equity instruments of the Company

As at the end of the Reporting Period, the balance of debt financing and financing by other equity instruments of the Company amounted to RMB98.614 billion, representing a decrease of 13.21% as compared to the beginning of the period, which better satisfied the capital needs for enterprise development and industrial structure adjustment. In particular, the balances of debt financing and financing by other equity instruments amounted to RMB67.527 billion and RMB31.087 billion, respectively, which contributed to the further optimization of financing structure; the balance of financing due within one year and the long-term financing balance amounted to RMB40.886 billion and RMB57.728 billion, respectively.

### (2) Investment in partnership

As reviewed and approved by the Board of the Company, MCC, China Credit Trust Co., Ltd., MCC-CCB Investment Fund Management (Beijing) Company Limited (中冶建信投资基金管理(北京)有限公司) and CIF (Beijing) Investment Fund Management Co., Ltd. (信銀振華(北京)股權投資基金管理有限公司) jointly established Yingtan MCC-CIF Industrial Development Partnership (LP) on 22 December 2017. The total subscribed contribution is RMB18,000.16 million in cash, among which the subscribed contribution of MCC, being a limited partner, is RMB8,800 million or 48.8885%; the subscribed contribution of China Credit Trust Co., Ltd., being a limited partner, is RMB9,200 million or 51.1107%; MCC-CCB Investment Fund Management (Beijing) Company Limited and CIF (Beijing) Investment Fund Management Co., Ltd. are general and executive partners and their subscribed contributions are RMB80 thousand or 0.0004%, respectively.

During the Reporting Period, no additional paid-in capital contribution of the Company was made.

# BUSINESS DISCUSSION AND ANALYSIS

## (V) Investment analysis

### 1. Overall analysis on external equity investments

Applicable  Not Applicable

#### (1) Substantial equity investments

Applicable  Not Applicable

#### (2) Substantial non-equity investment

Applicable  Not Applicable

#### (3) Financial assets measured at fair value

No.	Stock variety	Stock code	Stock abbreviation	Initial investment amount (RMB)	Number of shares held (share)	Carrying amount at the end of the period (RMB)	Percentage in securities investment held at the end of the period (%)	Gain or loss incurred in the Reporting Period (RMB)
1	Shares	601005	Chongqing Iron and Steel (重慶鋼鐵)	402,875	187,661	277,740	34.37	-69,435
2	Shares	600787	CMST Development Corp (中儲股份)	498,768	57,528	530,408	65.63	-69,034
Total				901,643	/	808,148	100.00	-138,469

Equity interests in other listed companies held by the Company

Unit: RMB'000

Stock code	Stock abbreviation	Initial investment cost	Percentage of shareholding at the beginning of the period (%)	Percentage of shareholding at the end of the period (%)	Carrying amount at the end of the period	Gain or loss incurred in the Reporting Period	Changes in owners' equity during the Reporting Period	Account category
601328	Bank of Communications	93,402	0.04	0.04	190,124	1,721	-48,804	Investments in other equity
000709	Hesteel	4,600	0.79	0.02	4,249	-	-1,138	Investments in other equity
600665	Tande	1,122	0.02	0.02	494	23	-92	Investments in other equity
600117	Xining Special Steel	1,400	0.20	-	-	-	-748	Investments in other equity
000005	Fountain	420	0.04	0.04	944	-	-209	Investments in other equity
000939	Kaidi Ecological	2,502	1.10	1.10	-	-	-21,166	Investments in other equity
601005	Chongqing Iron and Steel	206,752	1.46	0.65	70,437	-	-20,499	Investments in other equity
600642	Shenergy	188	0.01	0.01	235	10	-27	Investments in other equity
Total		310,386	/	/	266,483	1,754	-92,683	/

# BUSINESS DISCUSSION AND ANALYSIS

Equity interests in unlisted financial companies held by the Company

Name of investee	Initial investment amount (RMB)	Number of shares held (Share)	Percentage of shareholding to the Company (%)	Carrying amount at the end of the period (RMB)	Gain or loss incurred in the Reporting Period (RMB)	Change in owners' equity during the Reporting Period (RMB)	Account category	Source of shares
Changcheng Life Insurance Co., Ltd. (長城人壽保險股份有限公司)	30,000,000	-	0.54	30,000,000	-	-	Investments in other equity instruments	By acquisition
Hankou Bank Company Limited (漢口銀行股份有限公司)	27,696,000	-	0.74	27,696,000	9,932,244	-	Investments in other equity instruments	By acquisition
Total	57,696,000	-	/	57,696,000	9,932,244	- /	/	/

## (VI) Disposal of material assets and equity

Applicable  Not Applicable

## (VII) Analysis on holding company and joint stock company

For details, please refer to note IX in the financial report.

## (VIII) Structured entities controlled by the Company

Applicable  Not Applicable

## II. THE COMPANY'S DISCUSSION AND ANALYSIS ON THE FUTURE DEVELOPMENT OF THE COMPANY

### (I) Landscape and trend of the industry

The first one would be the opportunities and challenges brought about by the development of the steel industry. In 2020, the production and operation of steel enterprises in China were better than expected. From January to December, the national major steel enterprises achieved sales revenue of RMB4.7 trillion, representing a year-on-year growth of 10.86%, and total realized profits of RMB207.4 billion, representing a year-on-year increase of 6.59%. The better operating performance of steel enterprises has created favourable conditions for the construction of new projects and the settlement of construction work.

At present, China's steel industry is experiencing an unprecedented wave of greening. According to statistics, 229 iron and steel enterprises nationwide (with a crude steel production capacity of 620 million tons) are in the process of implementation or will soon to implement the super-low carbon emission transformation. In terms of intelligence, in recent years, iron and steel enterprises have proposed intelligent upgrade targets and have been making rapid progress. The boom in iron and steel companies' "going out" has become one of the important ways for China's steel industry to seek transformation and upgrade, particularly the performance of a group of private enterprises. The green, intelligent and "going out" of the iron and steel industry created new market demand for the Company, and provided tremendous growth opportunities for the Company.



# BUSINESS DISCUSSION AND ANALYSIS

The second one would be the opportunities and challenges brought by the development of the construction industry. The total construction output of the country reached 26.4 trillion in 2020, which was a huge stock market with 6.2% growth. This is the result of the nationwide implementation of the decision-making arrangements of the Party Central Committee and the acceleration of the construction of the “two news and one heavy” projects. After “two news and one heavy” was written into the “Government Work Report” in 2020, the construction of the “fast-forward” button was released, releasing a large number of key projects. From the list of major construction projects in 31 provinces and municipalities in the PRC, the proposed total investment amounted to RMB57.9 trillion in the next 3 to 5 years, among which, the number of projects such as urban renewal, eco-environmental protection, rail transit, public health which will shore up the weaknesses, was huge and accounted for a huge percentage. It has a large market space and is a key focus of marketing.

In the past two years, increasing concentration has become an important feature of the development of the construction industry in China. In 2020, the value of new contracts signed by the top eight contractors in the construction industry increased significantly. This indicates that state-owned enterprises have more advantages and opportunities in market competition.

13 ministries and commissions, such as the Ministry of Housing, jointly issued the Guiding Opinions on Promoting the Synergistic Development of Intelligent Construction and Industrialization, and proposed that the policy system and industrial system for the coordinated development of intelligent construction and industrialization in China by 2025 would be basically established, promoting a number of leading enterprises in intelligent construction, leading and motivating a large number of SMEs to transform and upgrade to intelligent construction, and to create an upgraded version of “China Construction”. The Company needs to complete digital transformation on schedule and become a leading enterprise in intelligent construction, taking advantage of the new wave of digital development in the construction industry.

Since the implementation of the Measures for the Administration of EPC Contracts jointly issued by the Ministry of Housing and the National Development and Reform Commission in March 2020, the number of projects awarded in the form of general contracting projects such as EPC has increased rapidly and the project scale has been expanding, which is gradually becoming an important battleground for large-scale construction groups.

In August 2020, nine departments, including the Ministry of Housing, jointly issued the Opinions on Accelerating the Industrialization of Modern Construction, and introduced a series of new policies to support the new economy. At present, the system of prefabricated construction in China has basically taken shape, and the advantages of prefabricated buildings have gradually been recognized by society. In 2020, the construction of the Huoshenshan and Leishenshan hospitals in Wuhan provided a vivid propaganda for the development of prefabricated buildings.

The Standing Committee of the State Council considered and approved the Qualification Reform Proposal. The original 593 categories and grades of enterprises was reduced to 245, and the decrease in the number of qualifications means lower entry barriers, resulting in more intense competition in the market.

Facing the opportunities and challenges ahead, the Company will strengthen its confidence and determination to further seize the opportunities, take the initiative and advantages of the environment, so as to fully prepare itself for the synergy effect of integration by the integration of the entire industry chain and be flexible and efficient with each breakthrough to actively and appropriately respond to various competitive relationships.

# BUSINESS DISCUSSION AND ANALYSIS

## (II) Development strategy of the Company

Under the guidance of the development vision of “focusing on the core business in building a better MCC”, the Company further proposed the strategic positioning of “being the national team for metallurgical construction, the main force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for development with advanced technologies and high quality” in the new normal. “Four Beams and Eight Columns” is the operating system and product positioning under this strategic positioning, being the organic integration of future development direction, ambitious goals and pathways for realization, which are closely interrelated and associated with the same origin.

“Four Beams” represents four business sectors namely contracting, property development, equipment manufacturing and resources development.

“Eight Columns” represents metallurgical engineering, high-end property development, mine construction and mine development, middle to high end properties, transportation and municipal infrastructures, core technological equipment and MCC Steel Structures, environmental engineering and new energy, and special-themed engineering.

**National team for metallurgical construction:** The Company is committed to building the best national team for metallurgical construction comprising approximately 15,000 members according to the worldclass standard in eight major sectors and 19 business units of steel construction, constantly increasing investment in R&D, focusing on major and frontier areas of metallurgical engineering, improving innovation capability in key segments and main areas, making major breakthroughs in a number of key technologies and major equipment, thereby reaching the international advanced level in main units of iron and steel as well as system integration engineering technologies such as turning green and intelligent. The Group integrates its resources of domestic and foreign strategic customers, core equipment manufacturers and information service providers, as well as the resources of R&D, consulting, design, equipment, construction, operation and others within and outside the Company, so as to improve the overall standard of the Company in metallurgical engineering construction and operation. With a global vision for the high international standard and the development of the entire metallurgical industry, MCC gives full play to its cutting-edge core technology, consistent innovation capacity and irreplaceable integration advantages of the whole metallurgical industrial chain to assume the national responsibility of leading China’s metallurgical development to achieve intelligent, green, low-carbon, efficient development of the advanced manufacturer in the global steel and iron market.

**Main force for fundamental construction:** The Company is committed to seizing the opportunities from “Belt and Road”, tapping the huge potential in infrastructure construction across the countries and regions along the Belt and Road, grasping the three main economic circles and the construction and development opportunities in the Greater Bay Area, and based on the changing trend of domestic consumption patterns and the requirements under the energy conservation and environmental protection policy, endeavoring to develop its differentiated business, enhancing the combination of techniques and capital, increasing market penetration, extending market influence, achieving the goal of “promoting scale and benefits simultaneously and contribution as the top priority” by virtue of the combination of industry and finance in infrastructure business areas including housing construction, transportation and municipal infrastructure construction and mid-to-high end real estate and hence developing into the main force for the national fundamental construction and the implementation of the “Belt and Road” strategy. In response to the requirements of national fundamental construction for the development of steel structure business, the Company firmly seizes the market opportunities of industrialization of residential properties and integrates existing stock resources and develops the united brand of “MCC Steel Structures” based on the principle of “giving support to excellent and strong enterprises” (mainly construction corporations). In addition to underpinning industrial steel structures, the Company exerts great efforts in expanding steel structures for civil buildings and infrastructure, and focuses on enlarging markets for super high-rise buildings, municipal, bridge, nuclear power, marine engineering and other steel structures whilst improving economic benefits of steel structure business.

# BUSINESS DISCUSSION AND ANALYSIS

**Forerunner of the emerging industries:** The Company keeps up with the pace of new industrialized, informationalized, urbanized and agriculturally modernized national construction, and seeks for market opportunities and direction for improving the quality and efficiency of the economic development of emerging industries. The Company, guided by market demand and driven by technological breakthrough, with capital strength and business mode as “multipliers”, obtains the dominant position in the market of environmental protection, municipal sewage disposal, comprehensive governance of river basin and black and odorous water, waste incineration, solid waste treatment, soil remediation, mine remediation, theme park, integrated piping system, sponge city, beautiful village and new infrastructure. The Company centralizes resources coordination for conducting research on key and generic technologies for emerging industries, proactively takes the lead in compiling relevant specifications and standards, establishing relevant technical systems and standard systems, comprehensively improves overall planning and execution capabilities, and hence ensures the Company to occupy the market leadership with its state-of-the-art technology and become the industry’s leading enterprise with high-end technologies, products and markets. The Company strives for being the pioneer in the process of national new urbanized construction in the idea, design and construction, so as to achieve the successful transformation and upgrade development of the Company.

**Long-term adherence to pursuing the path for the quality development with advanced technologies:** The conclusion of the development history of the new China steel industry with its rapid development and rapid expansion. It is in line with the requirements of the “Five Development Concepts” and is the only way for the Company to reform and develop, to become stronger and better, and the only way to achieve the overall strategy. The systemic, comprehensive and complex nature of metallurgical engineering has enabled the Company to possess technological advantages that are not available in other construction enterprises, which include a wide range of specialties and outstanding innovation capabilities, creating the Company’s core technology in the field of metallurgical engineering. The irreplaceable integration advantages of the metallurgical industry chain and the continuous innovation capabilities have established the status of the national team for metallurgical construction and contributed to the company’s glory. “Long-term adherence to pursuing the path for the quality development with advanced technologies” is to consolidate and build up technological innovation as the primary driver for development of the Company. We accelerated our research and development to lead the construction industry in the future development of emerging technologies, occupying the commanding heights of technology. In line with the requirements of high-quality development, aiming at creating high-quality projects and enhancing the spirit of craftsmanship and leveraging the improvement of the refined management level of quality standardization, we have created a number of high-quality projects representing the outstanding construction capabilities of MCC and promoted the enhancement of the Group’s quality brand. Over the past few years, focusing on the new strategic positioning, the Group has set up several engineering and technical research institutes with the highest quality resources and completed a number of high-quality projects that represent the outstanding construction capabilities of MCC, which has effectively promoted the implementation of the new strategy.

For the purpose of building the national team for metallurgical construction, the Company has developed the metallurgical engineering technology innovation mechanism with the MCC technological research institute as the main platform and career departments in 19 business units in metallurgical engineering field as the frontier research platform. The Company shoulders the state responsibility for leading China to a higher level of development of metallurgy through continuous technological innovation as well as development and improvement of the quality of iron and steel industry. With the mission of building the main force for fundamental construction, the Company has replenished 17 national-level scientific and innovation platforms and national-level key laboratories including the “State Research Center for Steel Structure Works Technology”, to effectively perform their functions of technological leadership and quality assurance in the area of infrastructure construction, and to make contributions to raising the overall level of fundamental construction in the PRC as well as implementing the “Belt and Road” strategy. With the mission of developing into the forerunner in the emerging industries, the Company has successively established 9 technological research institutes. Those institutes closely followed the construction path of new model industrialization, information technology, urbanization and agricultural modernization of the country, exploring the development direction of emerging industries based on the market demands so as to determine the direction of research, and hence ensure MCC to occupy the market leadership with its state-of-the-art technology and become the leading enterprise of the related industry.

# BUSINESS DISCUSSION AND ANALYSIS

## (III) Operational plan

The Company expected to record an operating revenue of RMB357 billion in 2020, actually realizing an operating revenue of RMB400.1 billion, surpassing the operating target.

In 2021, the Company plans to achieve an operating revenue of RMB415 billion, and a new contract amount of RMB 1,200 billion.

## (IV) Possible risks and measures adopted by the Company

### 1. *Risks associated with macro-economy*

In 2020, the international and domestic economic situation was complicated and severe, with unstable uncertainties increasing. The COVID-19 pandemic has a wide and far-reaching effect, causing the world economy in deep recession. The economic globalization has been adversely affected with economic cycles being hampered. Investment in international trade has shrunk sharply, economic downward pressure has been much higher than expected, and the full recovery of the domestic economy is still facing various challenges. The complex and volatile external macroeconomic environment will have a greater uncertain impacts on the development of the construction industry.

The Company will prudently evaluate macroeconomic risks and adjust its operating strategies in a timely manner so as to fully utilize and explore positive development conditions to ensure that the Company maintains a stable development.

### 2. *Risks associated with traditional metallurgical engineering business segment*

In the next five years, the restructuring of the iron and steel industry and the optimization and upgrading of the industry will continue and deepen, which will support the upgrade and adjustment of product structure of the transformation of manufacturing industry in China, the merger and reorganization of iron and steel enterprises. The greening and the intelligent development of the iron and steel enterprises will support the transformation of China into a manufacturing powerhouse, will become the major path of the development of domestic iron and steel industry and will bring a range of market opportunities for quality efficiency adjustments and upgrades. From an overseas perspective, despite the unprecedented complexity of the current international situation, the cooperation and mutual benefit of all countries is a long-term trend, and the overseas market is still an important pole for the future growth of the metallurgical engineering sector for the Company.

In the face of the prevailing market environment, the Company needs to establish a foothold in the domestic market, promote domestic and overseas mutual circulation and continue to maintain a stable and high market share in the traditional metallurgical engineering sector. At the same time, the Company will accelerate the implementation of the top-level design proposal of the national team, strive to build up the competitive advantages of the entire industry chain of our iron and steel engineering technologies, prevent and resolve the risks of traditional metallurgical engineering, and continue to consolidate and strengthen the status of the national team for metallurgical construction and its competitiveness and influence in global iron and steel engineering technology.

### 3. *Risks associated with the non-steel engineering segment*

Risks relating to non-steel engineering are closely related to national strategic policies and fixed asset investments, in particular, key projects such as rail transit, airports and highways tend to face the most intense competition among construction companies. Recently, the State has promulgated policies to encourage greater investment in urban infrastructure construction. In general, infrastructure construction remains one of the key elements of the "14th Five-Year" Plan, infrastructures which will shore up the weaknesses and intensified policies will continue to develop, and the fundamental role of the infrastructure industry will continue to be highlighted. In terms of regional development, it is expected that emphasis will be placed on strengthening the development of Beijing-Tianjin-Hebei coordination, the integration of the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area and the Chengdu-Chongqing urban agglomeration.

The Company will firmly grasp the opportunities of expanding its infrastructure investment, continue to adhere to the key tone of the market development of "focus on the core industries, focus on core areas, focus on core customers and focus on core projects", actively innovate business model, rapidly expand market size and comprehensively enhance the Company's competitiveness and the ability to secure more market share in the national infrastructure market, such as expressways, municipal infrastructure, rail transit and new urbanization.



# BUSINESS DISCUSSION AND ANALYSIS

## 4. *Risks associated with the property development business segment*

In 2020, the central government will continue to place emphasis on the regulation of real estate policies, continue to emphasise “housing is for living but not speculation”, improve the market allocation of land, population and capital. Local governments will maintain their control, and adhere to “restrictions on property purchase”, “restricted credit grant” and “restricted pricing”, etc. In late August, the central bank and the Ministry of Housing put forward a new regulation on “three red lines”, implying that the regulation of the financing of real estate enterprises should be shifted from the regulation of financing channels to the regulation of financing entities. The “14th Five-Year Plan” proposed to “promote the balanced development of finance, real estate and the real economy, realise the effective connection between upstream and downstream, production, supply and marketing, and promote the coordination of the relationships between various industries”. It is expected that during the new planning period, competition in the market will intensify, and the regulatory policies and financing environment of the real estate industry will continue to remain stringent. With the divergence of sales performance, the reshuffling of the industry landscape and the continuous improvement of market concentration, the superposition of scale advantage will continue to increase. Improving operational efficiency and quality and ensuring the safety of the capital chain are still top priorities for most real estate enterprises in the future.

In order to actively adapt to the demands of the situation and the market changes, the Company will further accelerate the strategic upgrade from “real estate developer” to “urban operator”, focus on the core city layout and take the road of differentiation and quality development. The Company will seize the favorable opportunity of the current industry consolidation, and to actively obtain scarce land at the center of major cities or the construction land surrounding the major cities through urban renewal, regional development, strategic cooperation, headquarters economy, etc., to increase strategic land reserves and reduce land acquisition cost. In the course of project development, project planning will be carried out to continuously improve operational management level and efficiency, enhance project quality, ensure the realization of expected revenue, and effectively respond to real estate development business risks.

## 5. *Risks associated with financial segment*

The global financial situation remains complex and volatile, with geopolitical tensions and a worsening trade environment, and the COVID-19 pandemic has worsened the original conflicts. At present and in the coming period, China is still in a period of significant strategic opportunity. While the domestic monetary policy is flexible, accurate and reasonable, the central bank will maintain macro-level leverage by controlling the base currency and short-term interest rates and supervising macro and prudent policies. The bond market and capital price may fluctuate and financing needs to capture market opportunities and time windows.

In order to prevent risks in the financial sector, we need to continuously optimize our financing structure, closely monitor changes in foreign exchange rates, strengthen our control over foreign exchange risk exposures, conduct foreign exchange-preservative operations for hedging purposes in a timely and effective manner, and proactively respond to changes in the rate of foreign exchange rates, while saving finance costs and improving the efficiency of capital utilization.

## 6. *Risks associated with bulk commodity prices*

The bulk commodity market prices, such as engineering raw materials and metal mineral resources, which are relevant to the Company’s business, may be affected by changes in the international and domestic macroeconomic environment and market demand, which may be subject to varying degrees of volatility, which may in turn affect the Company’s costs of production and operation.

The Company will enhance its research and forecast on the changing trend and policies in response to bulk commodity market prices, and adjust its procurement and sales strategies. At the same time, we will intensify our efforts in technical improvement, further increase our resources production, strengthen cost control management, further reduce energy consumption, and adopt all possible measures to reduce various costs such as production and operation.



# BUSINESS DISCUSSION AND ANALYSIS

## 7. *Risks associated with international operations*

The Company's operations in various countries and regions are subject to local political, economic, social, legal, exchange rate and other environmental factors, and on the other hand, due to the severe global pandemic, which may pose certain risks to the Company's overseas business. There are circumstances such as failure to complete construction work on time, cost overruns, disputes arising from claims, etc., which in turn affect the revenue and profit of the Company's overseas business.

The Company shall supervise each subsidiary and foreign institution to scientifically formulate a plan for prevention and control of pandemic, take all pandemic prevention and control work seriously, prepare for pandemic prevention and living necessities, and ensure the health and safety of employees; at the same time, we summed up the experience and lessons learned from the pandemic for international operation. The Company studied the policies, regulations and humanities environment of the overseas projects in-depth, established good long-term cooperative relationships with local partners, and put efforts to reduce the risks of international operations and accelerate the pace of localized operations.

## 8. *Environmental and safety production risks*

To strengthen the overall protection of the environment, to resolutely fight the battle against pollution, and to insist that green development has become an important national strategy, enterprises must pay more attention to ecological civilization and environmental protection. The Company is engaged in a number of industries, including engineering contracting, property development, equipment manufacturing and resource development. Numerous subsidiaries and respective projects result in higher standard of requirements on environmental protection management for the enterprises. As a construction and production enterprise, safety production risks may exist in all aspects of the Company's production and operation activities, such as unsafe behavior by human beings, unsafe state of things, unsafe environmental factors, and management loopholes, which may lead to safety accidents, damage to the health and the safety of employees, and cause certain economic losses to the enterprise, and even affect the reputation of the enterprise.

The Company actively puts into practice the green development ideology that "Lucid Waters and Lush Mountains are Invaluable Assets", persists on the requirements of the relevant national laws and regulations of energy conservation and environmental protection, strictly implements accountability system on enterprise bodies, continuously improves the energy conservation and environmental protection system, enhances daily supervision, and proactively initiates environmental pollution control. Subordinate enterprises under the construction category shall carry out in-depth environmentally friendly construction, and push forward energy, land, water and resources conservation as well as environmental protection in full efforts; Subordinate enterprises under the production category shall increase the utilization efficiency of the resources and reduce the emission of pollutants through technology innovation so as to enhance clean production. At the same time, the Company will control the safety production risk through strengthening the implementation of safety production responsibility, enhancing the supervision of safety production, comprehensively promoting standardization of the construction site safety civilization, strengthening safety training education and publicity and implementation of safety production knowledge, and strictly investigating the accident responsibility and other measures.

# BUSINESS DISCUSSION AND ANALYSIS

## 9. *Risks associated with data fraud or theft*

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

In order to guard state secrets, protect commercial secrets, and protect the national and enterprises' safety, the Company has formulated a set of relatively comprehensive rules and regulations on confidentiality. The Company adopts various promotional and educational measures regularly in order to raise awareness of information confidentiality of the employees. The Company randomly assesses the information confidentiality of its subsidiaries every year, conducts interviews, investigates and reviews system, recorded documents, conducts on-site investigation. We carried out a comprehensive inspection on the operation of the confidentiality management system and rectify the situation within a period of time. The Company has specially purchased the domestically-prescribed classified computer, arranged for the person to be responsible for the management, and strictly abided by the principle of "no Internet with secrets and no secrets on Internet".

## 10. *Cyber risk and security*

Following the in-depth application of Internet in informatization domain, network topology of enterprises becomes increasingly complicated. The number of information system is surging, resulting in higher possibility of internet disruptions and system breakdown. Besides, the Company endeavors to expand overseas markets for gradual enhancement in international influence. The risk from cyberattacks to the information system has been increased subsequently. The occurrence of the risk events may cause adverse impacts on the production and operating activities of the Company.

In order to effectively prevent and control cyber risks and strengthen information security protection capabilities, the Company has established a comprehensive safety protection system in accordance with the national network security related system, and continuously promotes the optimization and improvement of the system. The Company regularly conducts vulnerability scanning on the network security system and equipment, promptly rectifies and strengthens the identified problems, and conducts retesting to ensure the security and stability of the data usage environment. Network security devices such as firewalls, WAFs, IDSs and IPSs are deployed at the network outlets to defend against external network attacks. At the same time, automated network monitoring and early warning platforms are deployed to monitor the status of the network on a real-time basis and timely rectification of abnormal operations to ensure the security of the Company's information.

### **III. EXPLANATION ON THE COMPANY'S FAILURE TO MAKE DISCLOSURE IN ACCORDANCE WITH THE STANDARDS DUE TO INAPPLICABILITY OF STANDARDS OR SPECIAL REASONS AND THE REASONS THEREOF**

Applicable       Not Applicable

# SIGNIFICANT EVENTS

## I. PROPOSAL FOR PROFIT DISTRIBUTION FOR ORDINARY SHARES OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL

### (I) Formulation, implementation or adjustment of cash dividend policy

The profit distribution policy prescribed in the Articles of Association is as below:

#### 1. *Basic Principles for the Profit Distribution Policy*

- (1) The Company has given sufficient consideration to the returns to investors and the prescribed ratio of the Company's profit available to be distributed for the current year will be distributed to Shareholders per annum.
- (2) The Company's profit distribution policy shall maintain consistency and stability and shall also take into the account of the Company's long-term interests, the interests of all Shareholders as a whole and the sustainable development of the Company.
- (3) The Company shall give priority to distribute profit in the form of cash dividends. The Company shall take various factors into account, including its industry features, development stages, business model and profitability as well as whether it has any substantial capital expenditure arrangement, to propose a differentiated policy for distributing cash dividend pursuant to the procedures stipulated in the Articles of Association. The proportion of cash dividend to profits of the year shall be determined in compliance with the relevant laws, administrative regulations, normative documents and rules of the stock exchange(s).

#### 2. *Specific Policy Regarding the Company's Profit Distribution*

- (1) Forms of profit to be distributed: The Company may distribute dividend in the form of cash, shares or a combination of cash and shares. Under conditional circumstances, the Company may distribute interim dividends.
- (2) The specific conditions and ratios for the Company's cash dividend

Except for special occasions, if the Company makes a profit for a year and the accumulated undistributed profit is positive, the Company may distribute dividend in the form of cash, and the profits distributed in cash every year shall not be less than 15% of the Company's profit available to be distributed for the current year.

Special occasions shall refer to one of the followings:

- ① the Company's operating net cash flow is negative;
- ② such other occasions occur when upon approval by the Shareholders' Meeting, less than 15% of the Company's profit available to be distributed for the current year is to be distributed in the form of cash dividend, including but not limited to no distribution of cash dividend due to major investment needs of the Company. The criteria of such major investment: the Company's expected total investment for next year exceeds 15% of the net assets in the Company's consolidated statement for the current year.
- (3) Conditions for distributing dividends in shares by the Company: The Company's business is in a sound condition, and the Board considers that the Company's stock price does not reflect its share capital and distributing dividend in shares will be favourable to all shareholders of the Company as a whole, provided that the above conditions for cash dividend distribution are met.

# SIGNIFICANT EVENTS

## 3. *Procedures for Considering the Distribution Policy*

- (1) The profit distribution policy of the Company shall be proposed by the Company's President Office and then submitted to the Company's Board of Directors and Supervisory Committee for consideration and approval. The Board will fully discuss the reasonableness of such profit distribution proposal. The special resolution is passed thereby and then submitted to the Shareholders' Meeting for consideration. Prior to the consideration of cash dividend distribution plan at the Shareholders' general meeting, the Company shall proactively communicate with its Shareholders, in particular, minority Shareholders, through various channels to receive opinions and request of those minority Shareholders and respond to their concerns in a timely manner.
- (2) The Board of Directors shall fully take into account matters such as the timing, the conditions and minimum ratio, the conditions for adjustment and the requirements of the decision-making procedures in regard to distributing dividends in cash. The independent Directors shall explicitly give their views. The independent Directors shall seek the opinions of the minority shareholders, prepare a dividend distribution proposal accordingly and present it directly to the Board of Directors for consideration. When the Board resolves that the profit which is less than 15% of the Company's profit available to be distributed for the current year will be distributed in the form of cash and the profit distribution proposal so formed will be submitted to the Shareholders' Meeting for consideration, the Company shall make internet voting accessible to Shareholders subject to the applicable laws and regulations.

## 4. *The withholding and exemption of dividend income tax shall be conducted in accordance with the relevant laws and regulations.*

## 5. *2020 Profit Distribution Proposal*

The net profit attributable to Shareholders of the Company in the audited consolidated statement of MCC in 2020 amounted to RMB7,862,185 thousand and the undistributed profit of MCC headquarters amounted to RMB2,090,245 thousand. Based on the total share capital of 20,723.62 million shares, the Company proposed to distribute to all Shareholders a cash dividend of RMB0.75 (tax inclusive) for every 10 shares and the total cash dividend is RMB1,544,271 thousand, the remaining undistributed profit of RMB535,974 thousand will be used for the operation and development of the Company and rolled over to the coming year for distribution. The total cash dividend proposed by the plan accounts for 19.77% of the net profit attributable to the Shareholders of the Company in the consolidated statement of MCC in 2020.

## 6. *Explanation on 2020 Profit Distribution Proposal and Opinions of Independent Directors*

- (1) **The reason for the total proposed cash dividend to be distributed being less than 30% of the net profit attributable to the Shareholders of the listed company in the consolidated statements**

The profit distribution proposal has complied with the requirements of the relevant laws and regulations, and Articles of Association, and is in line with the industry characteristics, development stage and business model of the Company. The construction industry where the company is located is a fully competitive industry, and the Company itself has entered a new stage of high-quality development of the Company and enhance the overall value of the Company, which is also in line with the fundamental interests of the shareholders.

The annual cash dividend of MCC has achieved growth for 7 consecutive years since 2014, reflecting the steady development and sustainable dividend of MCC, and reflecting the attitude of MCC towards returning shareholders with results of operations and earnestly safeguarding shareholders' investment interests.

# SIGNIFICANT EVENTS

## (2) Exact Use of the Undistributed Profits Retained and Expected Earnings

MCC and its subsidiaries paid close attention to the current period of important strategic opportunities for economic development, and actively participated in the construction of Beijing-Tianjin-Hebei, Yangtze River Economic Belt, Guangdong-Hong Kong-Macau Greater Bay Area and Xiongan New area, and the total value of newly signed contracts exceeded RMB1 trillion in 2020. In order to further strengthen the Company's market competitiveness and sustainable development capability, retained earnings will be used for the strategic development and daily turnover of the Company. The retained earnings accumulated by the Company belong to all investors, and the Company will continuously improve the efficiency of capital operation, improve the overall profitability of the Company and better reward the shareholders.

## (3) Opinions of the Independent Directors

The Company's 2020 profit distribution proposal complies with the provisions of the relevant laws, regulations and the Articles of Association, reflects the rationality and moderate growth of the profit distribution, and also takes into the account the reasonable returns to investors and the sustainable development of the Company, fulfilling the long-term interests of investors and the needs of the Company's development. The interests of minority Shareholders are not impaired. We agree to the Resolution regarding MCC's 2020 Profit Distribution (《關於中國中冶2020年度利潤分配的議案》) and agree to submit the same to the 2020 annual general meeting for consideration and approval.

## (II) The plans or proposals for dividends distribution for ordinary shares and transfer of capital reserve to share capital of the Company for the recent three years (inclusive of the Reporting Period)

Unit: RMB'000

Dividend year	Number of bonus shares to be distributed for every 10 shares <i>(in share)</i>	Amount of dividend to be distributed for every 10 shares <i>(Yuan) (tax inclusive)</i>	Number of shares to be transferred every 10 shares <i>(in share)</i>	Amount of cash dividend <i>(tax inclusive)</i>	Net profit attributable to the holders of ordinary shares of the listed company in the consolidated statement for the dividend year	Ratio accounted for net profit attributable to holders of ordinary shares of the listed company in the consolidated statement <i>(%)</i>
2020	0	0.75	0	1,554,271	7,862,185	19.77
2019	0	0.72	0	1,492,101	6,599,712	22.61
2018	0	0.70	0	1,450,653	6,371,580	22.77

## (III) Recognition of shares repurchased by cash as cash dividends

Applicable  Not Applicable

## (IV) When profits and earnings available for distribution to holders of ordinary shares of the parent company during the Reporting Period are positive, but no distribution plan for cash dividends on ordinary shares has been proposed, the Company shall disclose the reasons and the use and intended plan for using undistributed earnings

Applicable  Not Applicable



# SIGNIFICANT EVENTS

## II. PERFORMANCE OF UNDERTAKINGS

### (I) Undertakings made by relevant parties such as de facto controllers, Shareholders, related parties and acquirers of the Company and the Company during the Reporting Period or subsisting during the Reporting Period.

Background of undertaking	Type of undertaking	Undertaking party	Details of undertaking	Date and duration of undertaking	Whether there is a time limit for performance	Whether it is strictly performed in a timely manner	If not performed timely, specify the reasons in details	If not performed timely, specify further plans
Undertakings in relation to the initial public offering	Solution to and prevention of horizontal competition	CMGC	CMGC, the Controlling Shareholder of MCC, undertook to avoid being engaged in or taking part in any business which may compete horizontally with the principal business of MCC.	5 December 2008	No	Yes	-	-
Undertakings in relation to the strategic restructuring	Solution to and prevention of horizontal competition	China Minmetals	<p>1. In respect of businesses carried out by China Minmetals and other controlled companies which overlap with those of MCC, China Minmetals will, according to its actual situations and the characteristics and development trend of the industry in which it operates, actively adopts different methods such as entrusted management, asset restructuring, equity swap and business adjustment to minimize the business overlap between the two parties.</p> <p>2. Upon the completion of the acquisition, China Minmetals and other controlled companies will not, in whatever form, directly or indirectly, engage in new businesses competing with MCC, and will not establish controlling subsidiaries which engage in the same or similar businesses that will constitute substantial horizontal competition with China Minmetals. China Minmetals will supervise its controlled companies and adopt certain measures when necessary.</p> <p>3. Subject to the above principles 1 and 2 and upon the completion of the acquisition, if the products or services that will be operated by the unlisted subsidiaries controlled by or other unlisted related enterprises of China Minmetals are likely to compete with the main products or services of MCC, China Minmetals will agree that MCC shall be entitled to preferentially acquire the assets in relation to these products or services or 100% equity of China Minmetals in the subsidiaries. MCC shall be entitled to determine the time to request China Minmetals to sell the abovementioned competing businesses at its discretion.</p> <p>4. China Minmetals will abstain from voting at the Board meeting or general meeting at which MCC reviews whether its new businesses constitute horizontal competition with China Minmetals and whether to exercise the above option right and pre-emptive rights.</p> <p>5. China Minmetals undertook that it will strictly comply with the relevant regulations of the CSRC and the SSE, and the Articles of Association and other rules and regulations of MCC, and equally exercise the shareholder's rights and perform the shareholder's obligations. It also undertook not to take advantage of its privileged positions as the substantial shareholder nor impair the legal interests of MCC or other shareholders. The commitments continue to be valid, cannot be altered and are irrevocable during the period in which China Minmetals has control over MCC or there is relatively material impact. If there is any breach of the above commitments, China Minmetals shall assume all losses to MCC.</p>	17 February 2016	No	Yes	-	-

# SIGNIFICANT EVENTS

Background of undertaking	Type of undertaking	Undertaking party	Details of undertaking	Date and duration of undertaking	Whether there is a time limit for performance	Whether it is strictly performed in a timely manner	If not performed timely, specify the reasons in details	If not performed timely, specify further plans
Undertakings in relation to the corporate bonds	Others	MCC	During the term of Corporate Bonds (First Tranche) for 2017 under the Public Issuance by Metallurgical Corporation of China Ltd.* ("2017 Corporate Bonds"), if the Company does not expect to pay the principal and interest for this tranche of bonds on time or fails to pay the principal and interests on time on the maturity date of this tranche of bonds, at least the following measures will be taken: (1) no distribution of profits to the ordinary Shareholders; (2) no reduction in registered capital.	25 October 2017 to 25 October 2022	Yes	Yes	-	-
			During the term of Corporate Bonds (First Tranche) for 2018 under the Public Issuance by Metallurgical Corporation of China Ltd.* ("2018 Corporate Bonds"), if the Company does not expect to pay the principal and interest for this tranche of bonds on time or fails to pay the principal and interest on time on the maturity date of this tranche of bonds, at least the following measures will be taken: (1) no distribution of profits to the ordinary Shareholders; (2) no reduction in registered capital.	8 May 2018 to 8 May 2023	Yes	Yes	-	-
			The funds raised from 2017 Corporate Bonds and 2018 Corporate Bonds are used only for production and operating activities of enterprises that comply with national laws, regulations and policies. Such raised funds will be used strictly in accordance with the agreed purpose mentioned in the prospectus. Such funds will not be used by others and will not be used as non-production expenditures and real estate business. A practical and effective monitoring mechanism and isolation mechanism for raised funds will be established.	The issuance dates of 2017 Corporate Bonds and 2018 Corporate Bonds	Yes	Yes	-	-

**(II) When there is profit forecast regarding assets or projects of the Company, and if the Reporting Period remains in the span of forecast period, the Company shall disclose whether such assets or projects have realized the original profit forecast and relevant reasons**

Realised  Not Realised  Not Applicable

**(III) Fulfilment of performance undertakings and its impact on goodwill impairment test**

Applicable  Not Applicable

## III. THE STATUS OF CAPITAL USED BY OTHER PARTIES AND SETTLEMENT DURING THE REPORTING PERIOD

Applicable  Not Applicable

## IV. EXPLANATION ON THE "NON-STANDARD AUDIT REPORT" ISSUED BY THE ACCOUNTING FIRM

Applicable  Not Applicable

# SIGNIFICANT EVENTS

## V. ANALYSIS ON REASONS AND IMPACT OF ACCOUNTING POLICY, CHANGES TO ACCOUNTING ESTIMATE OR CORRECTION TO MATERIAL ACCOUNTING ERRORS

### (I) Analysis of reasons and impact of accounting policy and changes to accounting estimate

Applicable  Not Applicable

### (II) Analysis of reasons and impact of correction to material accounting errors

Applicable  Not Applicable

### (III) Communication with former accounting firm

Applicable  Not Applicable

## VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

Unit: RMB

	Former Appointment	Current Appointment
Name of domestic accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership)	WUYIGE Certified Public Accountants LLP (Special General Partnership)
Remuneration of domestic accounting firm	18,350,000	8,080,000
Term of audit by domestic accounting firm	6 years	1 year

	Name	Remuneration
Accounting firm for internal control audit	WUYIGE Certified Public Accountants LLP (Special General Partnership)	1,500,000

### Description of appointment and dismissal of accounting firm

The auditor for 2019 financial report and internal control auditor of the Company is Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所(特殊普通合夥)). Since it has served as the auditor of the Company for six years, in view of the needs of the Company's business development and future auditing, the 2019 annual general meeting of the Company approved the appointment of WUYIGE Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥)) as the Company's auditor of 2020 financial report, review auditor of semi-annual financial report and the Company's 2020 internal control auditor, which is responsible for the annual audit and interim review of the Company's financial statements prepared in accordance with China Accounting Standards for Business Enterprises. Meanwhile, WUYIGE Certified Public Accountants LLP also provides the Company with internal control audit services in relation to financial reports and financial statutory audit services for certain subsidiaries.

The certified public accountants who signed the 2020 audit report of the Company are Wang Jin and Cai Jinliang.

### Explanation on change in appointment of accounting firm during the audit period

Applicable  Not Applicable

# SIGNIFICANT EVENTS

## VII. RISK EXPOSURES TO SUSPENSION OF LISTING

### (I) Reasons for suspension of listing

Applicable  Not Applicable

### (II) Measures proposed by the Company in response to risks

Applicable  Not Applicable

## VIII. SITUATION OF AND REASONS FOR DELISTING

Applicable  Not Applicable

## IX. EVENTS IN RELATION TO BANKRUPTCY AND REORGANISATION

Applicable  Not Applicable

## X. MATERIAL LITIGATION AND ARBITRATION

The Company had material litigation and arbitration  The Company had no material litigation and arbitration

## XI. THE PENALTIES AND RECTIFICATION OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER, DE FACTO CONTROLLER AND ACQUIRER OF THE COMPANY

Applicable  Not Applicable

## XII. INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

Applicable  Not Applicable

During the Reporting Period, the Company and its Controlling Shareholder, CMGC, did not have any court ruling in effect that was yet to be executed or any overdue liability with a relatively significant outstanding amount and was not otherwise involved in any other similar circumstances.

## XIII. EQUITY INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY AND THEIR IMPACT

### (I) Relevant equity incentive events disclosed in interim announcements without further development or change in subsequent implementation

Applicable  Not Applicable

# SIGNIFICANT EVENTS

## (II) Incentive events not disclosed in interim announcements or with subsequent progress

### *Equity incentives*

Applicable  Not Applicable

### *Employee stock ownership plan*

Applicable  Not Applicable

### *Other incentive measures*

After CISDI Group Co., Ltd., China Nonferrous Engineering Co., Ltd., China MCC 17 Group Co., Ltd. and WISDRI Engineering & Research Incorporation Limited, being subsidiaries of the Company, have been newly added to the list of "Double Hundred Enterprises", MCC Capital Engineering & Research Incorporation Limited has been included in the "Model Reform Movement". The above five subsidiaries have plans to implement mixed ownership reform and employee shareholding for their subsidiaries. The employee stock ownership plan of CISDI Group Chongqing Information and Technology Co., Ltd., which is part of CISDI Group Co., Ltd., was approved by the competent authorities during the Reporting Period, and will promote employee shareholding-related work in accordance with laws and regulations.

The Company will conscientiously learn to comprehend the "1 + N" series of documents for the reform of state-owned enterprises and the Guidelines on Implementation of Equity Incentives for Listed Companies of Central Enterprises (中央企業控股上市公司實施股權激勵工作指引) in accordance with the overall deployment and guidance requirements of the SASAC. The Incentive Scheme is still in the formulation stage, and the specific content and schedule of the Schemes are yet to be finalized. After the relevant proposals are finalized, the SASAC and the higher authorities of the State Council are required to approve the implementation. The Company will timely fulfill its information disclosure obligations according to the progress of its work.

## XIV. MATERIAL CONNECTED TRANSACTIONS

### (I) Connected transactions related to day-to-day operation

#### 1. *Events disclosed in interim announcements without further development or change in subsequent implementation*

##### **Overview of the Matter**

##### **Query Indexes**

At the 20th meeting of the third session of the Board of Directors convened on 27 to 28 August 2020, the Resolution on Adjusting Annual Caps for Ordinary Connected Transactions/Continuing Connected Transactions in 2020 was considered and approved to meet the needs of business development. It is agreed that the Company will adjust the portion of the Group's daily connected transactions with CMC and its subsidiaries other than the Company in 2020 and the limit of the caps.

For details, please refer to the relevant announcement published by the Company on 28 August 2020.

#### 2. *Events disclosed in interim announcements and with further development or change in subsequent implementation*

Applicable  Not Applicable

#### 3. *Events not disclosed in interim announcements*



# SIGNIFICANT EVENTS

Unit: RMB'000

Party to connected transaction	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Annual caps for 2020	Price of connected transaction	Amount of Related transaction	Percentage to similar transactions (%)	Payment method for connected transaction	Reason for the significant difference between transaction price and market price	
										Market Price	reference market price
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Purchase of commodities	Purchase and sales of materials – expense	Agreed price	13,187,000	-	8,737,569	7.92	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Sales of commodities	Purchase and sales of materials – income	Agreed price	2,677,000	-	1,638,592	13.62	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of labour services	Purchase and sales of materials – income	Agreed price	17,962,000	-	1,005,825	0.29	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Acceptance of labour services	Engineering construction – expense	Agreed price	5,817,000	-	199,432	0.12	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of labour services	Production maintenance and repair – income	Agreed price	43,000	-	2,853	0.12	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of labour services	Metallurgical and management service- income	Agreed price	533,000	-	45,100	0.29	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Acceptance of labour services	Metallurgical and management service- expense	Agreed price	42,000	-	4,843	0.51	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Interest expenses	Industrial financing services – financing costs – credit services	Agreed price	1,600,000	-	73,128	2.91	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Other outflow	Property leasing – expenses	Lease contracts	247,000	-	66,176	33.49	-	-	-
MCC Ruimu Amperex Technology Limited	Indirect controlling shareholder	Borrowings to related parties	Financial services– daily maximum balance of provision of loan and bill discounting services	Agreed price	800,000	-	300,000	-	-	-	-
MCC Ruimu Amperex Technology Limited	Indirect controlling shareholder	Borrowings to related parties	Financial services–daily maximum balance of provision of financial leasing services	Agreed price	500,000	-	430,589	-	-	-	-
MCC Ruimu Amperex Technology Limited	Indirect controlling shareholder	Interest income	Interest income	Agreed price	88,000	-	25,799	2.41	-	-	-
Total				/	43,496,000	/	12,529,906	/	/	/	
Details of return of sold goods in large quantities					Not Applicable						
Description of connected transaction					Not Applicable						

*Note:* In 2020, the Company recognized the fees in relation to property lease trading amounting to RMB66,176 thousand. For details of the amount of right-of-use assets recognized by the Company as lessee due to the newly signed property leasing contract, please refer to note “related party transactions” in the financial report.

## SIGNIFICANT EVENTS

In respect of the abovementioned continuing connected transactions, the Company has complied with the disclosure requirements of Chapter 14A of the Hong Kong Listing Rules. During the Reporting Period, in conducting the abovementioned continuing connected transactions, the Company has followed the pricing policies and guidelines determined at the time of entering into transactions.

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

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

The Company's auditors were engaged to report on the aforementioned continuing connected transactions of the Company in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their conclusions in respect of the aforementioned continuing connected transactions in accordance with Rule 14A.56 of the Hong Kong Listing Rules, stating that, during the Reporting Period:

- (1) nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Company's Board;
- (2) for transactions involving the provision of goods or services by the Company, nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;
- (3) nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (4) nothing has come to the auditor's attention that causes the auditor to believe that the amount of such continuing connected transactions have exceeded the total annual caps set by the Company.

# SIGNIFICANT EVENTS

## (II) Connected transactions in relation to acquisition of assets or acquisition or disposal of equity

### 1. *Events disclosed in an interim announcement, yet with no progress or changes in subsequent implementation*

#### Overview of the Matter

#### Query Indexes

On 5 July 2020, China First Metallurgical Group Co., Ltd. (hereinafter referred to as "China First Metallurgical") and Zhuzhou Smelter Group Co., Ltd. (The "Zhuzhou Smelter Group") signed the asset disposal contract. Pursuant to the asset disposal contract, China First Metallurgical agreed to acquire the Target Assets from Zhuzhou Smelter Group at a total consideration of RMB205.5244 million, which are part of the machinery and equipment of the legally owned production area of Qingshuitang in Shifeng District, Zhuzhou City, Hunan Province, and which are legally owned by Zhuzhou Smelter Group and related Structure. In addition, China First Metallurgical has locked up subsequent purchasers of target assets, which are Independent Third Parties, and both parties have entered into contracts to sell the target assets at a price of RMB215.015 million following the completion of the acquisition.

For details, please refer to the relevant announcements published by the Company on 5 July 2020 and 15 July 2020.

### 2. *Events disclosed in an interim announcement with progress or changes in subsequent implementation*

On 31 March 2020, the 14th meeting of the third session of the Board of Directors considered and approved the Proposal on Acquisition of 50% in MCC Mingheng held by Minmetals Trust, in which the Company agreed to acquire 50% equity interest in Zhuhai MCC Mingheng Real Estate Co., Ltd. (hereafter referred to as "MCC Mingheng") held by Minmetals International Trust Co., Ltd (hereafter referred to as "Minmetals Trust"). The acquisition price did not exceed the 50% of MCC Mingheng's net asset value (representing RMB42.1412 million). Upon the completion of the acquisition, the registered capital of MCC Mingheng was RMB60 million and is wholly owned by MCC Real Estate. For details, please refer to the relevant announcement published by the Company on 31 March 2020.

On 20 April 2020, MCC Real Estate and Minmetals Trust signed the Equity Transfer Agreement, the details of which are as follows: (1) 50% equity interest in MCC Mingheng held by Minmetals Trust (Corresponding registered capital: RMB30 million) (2) equity transfer price: RMB36,511,839.96, (3) payment method: MCC Real Estate shall make a one-off payment to Minmetals Trust for the entire transfer price on 20 April 2020. For details, please refer to the relevant announcements published by our Company on 21 April 2020 and 29 April 2020, respectively.

### 3. *Events undisclosed in an interim announcement*

Applicable  Not Applicable

### 4. *Business results of the Reporting Period shall be disclosed as agreed involving the results*

Applicable  Not Applicable

# SIGNIFICANT EVENTS

## (III) Material connected transactions in relation to joint investment in external parties

### 1. *Events disclosed in an interim announcement, yet with no progress or changes in subsequent implementation*

Applicable       Not Applicable

### 2. *Events disclosed in an interim announcement and with progress or changes in subsequent implementation*

- (1) On 20 January 2020, the 12th meeting of the third session of the Board of Directors considered and approved the Resolution on the Implementation of the Relocation Project of Wuchuan People's Hospital under the PPP Model of MCC Urban Investment and Proposal on Participate in the Overall Relocation Project of Wuchuan Chinese Medicine Hospital\* (吳川市中醫院) under the PPP Model, in which the Company agreed that MCC Urban Investment Holding Co., Ltd. (hereafter referred to as "MCC Urban Investment") as a leading party, joined together with Minmetals Jintong Equity Investment Fund Management Co., Ltd. (hereinafter referred to as "Minmetals Jintong") to participate in the bidding for the overall relocation and construction project of Wuchuan Chinese Medicine Hospital and the relocation project of Wuchuan People's Hospital, and jointly set up two project companies with government-funded representatives to implement the corresponding projects after winning the tender. On 20 April 2020, MCC Urban Investment, Minmetals Jintong and Wuchuan People's Hospital signed the Shareholders' Agreement of MCC Urban People's Hospital Investment (Wuchuan) Co., Ltd. (tentative name). On 17 April, Wuchuan Chinese Medicine Hospital signed the shareholders' agreement of MCC Urban Investment and Chinese Medicine Investment (Wuchuan) Co., Ltd. For details, please refer to the relevant announcements published by our Company on 20 January 2020 and 20 April 2020, respectively.
- (2) In August 2019, the Company and its six subsidiaries and 23rd Metallurgical Construction Group Co., Ltd. of Minmetals (a connected party of the Company, hereinafter referred to as "23rd Metallurgical") and Guizhou Communications Construction Group Co., Ltd. and its five subsidiaries, Guizhou Transportation Planning Survey and Design Academe Co., Ltd. and Liaoning Transportation Planning and Design Institute Co., Ltd. form a consortium (hereinafter referred to as the "Consortium") to participate in the Nayong-Xingyi State Expressway PPP project in Guizhou Province Nayong-Qinglong section and the Liuzhi-Anlong Expressway PPP project were tendered and awarded. Due to the change in external conditions, the Consortium failed to sign the investment agreement at the agreed time, and the Supervisor decided to cancel the qualification of the successful bidder by the Ministry of Transport of Guizhou Province. As a result of the cancellation of the above-mentioned award tender by the Consortium, the connected party transactions under which the Company and its subsidiaries jointly invested in 23rd Metallurgical will not proceed. For details, please refer to the relevant announcements published by our Company on 9 August 2019 and 6 March 2020, respectively.
- (3) On 25 December 2019, the 10th meeting of the third session of the Board of Directors of the Company considered and approved the Resolution on the Capital Increase in Genertec Minmetals by MCC 5 Group, MCC 17 Group and MCC 19 Group with Assets, in which the Company agreed that China MCC 5 Group Co., Ltd. (hereafter referred to as "MCC 5 Group"), China MCC 17 Group Co., Ltd. (hereafter referred to as "MCC 17 Group"), China MCC 19 Group Co., Ltd. (hereafter referred to as "MCC 19 Group") contributed with their respective hospital assets, jointly carried out capital increase with Minmetals Assets Management Company Limited, Genertec Universal Medical Group Company Limited, CITIC Capital Equity Investment (Tianjin) Corporation Limited and Minmetals Innovation Investment Company Limited in Genertec Minmetals Hospital Management (Beijing) Company Limited (hereafter referred to as "Genertec Minmetals") by way of non-public agreement. Of which, MCC 5 Group contributed an amount of RMB65.3395 million, MCC 17 Group contributed RMB36.3117 million and MCC 19 Group contributed RMB73.4255 million. Each of them signed the Capital Increase Agreement on 2 June 2020.

# SIGNIFICANT EVENTS

On 31 August 2020, all the then shareholders of Genertec Minmetals entered into a reorganization agreement with two subsidiaries of China Minmetals, in which they agreed to further increase the capital in Genertec Minmetals by way of cash and/or asset injection. Upon completion of this capital increase, the total amount of capital contribution to Genertec Minmetals increased from RMB847.0008 million to RMB2,786.9685 million. Investors of the MCC Group decided not to participate in this capital increase, and as a result, its total shareholding in Genertec Minmetals decreased from 20.67% to 6.28%. For details, please refer to the relevant announcements published by our Company on 2 June 2020 and 31 August 2020, respectively.

3. *Events undisclosed in an interim announcement*

Applicable  Not Applicable

**(IV) Related creditors' rights and debt transactions**

1. *Events disclosed in an interim announcement, yet with no progress or changes in subsequent implementation*

Applicable  Not Applicable

2. *Events disclosed in an interim announcement and with progress or changes in subsequent implementation*

Applicable  Not Applicable

3. *Events undisclosed in an interim announcement*

Applicable  Not Applicable

## XV. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

**(I) Trusteeship, contracting and leasing**

1. *Trusteeship*

Applicable  Not Applicable

Explanation on trusteeship

2. *Contracting*

Applicable  Not Applicable

Explanation on contracting

3. *Leasing*

Applicable  Not Applicable



# SIGNIFICANT EVENTS

## (II) Guarantees

Unit: RMB

Guarantor	Relationship between the guarantor and listed company	Guarantees be granted	Guaranteed amount	External guarantees provided by the Company (excluding guarantees provided to subsidiaries)			Type of guarantee	Whether execution of guarantee has been completed	Is the guarantee expired	Expired amount of the guarantee	Counter-guarantee	Guarantee for connected party	Connected relationship
				Date of guarantee (Signing date of agreement)	Inception date of guarantee	Expiration date of guarantee							
MCC Real Estate Group Co., Ltd	Wholly-owned subsidiary	Zhuhai Hengqin Headquarter Building Investment and Development Co., Ltd. <sup>Note</sup>	199,226,031.61	2019-9-4	2019-9-4	2024-9-4	Joint liability guarantee	No	No	0	No	No	-
China MCC 20 Group Co., Ltd	Controlling subsidiary	Zhuhai Hengqin Headquarter Building Investment and Development Co., Ltd. <sup>Note</sup>	128,532,923.62	2019-9-4	2019-9-4	2024-9-4	Joint liability guarantee	No	No	0	No	No	-
Total amount of guarantees incurred during the Reporting Period (excluding guarantees to subsidiaries)												327,758,955.23	
Total balance of guarantees as at the end of the Reporting Period (A) (excluding guarantees to subsidiaries)												327,758,955.23	
<b>Guarantees provided by the Company and its subsidiaries to their subsidiaries</b>													
Total amount of guarantees provided to its subsidiaries during the Reporting Period												1,545,274,730.98	
Total balance of guarantees provided to its subsidiaries as at the end of the Reporting Period (B)												22,293,924,557.72	
<b>Total guarantees provided by the Company (including guarantees to subsidiaries)</b>													
Total amount of guarantees (A+B)												22,621,683,512.95	
Total amount of guarantees as a percentage in the net assets of the Company attributable to the shareholders of the listed company (%)												23.11%	
Including:													
Amount of guarantees provided to Shareholders, the de facto controllers and their related parties (C)												0	
Debt guarantees directly or indirectly provided to guaranteed parties with gearing ratio of over 70% (D)												10,301,566,204.04	
Guarantees with the total amount exceeding 50% of the net assets (E)												0	
Total amount of guarantees of the three above items (C+D+E)												10,301,566,204.04	
Explanation on the potential joint repaying liability arising from outstanding guarantees												Nil	
Explanation on guarantees												Nil	

**Note:** Zhuhai Hengqin Headquarters Building Development Co., Ltd. (珠海橫琴總部大廈發展有限公司) is 31% owned by MCC Real Estate, a subsidiary of the Company, 20% owned by another subsidiary of the Company, China MCC 20 Group Co., Ltd. 30% owned by Zhuhai Da Hengqin Real Estate Co., Ltd. (珠海大橫琴置業有限公司), and 19% owned by Hong Kong Jimei Property Development Co., Ltd. (香港集美地產發展有限公司). In July 2016, Zhuhai Da Hengqin Real Estate Co., Ltd. agreed to act in concert with MCC Real Estate on voting at the Board meeting, and issued an Acting in Concert Letter. The control of Zhuhai Hengqin Headquarters Building Development Co., Ltd. acquired by MCC Real Estate was included in the scope of consolidation in August 2016. On 5 September 2019, MCC Real Estate and China MCC 20 Group Co., Ltd. provided guarantees in the amount of up to RMB930 million and RMB600 million respectively, on a pro-rata basis, for Zhuhai Hengqin Headquarters Building Development Co., Ltd. (for details, please refer to the announcement of the Company dated 30 August 2019 in relation to the provision of guarantees for its subsidiaries). In March 2020, Zhuhai Da Hengqin Real Estate Co., Ltd. cancelled the Letter of Acting in Concert with MCC Real Estate, and Zhuhai Hengqin Headquarters Building Development Co., Ltd. cease to be included in the scope of MCC Real Estate. The guarantee provided by MCC Real Estate and China MCC 20 Group Co., Ltd. then became a guarantee provided for an external company (excluding the guarantee provided for the subsidiaries).

# SIGNIFICANT EVENTS

## (III) Entrusting third parties with cash asset management

### 1. *Entrusted financial management*

- (1) Overall entrusted wealth management  
 Applicable  Not Applicable
- (2) Individual entrusted wealth management  
 Applicable  Not Applicable
- (3) Provisions for impairment of entrusted wealth management  
 Applicable  Not Applicable

### 2. *Entrusted loans*

- (1) Overall entrusted loans  
 Applicable  Not Applicable
- (2) Individual entrusted loans  
 Applicable  Not Applicable
- (3) Provisions for impairment of entrusted wealth management  
 Applicable  Not Applicable

## (IV) Other material contracts

Please refer to the section "Report of Directors" for details of material contracts signed by the Company during the Reporting Period.

## XVI. EXPLANATIONS ON OTHER MAJOR EVENTS

- Applicable  Not Applicable

## XVII. FIGHTING AGAINST THE COVID-19 OUTBREAK

Confronted with the sudden outbreak of COVID-19 in 2020, the Company devoted itself to the fight against the pandemic. Before the spread of the pandemic, an emergency “mobilization order” was issued by the Company as soon as possible, the Company gathered Wuhan enterprises to quickly enter a war-like state. Under the call of the Company, the vast number of employees of more than 50 subsidiary enterprises immediately devoted themselves to the pandemic prevention and control work, and more than 52,000 employees acted as the major force of the front line for fighting against the COVID-19 outbreak. More than 4,600 cadres and workers of the 7 subsidiaries rushed to support the design and reconstruction tasks of 34 hospitals, including Huoshenshan Hospital, Leishenshan Hospital, Jinyintan Hospital, “Fangcang Shelter Hospital” in Wuhan and E’zhou Leishan Hospital; more than 2,000 medical staff of the Company’s 6 transformed hospitals devoted themselves to fight against the pandemic and build a solid line of defense against the disease. With more than 10,000 overseas employees located in 158 overseas institutions in 60 countries, the Company actively expanded overseas supply channels of medical materials and completed the procurement of more than 740,000 pieces of protective equipment, contributed a total of RMB4.4733 million in donations and pandemic prevention materials to severely affected areas during the Reporting Period. In the fight against the outbreak, seven collectives and 14 individuals have received high recognition of containing the pandemic from higher authorities, such as the Central Committee of the Communist Party of China and the SASAC as a result of their remarkable performance in containing the pandemic. Entering 2021, local clustering cases appeared in Shijiazhuang and Xingtai successively, and the situation of prevention and control was grim. The sub-enterprises of the Company rushed to support the prevention in the day and night, and have been continuously giving full play of “the pillar” to contribute to the fight against the epidemic prevention and control campaign in Hebei Province.

While doing a solid and effective job in pandemic prevention and control, the Company has scientifically deployed and promoted the work resumption and production in an orderly manner. The Company paid close attention to the development and the changes of the pandemic, comprehensively sorted out the continuation of the shortage of construction workers, shortage of construction materials, delay of construction period and public opinion, which may affect the performance of the projects under construction or the implementation of signed contracts, made every effort to ensure that “projects under construction do not stop, and enterprises that have ceased construction work in an orderly manner”. The subsidiaries wasted no time in planning and providing a one-stop “point-to-point” transportation service proactively, gave “pandemic prevention packages” to the immigrant workers, launched measures such as the “Pandemic Control and Construction Resumption” intelligent management solutions, created conditions for the deployment of personnel, and do everything possible to “allocate suitable manpower for all projects”. Under the favorable protection of relevant measures, a series of influential major domestic and overseas projects were completed on schedule: the National Sliding Centre successfully completed the site certification and commenced the operation of the protection work; the projects of “Transformers” and “Hollywood Dream” in Beijing Universal Studios passed the final check and acceptance, YAMAMA Cement Plant project Line 1 in Saudi Arabia, the largest cement plant in the world, was completed and put into operation, the reconstruction and expansion of Tibet Yulong Copper Mine, the world’s highest elevation mine, was completed and put into operation, the Tianjin Juilliard School, the first overseas branch of the Juilliard School in the United States, was completed inspection and acceptance, the main bridge of Lanzhou Chaijiaxia Yellow River Bridge was successfully completed deck closure, the main construction of coal-to-electricity project in Chongli District, Zhangjiakou achieved the node goal as scheduled; Dexin Steel Plant in Indonesia was successfully put into production, Vietnam Hefarongju sintering project (越南和發榕橋燒結球團工程) fully commenced production. With practical actions, the Company has delivered its determination and capability to the public and project owners to fulfill their commitments, and has contributed to the stability of the industry chain and the smooth supply chain.

With ceaseless efforts, the Company not only successfully resisted the impact of the pandemic, but also issued strong development momentum against the trend. In 2020, the Company’s business performance reached a record high: the number of newly signed contracts exceeded RMB1 trillion for the first time, reaching RMB1,019,728 million, representing a year-on-year increase of 29.47%; revenue realization was RMB400,115 million, representing a year-on-year increase of 18.15%, and a total profit of 11,917 million, representing a year-on-year increase of 21.83%, and continued to maintain a stable momentum of development in the face of adversity.

# SIGNIFICANT EVENTS

## XVIII. ACTIVE FULFILMENT OF SOCIAL RESPONSIBILITY

### (I) PERFORMANCE OF POVERTY ALLEVIATION BY THE LISTED COMPANY

#### 1. Targeted poverty alleviation programmes

Applicable  Not Applicable

#### 2. Annual summary of precision poverty relief efforts

2020 was the year of decisive battle against poverty. At the critical final stage of poverty alleviation, the Company responded positively to the call and carried out down-to-earth assistance work closely around the “general goal” of fighting poverty alleviation.

##### (1) Allocation of Aid Funds for Poverty Alleviation

In April 2020, the Company has fully allocated the first aid fund of RMB7.4243 million for poverty alleviation, including allocating RMB3 million to support three industrial projects in Yanhe Tujia Autonomous County of Guizhou Province; RMB3 million for building 2 industrial projects in Dejiang County of Guizhou Province; RMB1.4243 million to Panzhihua Technician College to implement the “Mine Heart” vocational education program.

In November 2020, the Company has allocated the second aid fund of RMB1 million for Huayuan County of Hunan Province.

##### (2) Implementation of poverty alleviation through consumption

The Company actively responded to calls for poverty alleviation through consumption from units of higher levels, continued to increase the procurement of agricultural products with special features in the poverty alleviation provinces. It also called on the trade unions of the subsidiary enterprises to actively take part in the poverty alleviation campaigns to support poverty alleviation through practical actions. During the Reporting Period, the Company and its subsidiaries at various levels spent more than RMB27 million on poverty alleviation, and spent RMB5.4489 million for direct purchase of agricultural products to national-level poverty-stricken counties outside the poverty alleviation designated counties, which exceeded the target of annual consumption on poverty alleviation.

##### (3) Effectiveness of poverty alleviation work

With ceaseless efforts of the Company, Dejiang County of Guizhou Province, where the Company has been designated for the poverty alleviation, was successfully relieved from poverty in 2019. Yanhe County of Guizhou Province was successfully relieved from poverty in November 2020.

#### 3. Achievements of targeted poverty alleviation

Applicable  Not Applicable

#### 4. Staged progress of the fulfilment of social responsibility regarding targeted poverty alleviation

Applicable  Not Applicable

# SIGNIFICANT EVENTS

## (II) Social Responsibilities

While the Company strove to reward its shareholders with first-class operating results, the Company actively fulfilled its social responsibilities and benefited the society with actions. In 2020, through cadre poverty alleviation, industrial poverty alleviation, construction for poverty alleviation, donation for poverty alleviation, consumption for poverty alleviation, the Company helped two designated poverty alleviation counties in Guizhou to be successfully relieved from poverty; organized the vast number of employees to immediately devote themselves to the pandemic prevention and control work, rushed to assist in the design, construction and transformation of designated hospitals, and made donations for severely affected areas. In flood control, the Company has built a solid “red dam” to protect people’s lives and property, which has been widely praised by all sectors of the community.

For details of the Company fulfilling each social responsibilities, please refer to “Fighting Against the COVID-19 Outbreak” and the 2020 Social Responsibility Report disclosed by the Company separately.

## (III) INFORMATION ON ENVIRONMENTAL PROTECTION OF THE COMPANY

### 1. *Environmental protection of the Company and its subsidiaries categorised as major sewage discharge enterprises as published by the environmental protection department*

In accordance with the Name List of Enterprises under Special Supervision and Enterprises with Significant Waste Disposal for 2020 published by the state and local environmental protection departments, among all subsidiaries of the Company, Xiangyang Enfi Environmental Protection Energy Co., Ltd., a subsidiary of China Nonferrous Engineering Co., Ltd. (hereinafter referred to as “China Non-ferrous”), Ganzhou Enfi Environmental Protection Energy Co., Ltd. (贛州恩菲環保能源有限公司) and China City New Energy Development Dafeng Co., Ltd. (都市環保新能源開發大豐有限公司), a subsidiary of WISDRI Engineering & Research Incorporation Limited (hereinafter referred to as “WISDRI”), were included in the list of enterprises under special supervision of exhaust gas, China Silicon Corporation Ltd. (洛陽中硅高科技有限公司), a subsidiary of China Non-ferrous was included in the list of enterprises under special supervision of wastewater treatment plants, and 30 sewage treatment plants under MCC Huatian, China Non-ferrous and WISDRI were included in the list of enterprises under special supervision of sewage treatment. During the Reporting Period, each environmental protection facility of all units under the Name List of Enterprises with Significant Waste Disposal operated normally, and the emission of key pollutants reached the emission standard without excessive emission, achieving the objective of total emission reduction.



# SIGNIFICANT EVENTS

The Company has been adhering to the guidance of Xi Jinping’s ecological civilization thought and the scientific outlook of development of “serving environmental protection by technology, promoting development by energy conservation and emission reduction”, firmly establishing the concept of construction and production of “green construction and clean production”, constantly promoting structural reform, transformation and upgrading of the Company, regarding the concept of greenery development as a long-term goal. It formulated the “Administrative Measures for Energy Conservation and Environmental Protection of MCC” (《中國中冶節能環保管理辦法》), the “Implementation Rules for Energy Conservation and Environmental Protection Organization System and Job Responsibilities of MCC” (《中國中冶節能環保組織體系及崗位職責實施細則》), the “Implementation Rules for Energy Conservation and Environmental Protection Inspections of MCC” (《中國中冶節能環保檢查實施細則》), the “Implementation Rules for Energy Conservation and Environmental Protection Reports of MCC” (《中國中冶節能環保報告實施細則》), the “Implementation Rules for Responsibility Investigation of Safety and Environmental Protection Accidents of MCC” (《中國中冶安全環保事故責任追究實施細則》), the “Integrated Emergency Response Plan of Environmental Emergencies of MCC” (《中國中冶突發環境事件綜合應急預案》), the “Work Manual of Energy Conservation and Emission Reduction of MCC” (《中國中冶節能減排工作手冊》), and the “Green Construction Demonstration Atlas of MCC” (《中國中冶綠色施工示範圖集》) and other documents, which cover contents such as overall requirements of energy conservation and environmental protection management, supervision and inspection, responsibility of reporting, education and training, assessment, rewards and punishment, as well as integrated emergency response management of environmental emergencies. Such rules and regulations could satisfy the latest national requirements on energy conservation and environmental protection management, proactively advocate energy conservation and emission reduction of the Company, and promote green construction and related work, so as to fully accomplish the management objectives on energy conservation and environmental protection during the year. Proactively devoting itself to environmental governance and environmental protection and advocating the concept of environmental protection for years, the Company strived to enhance the efficiency of energy utilization and establish a resource-conserving and environment-friendly enterprise.

## (1) Information about pollution discharge

### ① 30 enterprises under special supervision of sewage treatment

No.	Company name	Discharge vent	Major pollutants and characteristic pollutants	Executive standard	Emission standard <sup>note</sup> (mg/L)	Actual emission (mg/L)	Total emission rate (10,000t/day)	Discharge flow
1	Chuzhou Huatian Water Corporation MCC (滁州市中冶華天水務有限公司)	Main vent from Chuzhou Huatian Water Corporation MCC WS-01904	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	30.60 1.05	14.56	Qingliu River (清流河)
2	Lai'an Huatian Water Corporation MCC (萊安縣中冶華天水務有限公司)	Vent from Lai'an Huatian Water Corporation MCC Wastewater	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	30.33 0.39	6.15	Lai River (萊河)
3	MCC Qinhuangdao Water Co., Ltd. (中冶秦皇島水務有限公司)	Vent from Shanhaiguan Water Treatment Plant (山海關污水廠出水口)	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	15.95 0.68	3.45	Chao River (潮河)
4	Shouguang North Water Corporation MCC (壽光市城北中冶水務有限公司)	Vent outside Shouguang North Water Corporation MCC	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A <sup>note</sup>	40 2	23.90 0.37	8.20	Zhangseng River (張濇河)
5	Tianchang Huatian Water Corporation MCC (Tianchang Wastewater Treatment Plant) (天長市中冶華天水務有限公司 (天長市污水處理廠))	Vent No. WS-009	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	22.55 1.02	5.81	Chuanqiao River (川橋河)

# SIGNIFICANT EVENTS

No.	Company name	Discharge vent	Major pollutants and characteristic pollutants	Executive standard	Emission standard <sup>note</sup> (mg/L)	Actual emission (mg/L)	Total emission rate (10,000t/day)	Discharge flow
6	Qinlan Wastewater Treatment Plant of Tianchang Huatian Water Corporation MCC (天長市中冶華天水務有限公司(秦欄鎮污水處理廠))	Mixed inflow of sewage emission in Qinlan Town and Jiangwei County of Tianchang City	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	22.90 0.74	0.57	Qinlan River (秦欄河)
7	Yangcun Water Treatment Plant of Tianchang Huatian Water Corporation MCC (天長市中冶華天水務有限公司(楊村鎮污水處理廠))	Mixed inflow of sewage emission in Yangcun Wastewater Treatment Plant of Tianchang City	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	25.28 1.61	0.47	Yangcun River (楊村河)
8	Wastewater Treatment Plant of Tianchang Economic Development Zone of Tianchang Huatian Water Corporation MCC (天長市中冶華天水務有限公司(天長市經濟開發區污水處理廠))	Vent No. WS-04303	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	24.38 0.58	1.80	New Chuanqiao River (新川橋河)
9	Tongcheng Water Treatment Plant of Tianchang Huatian Water Corporation MCC (天長市中冶華天水務有限公司(銅城鎮污水處理廠))	Vent No. WS-04305	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	26.17 0.29	0.64	銅龍河
10	MCC Xinglong Water Co., Ltd. (興隆縣中冶水務有限公司)	Vent of disinfecting tank WS-001	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	15.85 0.35	2.26	Liu River (柳河)
11	MCC Dingyuan Water Co., Ltd. (定遠縣中冶水務有限公司)	Wastewater discharge vent WS-50004	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	28.10 0.58	3.49	Maqiao River (馬橋河)
12	Lu'an Water Corporation MCC (六安市中冶水務有限公司)	Main vent WS00075	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	14.48 1.02	2.00	Su Da Yan (蘇大堰)
13	Cha He Water Treatment Plant of Lai'an Huatian Water Corporation MCC (來安縣中冶華天水務有限公司(沙河污水處理廠))	Vent from Cha He Water Treatment Plant (沙河污水處理廠污水排放口)	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 8(15)	16.97 0.26	1.91	Chu River (滁河)
14	Ma'anshan Water Corporation MCC (馬鞍山中冶水務有限公司)	Ma'anshan Huatian Water Corporation MCC (馬鞍山市中冶華天水務有限公司) WS-090801	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	8.64 0.50	1.76	Xiangcheng River (襄城河)
15	Huangshi Water Corporation MCC (黃石中冶水務有限公司)	Vent from Huangshi Tuanchengshan Wastewater Treatment Plant (黃石團城山污水處理廠排放口)	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	12.66 0.93	3.90	Ci-hu Lake (磁湖)
16	Shouguang MCC Huatian Water Co., Ltd. (壽光市中冶華天水務有限公司)	Vent from Shouguang MCC Huatian Water Co., Ltd. WS-37078309	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A <sup>note</sup>	40 2	34.20 1.05	12.08	Xiaoqing River Ammoniacal (小清河)
17	Qinhuangdao Funing District MCC Water Co., Ltd. Wastewater (秦皇島市撫寧區中冶水務有限公司)	Main vent from Funing Wastewater Treatment Plant	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	30.12 0.27	4.49	Artificial river
18	Fuzhou MCC Changle District Water Co., Ltd. (福州市長樂區中冶水務有限公司)	Vent from Fuzhou MCC Changle District Water Co., Ltd. (福州市長樂區中冶水務有限公司) WS- 26616	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	27.20 0.19	5.44	Min River (閩江)
19	MCC Xuancheng Water Co., Ltd. (宣城市中冶水務有限公司) <sup>note</sup>	Vent from Xuancheng Wastewater Treatment Plant (宣城污水廠出口)	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	14.89 0.46	0.59	Shuiyang River (水陽江)

# SIGNIFICANT EVENTS

No.	Company name	Discharge vent	Major pollutants and characteristic pollutants	Executive standard	Emission standard <sup>note</sup> (mg/L)	Actual emission (mg/L)	Total emission rate flow (10,000t/day)	Discharge
20	Beijing Zhongshe Water Treatment Co., Ltd. (北京中設水處理有限公司)	Main vent (Phase I)	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (Level 1 Standard A of current wastewater plant) DB11/890-2012	50	21	4.51	Ciwei River (刺魏河)
			Ammoniacal nitrogen		5(8)	0.49		
			Total phosphorus		0.5	0.27		
		Main vent (Phase II)	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (Level 1 Standard A of new wastewater plant) DB11/890-2012	20	14	4.09	
			Ammoniacal nitrogen		1.0(1.5)	0.28		
			Total phosphorus		0.2	0.12		
21	Lanzhou Zhongtong Water Corporation (蘭州中投水務有限公司)	Main vent	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard B	60	22.53	22.19	Yellow River
			Ammoniacal nitrogen		8(15)	0.55		
			Total phosphorus		1	0.13		
22	Xiaogan Zhongshe Water Co., Ltd. (孝感中設水務有限公司)	Main vent	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard B	50	16.97	13.45	Gunzi River (滾子河)
			Ammoniacal nitrogen		5(8)	0.59		
			Total phosphorus		0.5	0.26		
23	Wenxian Zhongtong Water Co., Ltd. (溫縣中投水務有限公司)	Main vent of the First Wastewater Treatment Plant	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	13.8	3.8	Laomang River (老蟒河)
			Ammoniacal nitrogen		5(8)	0.34		
			Total phosphorus		0.5	0.12		
		Main vent of the Second Wastewater Treatment Plant	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	19.12	2.07	
			Ammoniacal nitrogen		5(8)	0.41		
			Total phosphorus		0.5	0.11		
24	Changzhou Enfi Water Co., Ltd. (常州恩菲水 務有限公司)	Main vent	COD	Discharge Standard of Main Water Pollutants for Municipal Wastewater Treatment Plant & Key Industries of Taihu (DB32/1072- 2018)	60	42.00	2.27	Cailling Port (採菱港)
			Ammoniacal nitrogen		5	0.45		
			Total phosphorus		0.5	0.11		
25	Wuzhi Zhongshe Water Co., Ltd. (武陟縣中設 水務有限公司)	Main vent	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	28.97	1.2	Lao River in District 2 and 4 (二四區澇河)
			Ammoniacal nitrogen		5(8)	0.34		
			Total phosphorus		0.5	0.048		
26	Pingyuan Zhongshe Water Co., Ltd. (平原中設 水務有限公司)	Main vent	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	35	4.6	Ma Hong Trunk Sewers (馬洪幹渠)
			Ammoniacal nitrogen		5(8)	1.26		
			Total phosphorus		0.5	0.2		
27	Wuhan Urban Environmental Water Co., Ltd. (都市環保武漢水務有限公司)	Vent from Wuhan Baoxie Wastewater Treatment Plant (武漢市豹澗汙水處理廠廢水排放口)	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002)	50	8.30	2.24	Yangtze River (長江)
			Ammoniacal nitrogen		5(8)	0.14		
			Total phosphorus		0.5	0.19		

# SIGNIFICANT EVENTS

No.	Company name	Discharge vent	Major pollutants and characteristic pollutants	Executive standard	Emission standard <sup>60%</sup> (mg/L)	Actual emission (mg/L)	Total emission rate (10,000t/day)	Discharge flow
28		Main vent of Zuoling Wastewater Treatment Plant of Wuhan Urban Environmental Water Co., Ltd. (都市環保武漢水務有限公司左嶺污水處理廠廢水總排口)	COD		50	11.8	5.96	
			Ammoniacal nitrogen		5(8)	0.19		
			Total phosphorus		0.5	0.17		
29	Zhuxi Urban Environmental Water Co., Ltd. (都市環保竹溪縣水務有限公司)	Vent from Zhuxi Dongcheng District Wastewater Treatment Plant (竹溪縣東城新區污水處理廠排出口)	COD	Discharge Standard of Pollutants for	50	18.3	0.46	Zhuxi River (竹溪河)
			Ammoniacal nitrogen	Municipal Wastewater Treatment Plant (GB18918-2002)	5(8)	1.7		
			Total phosphorus		0.5	0.14		
30	Macheng Urban Environmental Water Co., Ltd. (都市環保麻城水務有限公司)	Vent from Macheng Urban Environmental Wastewater Treatment Plant (都市環保麻城污水處理廠廢水排出口)	COD	Discharge Standard of Pollutants for	50	11.1	0.48	Jushui River (舉水河)
			Ammoniacal nitrogen	Municipal Wastewater Treatment Plant (GB18918-2002)	5(8)	0.17		
			Total phosphorus		0.5	0.12		

**Note:** The values outside the brackets of the standard GB18918-2002 represent control objectives when water temperature is higher than 12 degrees Celsius. The value inside the brackets of the standard GB18918-2002 is control objectives whose water temperature is equal to or below 12 degrees Celsius.

# SIGNIFICANT EVENTS

## ② Enterprises under special supervision of exhaust gas (3 enterprises)

No.	Company name	Discharge vent	Name of main pollutant and characteristic pollutant	Executive standard	Emission standard	Actual emission	Total emission rate (kg/h)	Discharge flow
1	Xiangyang Enfi Environmental Protection Energy Co., Ltd. (襄陽恩菲環保能源有限公司)	Xiangyang Enfi Household Waste Incineration Power Plant (Wastewater vent)	COD	Integrated wastewater discharge standard (GB8978-1996) Level Three Emission limit	500mg/L	38.82mg/L	0.88kg/h	Wastewater Treatment Plant of Yujiahu
			PH	Integrated wastewater discharge standard (GB8978-1996) Level Three Emission limit	6~9	/	/	
		Exhaust vent #1 from Xiangyang Enfi Waste Incineration Power Plant	SO <sub>2</sub>	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm <sup>3</sup>	25.39mg/m <sup>3</sup>	2.03kg/h	Atmosphere
			NO <sub>x</sub>	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm <sup>3</sup>	129.73mg/m <sup>3</sup>	10.08kg/h	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm <sup>3</sup>	5.42mg/m <sup>3</sup>	0.29kg/h	
		Exhaust vent #2 from Xiangyang Enfi Waste Incineration Power Plant	SO <sub>2</sub>	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm <sup>3</sup>	20.78mg/m <sup>3</sup>	1.68kg/h	
			NO <sub>x</sub>	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm <sup>3</sup>	135.47mg/m <sup>3</sup>	10.46kg/h	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm <sup>3</sup>	5.89mg/m <sup>3</sup>	0.36kg/h	
		Exhaust vent #3 from Xiangyang Enfi Waste Incineration Power Plant	SO <sub>2</sub>	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm <sup>3</sup>	34.92mg/m <sup>3</sup>	1.35kg/h	
			NO <sub>x</sub>	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm <sup>3</sup>	149.99mg/m <sup>3</sup>	10.64kg/h	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm <sup>3</sup>	2.12mg/m <sup>3</sup>	0.04kg/h	



# SIGNIFICANT EVENTS

No.	Company name	Discharge vent	Name of main pollutant and characteristic pollutant	Executive standard	Emission standard	Actual emission	Total emission rate (kg/h)	Discharge flow
2	Ganzhou Enfi Environmental Protection Energy Co., Ltd. (贛州恩菲環保能源有限公司)	Exhaust vent #1 from Ganzhou Enfi Waste Incineration Power Plant	SO <sub>2</sub>	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm <sup>3</sup>	13.2mg/m <sup>3</sup>	1.1kg/h	Atmosphere
			NO <sub>x</sub>	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm <sup>3</sup>	140.1mg/m <sup>3</sup>	12.46kg/h	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm <sup>3</sup>	3.2mg/m <sup>3</sup>	0.27kg/h	
		Exhaust vent #2 from Ganzhou Enfi Waste Incineration Power Plant	SO <sub>2</sub>	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm <sup>3</sup>	1.6mg/m <sup>3</sup>	0.12kg/h	
			NO <sub>x</sub>	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm <sup>3</sup>	150.9mg/m <sup>3</sup>	14.84kg/h	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm <sup>3</sup>	3.8mg/m <sup>3</sup>	0.36kg/h	
		Exhaust vent #3 from Ganzhou Enfi Waste Incineration Power Plant	SO <sub>2</sub>	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm <sup>3</sup>	11.25mg/m <sup>3</sup>	0.84kg/h	
			NO <sub>x</sub>	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm <sup>3</sup>	133.37mg/m <sup>3</sup>	10.97kg/h	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm <sup>3</sup>	3.092mg/m <sup>3</sup>	0.18kg/h	
3	China City New Energy Development Dafeng Co., Ltd. (都市環保新能源開發大豐有限公司)	China City 1# gas exhaust gas	SO <sub>2</sub>	Discharge Standard of Pollutants for Thermal Power Plant (GB13223-2011)	100mg/m <sup>3</sup>	1.04mg/m <sup>3</sup>	0.11kg/h	Atmosphere
			NO <sub>x</sub>		100mg/m <sup>3</sup>	49.84mg/m <sup>3</sup>	5.495kg/h	

# SIGNIFICANT EVENTS

## ③ Enterprises under special supervision of wastewater treatment plants (1 enterprise)

No.	Company name	Discharge vent	Name of main pollutant and characteristic pollutant	Executive standard	Emission standard	Actual emission	Total emission rate (kg/h)	Discharge flow
1	China Silicon Corporation Ltd. – The First Subsidiary (洛陽中硅高科技有限公司一分公司)	Main vent of wastewater	pH	Integrated Wastewater Discharge Standard (GB 8978-1996) (Level Three)	6~9	8.50	/	Sewage treatment plant of New District, Luoyang
			SS	Integrated Wastewater Discharge Standard (GB8978-1996) (Level Three)	400mg/L	69.20	3.12	
			COD	Integrated Wastewater Discharge Standard (GB 8978-1996) (Level Three)	500mg/L	41.68	1.82	
			Ammoniacal nitrogen	Integrated Wastewater Discharge Standard (GB 8978-1996) (Level Three)	/	0.14	0.01	
			Cl-	Discharge Standard of Chlorides for Salt and Alkali Industry DB41/276-2011	350mg/L	253.75	11.15	
			F-	Integrated Wastewater Discharge Standard (GB 8978-1996) (Level Three)	20mg/L	0.52	0.02	
		Chimney of Exhaust Washing Tower	HCl	Integrated Emission Standards of Air Pollutants Level Two	100mg/Nm <sup>3</sup> 0.915kg/h	10.51 0.15	/ 0.90	Atmosphere
		Chimney of Acid Fume Purification Tower	HF	Integrated Emission Standards of Air Pollutants Level Two	9mg/Nm <sup>3</sup> 0.38kg/h	1.25 0.01	/ 0.02	
			NOx	Integrated Emission Standards of Air Pollutants Level Two	240mg/Nm <sup>3</sup> 2.85kg/h	26.17 0.24	/ 0.47	

# SIGNIFICANT EVENTS

## (2) Construction and operation of pollution prevention facilities

- ① The wastewater treatment facility of Luoyang Silicon High Technology Company Limited (洛陽中硅高科技有限公司) – The First Subsidiary is equipped with a threewastes treatment station, an integrated system for domestic sewage; the exhaust gas treatment facility is equipped with exhaust washing tower, acid fume purification tower and dust collecting bag. With respect to solid waste treatment facility, general solid waste storage yard, sludge yard for wastewater treatment, hydrogenated residues yard and hazardous waste temporary storage yard are provided.
- ② All incineration power plants kept increasing control over percolate, fly ash, flue gas purification system, etc., in order to guarantee waste water treatment and smoke and dust emission compliant with requirements.
- ③ During the Reporting Period, Beijing ENFI Environmental Protection Co., Ltd. kept increasing management and control over wastewater treatment facility, operation, etc., in order to guarantee all effluent meets standards. The standard increased by Xiaogan Sewage Treatment Plant to Grade 1A, the standard increase and modification project (standard A in Beijing) of Liangxiang Sewage Treatment Plant and standard increase and medication projects (Grade 1A) of Lanzhou Yan'erwan Sewage Plant are all in progress.
- ④ Wastewater treatment process used in 19 wastewater treatment plants operated by MCC Huatian Engineering & Technology Co., Ltd. mainly adopted primary treatment (physical and chemical treatment process) + secondary treatment (biochemical treatment process) + tertiary treatment (advanced treatment process), in which 19 plants executed the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (Level 1 Standard A) (GB18918–2002) for effluent quality.
- ⑤ Baoxie Wastewater Treatment Plant of Wuhan Urban Environmental Water Co., Ltd. adopted hydrolytic acidification + modified A/A/O + coagulation and filtration process with enhanced biological denitrification and phosphorus removal function. Effluent disinfection adopted disinfection by sodium hypochlorite.
- ⑥ Zuoling Wastewater Treatment Plant of Wuhan Urban Environmental Water Co., Ltd. adopted modified MSBR + coagulation and filtration process with enhanced biological denitrification and phosphorus removal function. Effluent disinfection adopted disinfection by sodium hypochlorite.
- ⑦ The 2 units of China City New Energy Development Dafeng Co., Ltd. are currently in normal operation and are equipped with “SNCR (urea injection at high temperature section of furnace, selective non-catalytic reduction denitrification system)”, “furnace desulfurization system (injection of dry lime powder into high temperature combustion zone in the furnace)” and “two-level dust removal system comprising of cyclone dust remover + dust collection bag”, respectively.

In 2020, pollution prevention and control facilities of the above enterprises were in normal and stable operation with perfect production operation management, guaranteeing the meeting of applicable emission standards. All sewage treatment companies attached high importance to energy conservation and consumption reduction so that operation of pollution prevention facilities was normal. By continuously strengthening the management and control of sewage treatment facilities, operation and other aspects, the standards of stable water discharge quality were guaranteed.

# SIGNIFICANT EVENTS

## (3) Environmental impact assessment of construction projects and other permits granted by environmental protection administrative departments

Phase II of Ganzhou Enfi Waste Incineration Power Plant was approved by the Administrative Approval Bureau of Ganzhou City (贛州市行政審批局) on 3 September 2019, and environmental protection acceptance monitoring was carried out in September 2020. On 16 December 2020, the inspection team of the expert review meeting considered that the Phase II project basically fulfilled the measures in the EIA and the approval documents and the environmental protection acceptance requirements for completion of the project, and agreed in principle that the project passed the environmental protection inspection for completion.

The standard enhancement by Xiaogan Sewage Treatment Plant has obtained the (Xiao Huan Han [2018] No. 14), which is the approval by the environmental impact assessment; the standard enhancement and modification project of Liangxiang Sewage Treatment Plant has obtained the (Fanghuan Ju [2018] No. 0022), which is the approval by the environmental impact assessment; the standard enhancement and modification projects of Lanzhou Yan'erwan Sewage Plant have obtained the (Lan Huan Fu [2018] No. 18), which is the approval by the environmental impact assessment; Wuzhi County Wastewater Treatment Plant 3 has received opinions on the acceptance of environmental protection for completion of construction works.

MCC Xuancheng Water Co., Ltd. failed to meet the acceptance conditions of environmental protection due to the lack of water in the external pipe network.

Macheng Wastewater Treatment Plant project has been approved by environmental impact assessment and pollutant discharge permits, and the environmental protection requirements in the EIA and acceptance approval documents have been fully implemented.

The Environmental Impact Assessment and Feasibility Study Report of the Zhuxi Dongcheng District Wastewater Treatment Plant Construction Project has been approved, in which the approval for the EIA is "Shi Huan Han [2019] No. 481", the environmental protection in the EIA approval document has been fully implemented. The stage acceptance of environmental protection for the completion of the Phase I of the project has been completed.

## (4) Contingency plans for environmental emergencies

The contingency plan for environmental emergencies set out by a subsidiary of China Silicon Corporation Ltd. was filed with Luoyang Environmental Protection Bureau, Luoyang Urban and Rural Integration Commission and Bureau of Land and Resources of Luoyang on 9 January 2017, with reference number 410311-2017-H-1.

The contingency plan for environmental emergencies set out by Xiangyang Enfi Environmental Protection Energy Co., Ltd. was filed with Xiangyang Environmental Protection Bureau Xiangcheng District Branch Office on 15 August 2017, with reference number 420602-2017-003-M.

The contingency plan for environmental emergencies set out by Ganzhou Enfi Environmental Protection Energy Co., Ltd. (贛州恩菲環保能源有限公司) was filed with Ganxian District Environmental Protection Bureau in Ganzhou on 7 December 2018, with reference number 360721-2018-021-M.

The contingency plan for environmental emergencies set out by China City New Energy Development Dafeng Co., Ltd. (都市環保新能源開發大豐有限公司) was filed with Yancheng Environmental Protection Bureau Dafeng District Branch Office on 13 November 2018, with reference number 320982-2018-057-L.

# SIGNIFICANT EVENTS

All sewage treatment companies have worked out contingency plans for environmental emergencies. Wuzhi County Wastewater Treatment Plant III (武陟縣第三污水處理廠) was newly built in 2020 and commenced production in July. The contingency plan for environmental emergencies has been prepared by the consulting agency, and it is expected to complete the filing procedures in March 2021.

## (5) Environmental self-monitoring plans

China Silicon Corporation Ltd., Xiangyang ENFI Environmental Protection Energy Co., Ltd., Ganzhou Enfi Environmental Protection Energy Co., Ltd., China City New Energy Development Dafeng Co., Ltd. (都市環保新能源開發大豐有限公司) and 30 sewage treatment companies (except for the new project of Wuzhi Plant, Pingyuan Plant and MCC Xuancheng Water Co., Ltd., which did not meet the acceptance conditions of environmental protection) have worked out environmental self-monitoring plans. All sewage treatment plants have been installed with online COD and ammoniacal nitrogen monitoring facilities at their intakes and vents, respectively, ensuring that monitoring data is transmitted and monitored in real time by local environmental protection authorities via the Internet. At the same time, the local monitoring station regularly selects and tests samples from sewage treatment plants to ensure understanding and handling the sewage treatment situation of the plants.

## (6) Other information about environmental protection that should be made public

① All companies with Significant Waste Disposal have timely submitted environment monitoring data to the Environmental Statistics Reporting System for Enterprises under Special Supervision (《國家重點監控企業的環境統計直報系統》) or published on relevant online platforms.

② Ganzhou Enfi Environmental Protection Energy Co., Ltd.

In March 2020, it was awarded as a key enterprise in the modern service industry by the Leading Group Office of the critical mission of Modern Service Industry in Ganxian District, Ganzhou City.

In November 2020, it was awarded as an Outstanding Enterprise in the Environmental Protection Service Industry in Ganzhou City by Ganzhou Association of Urban Environmental Sanitation.

During the "6.5" environment day in 2020, the "Public Open Day" was organised to receive visits by local environmental organizations, members of the National People's Congress and local villagers. It welcomed a total of 415 visitors throughout the year.

③ Beijing Enfi Environmental Protection Co., Ltd.

In 2020, it obtained the authorization of 5 new and practical patents, namely mud scrapers, powdered activated carbon dosing system, secondary settling tank and sludge discharging system, filter correction and sensing device for belt sludge dewatering machine, filter interception device and system, and an invention patent for the method of controlling sludge expansion in biological pools and sewage treatment method.



# SIGNIFICANT EVENTS

2. *Information on environmental protection of companies not under the Name List of Enterprises with Significant Waste Disposal*

Applicable  Not Applicable

3. *Undisclosed information on environmental protection of companies not under the Name List of Enterprises with Significant Waste Disposal*

Applicable  Not Applicable

4. *Disclosed information on subsequent progress or changes of environmental protection in the Reporting Period*

Applicable  Not Applicable

## XIX. CONVERTIBLE CORPORATE BONDS

Applicable  Not Applicable

# CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

## I. CHANGES IN ORDINARY SHARE CAPITAL

### (I) Changes in ordinary shares

#### 1. *Changes in ordinary shares*

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

#### 2. *Explanation on the changes in ordinary shares*

Applicable  Not applicable

#### 3. *Impacts on financial indicators including earnings per share, net assets per share, etc. from changes in ordinary shares in the latest year and period (if any)*

Applicable  Not applicable

#### 4. *Other information the disclosure of which is deemed necessary by the Company or is required by securities regulatory authorities*

Applicable  Not applicable

### (II) Changes in shares subject to selling restrictions

Applicable  Not applicable

## II. ISSUANCE AND LISTING OF SECURITIES

### (I) Issuance of securities for the Reporting Period

Applicable  Not applicable

Explanations on the securities issuance during the Reporting Period (please explain the bonds with different interest rates during the lifetime separately):

Applicable  Not applicable

### (II) Changes in the total number of ordinary shares and Shareholder structures and changes in the asset and liability structures of the Company

Applicable  Not applicable

### (III) Existing internal employee shares

Applicable  Not applicable

# CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

## III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLER

### (I) Total number of Shareholders

Total number of ordinary Shareholders as at the end of the Reporting Period ( <i>Person</i> )	388,041
Total number of holders of ordinary shares of the Company as at 28 February 2021	400,652
Total number of Shareholders of preferred shares whose voting rights have been restored as at the end of the Reporting Period ( <i>Person</i> )	0
Total number of holders of preference shares with voting rights restored as at the end of the last month prior to the disclosure of annual report ( <i>in the number of accounts</i> )	0

### (II) Shareholdings of the Top Ten Shareholders and Top Ten Holders of Tradable Shares (or holders of shares not subject to selling restrictions) as at the end of the Reporting Period

Unit: share

Name of Shareholder (full name)	Change during the Reporting Period	Shareholding of the top 10 Shareholders		Number of Shares subject to selling restrictions	Pledged or frozen		Nature of Shareholder
		Number of Shares held at the end of the period	Percentage (%)		Status of Shares	Amount	
China Metallurgical Group Corporation (中國冶金科工集團有限公司)	-1,227,760,000	10,190,955,300	49.18	0	Nil	0	State-owned legal person
HKSCC Nominees Limited (香港中央結算(代理人)有限公司) <sup>2)</sup>	422,950	2,841,522,051	13.71	0	Nil	0	Others
China National Petroleum Corporation (中國石油天然氣集團有限公司)	1,227,760,000	1,227,760,000	5.92	0	Nil	0	State-owned legal person
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	0	620,195,642	2.99	0	Nil	0	State-owned legal person
Hong Kong Securities Clearing Company Limited (香港中央結算有限公司)	18,759,541	239,044,402	1.15	0	Nil	0	Others
Central Huijin Assets Management Company Limited (中央滙金資產管理有限責任公司)	0	90,087,800	0.43	0	Nil	0	State-owned legal person
Dalian Tonghe Investment Co., Ltd. – Tonghe Macro-hedged Phase I Private Equity Fund (大連通和投資有限公司 – 通和宏觀對沖一期私募基金)	65,000,000	65,000,000	0.31	0	Nil	0	Others
博時基金 – 農業銀行 – 博時中證金融資產管理計劃 Bosera Funds – Agricultural Bank of China – Bosera CSI Financial Assets Management Scheme (博時基金 – 農業銀行 – 博時中證金融資產管理計劃)	0	63,516,600	0.31	0	Nil	0	Others
EFund – Agricultural Bank – EFund China Securities and Financial Assets Management Program (易方達基金 – 農業銀行 – 易方達中證金融資產管理計劃)	0	63,516,600	0.31	0	Nil	0	Others
Da Cheng Fund – Agricultural Bank – Da Cheng China Securities and Financial Assets Management Program (大成基金 – 農業銀行 – 大成中證金融資產管理計劃)	0	63,516,600	0.31	0	Nil	0	Others

# CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

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

# CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

## Shareholding of top 10 Shareholders not subject to selling restrictions

Name of Shareholder	Number of tradable Shares held not subject to selling restrictions	Types and number of Shares	
		Types of shares	Number of shares
China Metallurgical Group Corporation (中國冶金科工集團有限公司)	10,190,955,300	RMB-denominated ordinary shares	10,190,955,300
HKSCC Nominees Limited <sup>(2)</sup> (香港中央結算(代理人)有限公司)	2,841,522,051	Overseas-listed foreign shares	2,841,522,051
China National Petroleum Corporation (中國石油天然氣集團有限公司)	1,227,760,000	RMB-denominated ordinary shares	1,227,760,000
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	620,195,642	RMB-denominated ordinary shares	620,195,642
Hong Kong Securities Clearing Company Limited (香港中央結算有限公司)	239,044,402	RMB-denominated ordinary shares	239,044,402
Central Huijin Assets Management Company Limited (中央滙金資產管理有限責任公司)	90,087,800	RMB-denominated ordinary shares	90,087,800
Dalian Tonghe Investment Co.,Ltd. – Tonghe Macro-hedged Phase I Private Equity Fund (大連通和投資有限公司 – 通和宏觀對沖一期私募投資基金)	65,000,000	RMB-denominated ordinary shares	65,000,000
Bosera Funds – Agricultural Bank – Bosera China Securities and Financial Assets Management Program (博時基金 – 農業銀行 – 博時中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
EFund – Agricultural Bank – EFund China Securities and Financial Assets Management Program (易方達基金 – 農業銀行 – 易方達中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
Da Cheng Fund – Agricultural Bank – Da Cheng China Securities and Financial Assets Management Program (大成基金 – 農業銀行 – 大成中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
Harvest Fund – Agricultural Bank – Harvest China Securities and Financial Assets Management Program (嘉實基金 – 農業銀行 – 嘉實中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
GF Fund – Agricultural Bank – GF China Securities and Financial Assets Management Program (廣發基金 – 農業銀行 – 廣發中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600



# CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

## Shareholding of top 10 Shareholders not subject to selling restrictions

Name of Shareholder	Number of tradable Shares held not subject to selling restrictions	Types and number of Shares	
		Types of shares	Number of shares
Zhong Ou Fund – Agricultural Bank – Zhong Ou China Securities and Financial Assets Management Program (中歐基金－農業銀行－中歐中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
ChinaAMC Fund – Agricultural Bank – ChinaAMC China Securities and Financial Assets Management Program (華夏基金－農業銀行－華夏中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
Yinhua Fund – Agricultural Bank – Yinhua China Securities and Financial Assets Management Program (銀華基金－農業銀行－銀華中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
China Southern Fund – Agricultural Bank – China Southern China Securities and Financial Assets Management Program (南方基金－農業銀行－南方中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
ICBC Credit Suisse Fund – Agricultural Bank – ICBC Credit Suisse China Securities and Financial Assets Management Program (工銀瑞信基金－農業銀行－工銀瑞信中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600

Explanations on the connections or parties acting in concert among the aforesaid Shareholders

The Company is not aware of the existence of any connections or parties acting in concert among the aforesaid Shareholders

Explanations on the shareholders of preferred shares whose voting rights have been restored and the number of Shares held

Not applicable

Note (1): Figures in the table were extracted from the Company's register of Shareholders as at 31 December 2020.

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

### *Number of Shares held by top 10 shareholders subject to selling restrictions and information on the selling restrictions*

Applicable  Not applicable

### (III) Shareholding of top 10 Shareholders not subject to selling restrictions

Applicable  Not applicable

# CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

## IV CHANGES IN CONTROLLING SHAREHOLDER OR DE FACTO CONTROLLERS

### (I) Controlling Shareholder

#### 1. Legal person

Name	China Metallurgical Group Corporation
Person in charge	Guo Wenqing
Date of incorporation	1982-12-18
Principal business operations	Scope of business operations: General contracting of various kinds of domestic and international engineering; various kinds of engineering and technology consulting services and leasing of engineering equipment; technology development, technical services, technical exchange and transfer of technology of new materials, new techniques, and new products related to engineering and construction; development, production and sales of equipment required for the metallurgical industry; property development and operation; bidding agent; undertaking various types of international industrial and civilian construction, engineering consulting, surveying, design and leasing of equipment; import and export business; sales of mechanical and electrical products, cars, building materials, instrument and apparatus, and hardware and electric materials; research, planning, survey, design, supervision and services for construction and installation projects of mechanical and electrical equipment and related technology; development and sale of raw materials and products of papermaking; resources development, processing and utilization of metallic mineral products and relevant services.
Equity interests in other domestic and overseas listed companies controlled and held by the Company during the Reporting Period	As at the end of the Reporting Period, CMGC had equity interests of 27% in MCC Huludao Nonferrous Metals Group Co., Ltd., which in turn had a shareholding of 23.59% in Huludao Zinc Industry Co., Ltd. (000751).

#### 2. Natural person

Applicable  Not applicable

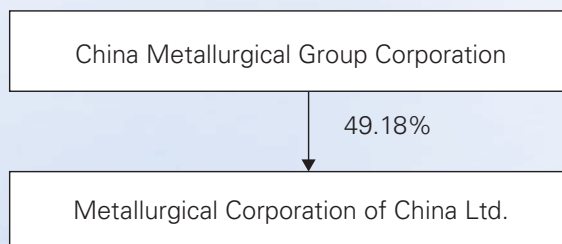
#### 3. Special explanation on the Company not having any controlling shareholder

Applicable  Not applicable

#### 4. Index and date of changes in Controlling Shareholder during the Reporting Period

Applicable  Not applicable

#### 5. Diagram of the equity and controlling relationship between the Company and the Controlling Shareholder



# CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

## (II) De Facto Controller

### 1. Legal person

The de facto controller of the Company is the SASAC.

### 2. Natural person

Applicable  Not applicable

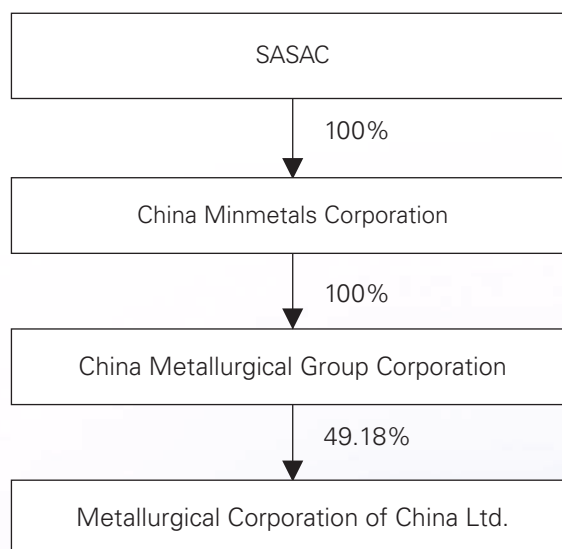
### 3. Special explanation on the Company not having any de facto controller

Applicable  Not applicable

### 4. Index and date of changes in de facto controller during the Reporting Period

Applicable  Not applicable

### 5. Diagram of the equity and controlling relationship between the Company and the de facto controller



### 6. Control of the Company by de facto controller by way of trust or other means of asset management

Applicable  Not applicable

## (III) Other explanation regarding the Controlling Shareholder and the de facto controller

Applicable  Not applicable

## V. OTHER CORPORATE SHAREHOLDERS HOLDING MORE THAN 10% OF THE COMPANY'S SHARES

Applicable  Not applicable

# CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

## VI. RESTRICTION ON REDUCTION IN SHAREHOLDING

Applicable  Not applicable

## VII. DISCLOSURE OF INTERESTS

### (I) Directors', Supervisors' and chief executive's interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at 31 December 2020, as far as the Company is aware, interests or short positions of the Directors, Supervisors and the chief executive of the Company or their associates in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Hong Kong Stock Exchange by the Directors and Supervisors pursuant to the Model Code or the rights granted for the purchase of shares or debentures of the Company or any of its associated corporations are as follows:

Unit: share

Name	Position	Class of Shares	Long/short position	Capacity	Number of shares	Percentage of the relevant class of shares in issue (%)	Percentage of the total number of shares in issue (%)
<b>Directors</b>							
Guo Wenqing	Chairman and Executive Director	A Shares	Long position	Beneficial owner	130,000	0	0
Zhang Mengxing	Executive Director and President	A Shares	Long position	Beneficial owner	60,032	0	0
<b>Supervisors</b>							
Yin Sisong	Chairman of Supervisory Committee	A Shares	Long position	Beneficial owner	28,100	0	0

Save as disclosed above, as at 31 December 2020, as far as the Company is aware, none of the Directors, Supervisors or the chief executive of the Company or their associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise required to be notified to the Company and the Hong Kong Stock Exchange by the Directors and Supervisors pursuant to the Model Code.

### (II) Other senior management's interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at 31 December 2020, as far as the Company is aware, interests of other senior management of the Company in the Shares of the Company are as follows:

Unit: share

Name	Position	Class of Shares	Long/short position	Capacity	Number of shares	Percentage of the relevant class of Shares in issue (%)	Percentage of the total number of Shares in issue (%)
Zou Hongying	Vice President and Chief Accountant	A Shares	Long position	Beneficial owner	40,000	0	0
Qu Yang	Vice President	H Shares	Long position	Beneficial owner	70,000	0	0

# CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

## (III) Interests and short positions of substantial Shareholders and other persons in the Shares and underlying Shares of the Company

As at 31 December 2020, the Company was informed that the following persons had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Holders of A Shares

*Unit: share*

Name of substantial Shareholder	Capacity	Number of A Shares	Nature of interest	Approximate percentage of the total issued A Shares (%)	Approximate percentage of the total issued shares (%)
China Minmetals Corporation	Interest of a controlled corporation	10,190,955,300	Long position	57.08	49.18
China Metallurgical Group Corporation	Beneficial owner	10,190,955,300	Long position	57.08	49.18
China National Petroleum Corporation	Beneficial owner	1,227,760,000	Long position	6.88	5.92

Save as disclosed above, as far as the Directors, Supervisors and chief executives of the Company are aware, as at 31 December 2020, in accordance with the register required to be kept under Section 336 of the SFO, no other person or corporation has an interest or short position in the Company's share capital that would require disclosure to the Company under Divisions 2 and 3 of Part XV of the SFO.

## VIII. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save as disclosed in "Corporate Bonds" of this report, neither the Company nor its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

## IX. MINIMUM PUBLIC FLOAT

During the Reporting Period and as of the latest practicable date prior to the publication of this report (i.e. 29 March 2021), the Company has maintained sufficient public float, based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company.

## X. PRE-EMPTIVE RIGHTS AND SHARE OPTION ARRANGEMENTS

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

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



# PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

## I. PARTICULARS OF CHANGES IN SHAREHOLDING AND REMUNERATION

### (I) Particulars of changes in shareholding and remuneration of current and resigned Directors, Supervisors and senior management during the Reporting Period

Unit: share

Name	Position (note)	Gender	Age	Commencement date of term of office	End date of term of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in shares during the year	Reason for the changes	Total remuneration before tax obtained from Company during the Reporting Period (RMB'000)	Whether obtained remuneration from the connected parties of the Company
<b>Current</b>											
Guo Wengjing	Chairman and executive Director	Male	56	2019-03-12	Till the expiry date of the term of office of the third session of the Board	130,000	130,000	0	-	-	Yes
Zhang Mengxing <sup>(1)</sup>	Executive Director and president	Male	57	2019-03-12	Till the expiry date of the term of office of the third session of the Board	60,032	60,032	0	-	164.95	No
Zhou Jichang	Independent Non-executive Director	Male	70	2019-03-12	Till the expiry date of the term of office of the third session of the Board	0	0	0	-	27.33	No
Yu Hailong	Independent Non-executive Director	Male	70	2019-03-12	2020-11-12 <sup>(2)</sup>	0	0	0	-	27.43	No
Ng, Kar Ling Johnny	Independent Non-executive Director	Male	61	2020-04-29	Till the expiry date of the term of office of the third session of the Board	0	0	0	-	18.86	No
Yan Aizhong	Employee representative Director	Male	53	2020-08-31	Till the expiry date of the term of office of the third session of the Board	0	0	0	-	48.35	No
Yin Sisong	Chairman of the Supervisory Committee	Male	56	2020-10-15	Till the expiry date of the term of office of the third session of the Supervisory Committee	28,100	28,100	0	-	26.75	No
Zhang Yandi	Supervisor	Female	41	2019-03-12	Till the expiry date of the term of office of the third session of the Supervisory Committee	0	0	0	-	85.75	No
Chu Zhiqi	Employee Representative Supervisor	Male	50	2019-03-12	Till the expiry date of the term of office of the third session of the Supervisory Committee	0	0	0	-	78.75	No
Zou Hongying	Vice President and Chief Accountant	Female	56	2019-03-12	Till the appointment of the next session of senior management by the next session of the Board	40,000	40,000	0	-	145.81	No
Ou Yang	Vice President	Male	50	2019-03-12	Till the appointment of the next session of senior management by the next session of the Board	70,000 <sup>(3)</sup>	70,000 <sup>(3)</sup>	0	-	142.69	No

## PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Position <i>(note)</i>	Gender	Age	Commencement date of term of office	End date of term of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in shares during the year	Reason for the changes	Total remuneration before tax obtained from Company during the Reporting Period <i>(RMB'000)</i>	Whether obtained remuneration from the connected parties of the Company
Zeng Jianzhong	Vice President	Male	55	2019-03-12	Till the appointment of the next session of senior management by the next session of the Board	0	0	0	-	142.69	No
Liu Fuming	Vice President	Male	57	2019-03-12	Till the appointment of the next session of senior management by the next session of the Board	0	0	0	-	-	No
Bai Xiaohu	Vice President	Male	52	2020-08-28	Till the appointment of the next session of senior management by the next session of the Board	0	0	0	-	14.71	No
Zhu Guangxia	Vice President	Male	41	2020-08-28	Till the appointment of the next session of senior management by the next session of the Board	0	0	0	-	29.41	No
Zeng Gang	Secretary to the Board	Male	56	2019-03-12	Till the appointment of the next session of senior management by the next session of the Board	0	0	0	-	54.25	Yes
<b>Resigned</b>											
Zhang Zhaoxiang	Vice Chairman and Executive Director	Male	57	2019-03-12	2020-09-09	80,000	80,000	0	-	-	Yes
Chan Ka Keung, Peter	Independent Non-executive Director	Male	69	2019-03-12	2020-04-29	0	0	0	-	7.57	No
Ren Xudong <sup>(1)</sup>	Independent Non-executive Director	Male	67	2019-03-12	/	0	0	0	-	24.73	No
Lin Jinzhen	Employee Representative Director	Male	59	2019-03-12	2020-08-31	60,000	60,000	0	-	72.09	No
Cao Xiuyun	Chairman of the Supervisory Committee	Male	59	2019-03-12	2020-10-15	0	0	0	-	96.73	No
Wang Shilei	Vice President	Male	53	2019-03-12	2020-08-28	0	0	0	-	113.02	Yes
Zhang Ye	Vice President	Male	55	2019-03-12	2020-08-28	0	0	0	-	113.28	Yes
Total	/	/	/	/	/	468,132	468,132	/	/	1,435.15	/

Notes: (1) From 12 March 2019, Mr. Zhang Mengxing became the president of the Company. On 15 October 2020, Mr. Zhang Mengxing was elected as an executive Director for the third session of the Board at the 2020 second extraordinary general meeting. Since then, Mr. Zhang Mengxing has concurrently served as an executive director and president of the Company.

## PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

- (2) Mr. Yu Hailong has served as an independent non-executive director of the Company since 13 November 2014 until the expiry of his term of office on 12 November 2020 with a term of six consecutive years. As the resignation of Mr. Yu upon the expiration of their term of office will cause the number of Independent Non-executive Directors being less than the statutory minimum requirement, pursuant to the relevant requirements of the "Guidelines for Introducing Independent Directors to the Board of Directors of Listed Companies" (《關於在上市公司建立獨立董事制度的指導意見》) and the "Filing and Training Guidelines of Independent Directors of Companies Listed on the Shanghai Stock Exchange"\* (《上海證券交易所上市公司獨立董事備案及培訓工作指引》), Mr. Yu will, before the completion of the election process of new Independent Directors at a general meeting, continue to perform the duties of Independent Directors and members of the relevant special committees of the Board according to the applicable laws and regulations and the Articles of Association. The Company will carry out the relevant procedures as soon as possible in accordance with the relevant regulations and complete the by-election of Independent Directors. (For more details, please refer to the relevant announcement issued by the Company on 11 November 2020).
- (3) The Shares of the Company held by Mr. Qu Yang are H Shares.
- (4) Mr. Ren Xudong had been serving as an Independent Non-executive Director of the Company since 13 November 2014 for consecutive six years till the expiry of his term of office on 12 November 2020. As the resignation of Mr. Ren upon the expiration of their term of office will cause the number of Independent Non-executive Directors being less than the statutory minimum requirement, pursuant to the relevant requirements of the "Guiding Opinions on the Establishment of Independent Director System in Listed Companies" (《關於在上市公司建立獨立董事制度的指導意見》) and the "Filing and Training Guidelines of Independent Directors of Companies Listed on the Shanghai Stock Exchange" (《上海證券交易所上市公司獨立董事備案及培訓工作指引》) issued by the China Securities Regulatory Commission, Mr. Ren will, before the completion of the election process of new independent non-executive Directors at a general meeting, continue to perform the obligations and duties of Independent Non-executive Directors according to the applicable laws and regulations and the Articles of Association (for details, please refer to the relevant announcement dated 12 November 2020 issued by the Company). On 2 January 2021, the Company received a notice from the family of Mr. Ren Xudong, an Independent Non-executive Director, saying that Mr. Ren unfortunately passed away for illness. (For details, please refer to the relevant announcement dated 4 January 2021 issued by the Company) The Company will perform relevant procedures as soon as possible in accordance with relevant regulations to complete the by-election of independent Directors.

## PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Guo Wenqing	<p>Born in December 1964, Chinese nationality with no right of abode overseas, Mr. Guo is currently the Chairman, executive Director and legal representative of the Company, and concurrently serves as a director, general manager and deputy secretary of the Communist Party Committee of China Minmetals, as well as the Chairman of CMGC. Mr. Guo had served as deputy director, and director and secretary of the Communist Party Committee of the Hebei Province Highways Authority (河北省高速公路管理局), chairman of the board of directors and general manager of Hebei Province Highways Development Company Limited (河北省高速公路開發有限公司) and director of the Hebei Province Ports Authority (河北省港航管理局), and secretary of the Communist Party Committee, executive director and deputy general manager of CRBC International Co., Ltd. (路橋集團國際建設股份有限公司) since 1994. Mr. Guo served as deputy secretary of the Communist Party Committee and Director of the Company from December 2008 to August 2012, during which he served as director and deputy secretary of the Communist Party Committee and secretary of Discipline Inspection Commission of CMGC from April 2009 to July 2012. From July 2012 to August 2014, Mr. Guo served as vice chairman, general manager (legal representative) and deputy secretary of the Communist Party Committee of CMGC. Since August 2014, he has served as Chairman (legal representative) of CMGC. From August 2014 to April 2015, he served as general manager and deputy secretary of the Communist Party Committee of CMGC. From April 2015 to June 2018, he served as secretary of the Communist Party Committee of CMGC. Since May 2016, he served as Director, general manager and deputy secretary of the Communist Party Group of China Minmetals. during which, he served as vice chairman of the Company from August 2012 to September 2013, secretary of the Communist Party Committee of the Company from August 2012 to October 2016, and Chairman (executive Director and legal representative) of the Company from September 2013. Mr. Guo graduated from Hebei University of Science and Technology with a bachelor's degree in business administration, and obtained an executive MBA degree from Tsinghua University. Mr. Guo is a professor level senior engineer and a senior political engineer.</p>
Zhang Mengxing	<p>Born in August 1963, Chinese nationality with no right of abode overseas, currently serves as the executive Director, the president, vice secretary to the Party committee of the Company and concurrently, the vice secretary to the Party committee of CMGC. Mr. Zhang served as the deputy manager, the acting manager and the manager of the No. 2 Company and the deputy manager of the Tianjin Branch of China MCC 20th Construction Corporation (中國第二十冶金建設公司), successively. From February 1999 to October 2006, Mr. Zhang served as the deputy general manager of China MCC 20th Construction Corporation and the deputy manager and the manager of its Tianjin Branch. From October 2006 to October 2012, he served as a director and the general manager of China MCC 20th Construction Corporation (中國二十冶建設有限公司) (subsequently renamed as China MCC 20 Group Co., Ltd. (中國二十冶集團有限公司)). From October 2012 to September 2014, he served as the chairman of the board of directors and the secretary to the Party committee of China MCC 20 Group Co., Ltd. From September 2014 to May 2015, he served as the chief economist of the Company and concurrently served as the chairman of the board of directors of MCC International Incorporation Ltd. (中冶國際工程集團有限公司). Mr. Zhang served as the vice president of the Company from May 2015 to October 2016 and the chairman of the board of directors of MCC International Incorporation Ltd. from May 2015 to October 2017. He has served as the president, vice secretary to the Party committee and concurrently, the vice secretary to the Party committee of CMGC since October 2016 and the director of the company since October 2020. Mr. Zhang graduated from the Department of Architectural Engineering of Baotou Institute of Iron and Steel Technology (包頭鋼鐵學院) and obtained a bachelor's degree in engineering majoring in industrial and civil construction. Mr. Zhang is a professor-level senior engineer.</p>

## PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Zhou Jichang	<p>Born in December 1950, Chinese nationality with no right of abode overseas, currently serves as an Independent Non-executive Director the Company, a non-executive director of Freetech Road Recycling Technology (Holdings) Limited (英達公路再生科技(集團)有限公司), honorary president of China Highway Construction Association (中國公路建設業協會), and a member of the 11th and 12th National Committee of the Chinese People's Political Consultative Conference. Mr. Zhou successively served as technician, engineer, deputy officer of the bridge design workshop, personnel director and deputy director of CCCC First Highway Survey &amp; Design Institute (交通部第一公路勘察設計院) from January 1977 to May 1992. He served as vice chairman of the board of directors, deputy general manager, chairman of the board of directors and general manager of China Road and Bridge Construction Corporation (中國公路橋樑建設總公司) from May 1992 to November 1997. He served as chairman of the board of directors, president and secretary of the Communist Party Committee of China Road and Bridge Corporation (中國路橋(集團)總公司) from November 1997 to August 2005. He served as chairman of the board of directors, general manager and deputy secretary of the Communist Party Committee of China Communications Construction Group (Limited) (中國交通建設集團有限公司), and chairman of the board of directors and secretary of the Communist Party Committee of China Communications Construction Company Limited (中國交通建設股份有限公司) from August 2005 to April 2013. Mr. Zhou is a senior engineer with a master's degree.</p>
Yu Hailong	<p>Born in August 1950, Chinese nationality with no right of abode overseas, Mr. Yu currently serves as an Independent Non-executive Director of the Company and an independent director of China State Construction Engineering Corporation (中國建築股份有限公司). Mr. Yu served as deputy director of the Personnel Bureau of the State Economic and Trade Commission (國家經委人事局) since February 1983, director of the office and the project investigation department of China Kangfu International Leasing Co., Ltd. under the Ministry of Foreign Trade and Economic Cooperation (國家外經貿部中國康富國際租賃公司) since February 1988, and deputy director of the General Office (in charge of work) of Machinery and Electric Qingfang Investment Co., Ltd. under the State Planning Commission (國家計委機電輕紡投資公司) since June 1992. Mr. Yu served as director of the office and secretary of the Communist Party Committee of State Development &amp; Investment Corporation (國家開發投資公司), and general manager of State Development &amp; Investment (Electronics) Corporation (國投電子公司) and State Development &amp; Investment (High Technology and Pioneering) Corporation (國投高科技創業公司) since March 1994. He served as general manager and deputy secretary of the Communist Party Committee of China New Era Group Corporation (中國新時代控股(集團)公司) since May 2002. From January 2010 to May 2010, he served as the general manager and secretary of the Communist Party Committee of China New Era Group Corporation; and he served as general manager, member of the standing committee of the Communist Party Committee and director of China Energy Conservation and Environmental Protection Group (中國節能環保集團公司) from January 2010 to September 2012. Mr. Yu graduated from Beijing Institute of Technology majoring in engineering management with a postgraduate qualification. He is a professor-level senior engineer with a master's degree in engineering.</p>



## PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Ng, Kar Ling Johnny	<p>Born in December 1960, is a resident of the Hong Kong Special Administrative Region. He is currently an Independent Non-executive Director of the Company, independent director of China Petroleum &amp; Chemical Corporation (中國石油化工股份有限公司), China Vanke Co., Ltd. (萬科企業股份有限公司) and Fangdd Network Group Ltd. (房多多網絡集團有限公司). He is concurrently a vice director member of the second session of the Independent Director Specialized Committee of China Association for Public Companies (中國上市公司協會). Mr. Ng obtained a bachelor's degree and a master's degree in business administration from the Chinese University of Hong Kong in 1984 and 1999, respectively. Mr. Ng joined KPMG (Hong Kong) in 1984 and became a partner in 1996. He subsequently became the vice chairman of KPMG (China). He is currently a practising certified public accountant in Hong Kong, a practising auditor and certified public accountant in Macau, a fellow member of the Hong Kong Institute of Certified Public Accountants (FCPA), a fellow member of the Association of Chartered Certified Accountants (FCCA), and a fellow member of the Institute of Chartered Accountants in England and Wales (FCA).</p>
Yan Aizhong	<p>Born in June 1967, is of Chinese nationality with no right of abode overseas and is currently the employee representative Director, the deputy secretary of the Party Committee and the head of organization department of the Party Committee of the Company. He also serves as the employee representative director, the deputy secretary and the head of organization department of the Party Committee of China Metallurgical Group Corporation Limited. Mr. Yan successively served as the deputy secretary of the Party Committee and the secretary of the Discipline Committee of the Machinery and Electric Branch of Baotou Iron &amp; Steel Group Construction Co., Ltd.*, the deputy secretary of the Party Committee, the secretary of the Discipline Committee and the secretary of the Party Committee of the Machinery and Electric Branch of China Second Metallurgical Construction Corporation Limited* (subsequently renamed as China Second Metallurgical Group Corporation Limited* ("CSMGC")), and an assistant to the general manager of CSMGC. He served as the deputy general manager, the deputy secretary of the Party Committee, the secretary of the Discipline Committee and the chairman of the labour union of CSMGC from January 2010 to September 2012, the head of the Party Committee promotion department the Company from September 2012 to January 2013, the director of the general office of the Company from January 2013 to November 2014 (during which, he concurrently served as the director of the general office to the board of directors of the Company from May 2014 to November 2014), Currently, he serves as the head of Party Committee organization department (during the period from November 2014 to May 2016, he also served as the head of human resources department of the Company). He has been a Supervisor of MCC from August 2016 to March 2019, and has been an assistant to the president of MCC from May 2017 to April 2018. Mr. Yan has been the vice president of the Company from March 2019 to October 2019. He served as the deputy secretary of the Company since September 2019 and the deputy secretary of the Party Committee of MCC Group (during which he concurrently served as secretary of the Party Committee of MCC International Engineering Group Co., Ltd. since August 2020.). Mr. Yan graduated from the mechanical and electrical engineering department of Baotou Iron &amp; Steel College, majoring in industrial electrical automation, with a bachelor's degree, and from Inner Mongolia Autonomous Region Committee Party School, majoring in economic management, with a postgraduate degree. He is a professor-level senior engineer.</p>

## PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Yin Sisong	<p>Born in March 1964, Chinese nationality with no right of abode overseas. He currently serves as the chairman of the Supervisory Committee of the Company and also serves as the chairman of the Supervisory Committee of CMGC. Mr. Yin joined China MCC 17 Construction Co., Ltd. (hereinafter referred to as "MCC 17") in August 1983. Since September 1991, he served successively as secretary of the Youth League Committee and director of the Chemical Plant of the Eighth Company of MCC 17. From December 1996, he served successively as deputy manager of Mechanical and Electrical Installation Company and manager of Huafeng Company of MCC 17. Since December 2002, he served successively as deputy secretary of the Party Committee, secretary of the Disciplinary Committee, chairman of the Labor Union and deputy general manager of MCC 17. From May 2010 to November 2014, he served successively as director of the Corporate Culture Department, director of the Party and Mass Work Department, director of the Human Resources Department and deputy director of the Organization Department of the Party Committee of CMGC. From November 2014 to September 2016, he served as director of the General Office, director of the Office of the board of directors, director of the Work Department of the Supervisory Committee and director of the Office of the Party Committee of the Company and CMGC. From September 2016 to April 2018, he served as director of the General Office of China Minmetals. From April 2018 to August 2020, he has served as director of the General Office (later renamed as Office), director of the Party Group Office, director of the Office of the board of directors and director of the Administrative Service Center of China Minmetals. Mr. Yin graduated from Chaohu Teachers College (巢湖師範專科學校), majoring in physics (diploma), and graduated from Anhui Institute of Business Administration (安徽工商管理學院), majoring in business administration (postgraduate). Mr. Yin is a senior political engineer and senior economist.</p>
Zhang Yandi	<p>Born in March 1979, Chinese nationality, with no right of abode overseas. She currently serves as a Supervisor, the deputy head of the capital department of the Company and concurrently as a supervisor and the deputy head of the capital department of CMGC. Ms. Zhang served successively as a staff member and the business manager of the planning and finance department of CMGC. She served as the deputy head of the planning and finance division of the planning and finance department (head office) of MCC from June 2010 to October 2012, as the deputy head of the accounting information division and the accounting management division of the finance department of MCC from October 2012 to July 2014, as the head of the accounting management division of the planning and finance department (debt clearance office) of MCC from July 2014 to February 2017, and as the general manager of the financial accounting department of MCC Capital Engineering &amp; Research Incorporation Limited (中冶京誠工程技術有限公司) from February 2017 to March 2018. She has been serving as the deputy head of the capital department of the Company since March 2018, and a supervisor of CMGC since August 2018. Ms. Zhang graduated from the accounting department of the School of Economics and Management of North China University of Technology (北方工業大學) with a bachelor's degree in economics in 2000, and from the accounting department of the School of Economics and Management of Beijing Jiaotong University (北京交通大學) with a master's degree of management in 2004. She is a senior accountant and certified accountant (non-practicing).</p>

## PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Chu Zhiqi	<p>Born in December 1970, Chinese nationality with no right of abode overseas, currently serves as an employee supervisor and the deputy director of the discipline inspection department (Office of Discipline Inspection Commission, Discipline Inspection Office) of the Company, and concurrently serves as an employee supervisor and the deputy director of the discipline inspection department (Office of Discipline Inspection Commission, Discipline Inspection Office) of CMGC. Mr. Chu Zhiqi successively worked in Bureau of Materials in Dingzhou City, Hebei Province (河北省定州市物資局), CRBC International Co., Ltd. (路橋建設國際股份有限公司), CCCC Third Highway Engineering Co., Ltd. (中交三公局) and CCCC Fourth Highway Engineering Co., Ltd. (中交四公局). He joined MCC Inner Mongolia Construction &amp; Investment Co., Ltd. (中冶內蒙古建設投資有限公司) and the Command of MCC Transportation Inner Mongolia Highway Project (中冶交通內蒙古高速公路項目指揮部) in July 2015. He served as the director of the finance department of MCC Inner Mongolia Construction &amp; Investment Co., Ltd. and the Command of MCC Transportation Inner Mongolia Highway Project from October 2015 to March 2016, the director of the audit and supervisory department of MCC Inner Mongolia Construction &amp; Investment Co., Ltd. and the Command of MCC Transportation Inner Mongolia Highway Project from March 2016 to June 2016, the secretary of the Discipline Committee of MCC Inner Mongolia Construction &amp; Investment Co., Ltd. and the secretary of the discipline inspection and working commission of the Command of MCC Transportation Inner Mongolia Highway Project from June 2016 to April 2018. He has been serving as the deputy director of the supervisory department of the Company, and concurrently the deputy director of the supervisory department of CMGC since April 2018. He has been an employee supervisor of CMGC since August 2018 and an employee supervisor of the Company since March 2019. Mr. Chu graduated from Hebei Material School as a secondary student majoring in material finance accounting. He obtained a college diploma in economic management from Correspondence College of the Party School of Hebei Province (河北省委黨校函授學院), and an undergraduate degree in accounting from Jiangxi Economic Management Cadre Institute (江西省經濟幹部管理學院). He is an accountant.</p>
Zou Hongying	<p>Born in September 1964, Chinese nationality with no right of abode overseas, Ms. Zou is currently the vice President and the Chief Accountant of the Company, and concurrently serves as chairman of MCC Finance Corporation Ltd., Ms. Zou once served as deputy chief and chief of the finance division, deputy chief accountant and chief accountant of the finance division, as well as deputy director of the planning and finance department of China MCC 22nd Construction Corporation, a deputy manager of the planning and finance department under the management department, deputy director (in charge of work) of the audit department, as well as director of the department of finance and asset management, director of finance department and deputy chief accountant of CMGC. Ms. Zou graduated from East China Institute of Technology and subsequently obtained an MBA degree. She is a senior accountant.</p>

## PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Qu Yang	<p>Born in May 1970, Chinese nationality with no right of abode overseas, Mr. Qu is currently a vice President of the Company. Mr. Qu Yang successively served as deputy director (section level), the director (deputy director level), and secretary of the Communist Party of the technology trade department of the Automation System Research and Design Institution (自動化系統研究設計所貿易部), person in charge of the server operation department, secretary of the Communist Party branch, director and secretary of the Communist Party of the Smart Device Research Institute (智能裝備研究所) and deputy chief engineer of the Automation Research Institute (自動化研究院) of the Ministry of Metallurgy. He served as vice president (deputy general manager) of Beijing MCC Equipment Research &amp; Design Corporation Ltd. (北京中冶設備研究設計總院有限公司) from December 2009 to January 2013, and secretary of the Communist Party Committee and vice president (deputy general manager) of Beijing MCC Equipment Research &amp; Design Corporation Ltd. from January 2013 to November 2014. Mr. Qu Yang acted as an assistant to the president of the Company from November 2014 to October 2016 and served as the chairman of MCC Asset Management Co., Ltd. from November 2014 to October 2017. He has been servicing as a vice President of the Company since October 2016. Mr. Qu Yang graduated from the Department of Automated Control of Northeast University of Technology, majoring in industrial automation instrument, with a bachelor's degree in engineering, and the College of Information Science and Engineering of Northeastern University, majoring in control theory and control engineering, with a doctoral degree in engineering. He is a professor-level senior engineer.</p>
Zeng Jianzhong	<p>Born in October 1965, Chinese nationality with no right of abode overseas, Mr. Zeng is currently the vice president of the Company. Mr. Zeng successively served as the deputy director and the director of the Gas Office and the director of the Gas Ventilation Office of Beijing Iron and Steel Design and Research Institute (北京鋼鐵設計研究總院) under the Ministry of Metallurgy, and the general manager of the Technical Institute of Energy and Environmental Engineering of Capital Engineering &amp; Research Incorporation Limited (中冶京誠工程技術有限公司). He served as an assistant to the president of Capital Engineering &amp; Research Incorporation Limited and concurrently served as the general manager of the Technical Institute of Energy and Environmental Engineering, the general manager of the engineering control department, the general manager of municipal and public facilities engineering department, and the general manager of the metallurgical engineering department. He served as the deputy head (at the ministry level) of the domestic engineering management department and the head of the construction project quota station of metallurgical industry of the Company and the head of the domestic engineering management department (subsequently renamed as the domestic market development department) from June 2013 to May 2017. He served as an assistant to the president of the Company from May 2017 to April 2018 and concurrently the head of the domestic market development department. He has been the vice president of the Company since April 2018. Mr. Zeng Jianzhong graduated from the chemical machinery department of Dalian Institute of Technology, majoring in chemical equipment and machinery, with a bachelor's degree. He is a professor-level senior engineer.</p>



## PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Liu Fuming	<p>Born in November 1963, Chinese nationality with no right of abode overseas, Mr. Liu currently serves as the vice president of the Company. He also serves as the deputy general manager of CMGC, the chairman of the board of directors, legal representative and secretary of the Communist Party Committee of MCC Real Estate. Mr. Liu served as technician, assistant engineer, deputy team leader, team leader of Anbei team, assistant to the manager, deputy manager, manager of the Pipeline and Railway Engineering Company of China MCC 22nd Construction Corporation (中國第二十二冶金建設公司), served as assistant to the general manager of China MCC 22nd Construction Corporation. From November 2004 to November 2006, he served as the deputy general manager of China MCC 22nd Construction Corporation. From November 2006 to October 2010, he served as deputy general manager of MCC Jingtang Construction Corporation Limited (中冶京唐建設有限公司) (later renamed as China 22MCC Group Co., Ltd. (中國第二十二冶金集團有限公司)). From October 2010 to April 2013, he successively served as director, general manager and deputy secretary of the Communist Party Committee of MCC Real Estate Co., Ltd. (中冶置業有限責任公司). He served as chairman of the board of directors, legal representative and secretary of the Communist Party Committee of MCC Real Estate since April 2013. From June 2015 to January 2019, he served as assistant to the president of the Company. He served as the vice president of the Company since January 2019. He has served as the deputy general manager of CMGC since September 2019. Mr. Liu graduated from Shenyang Metallurgical Engineering Institute (瀋陽冶金機械專科學校) majoring in welding (associate degree), Jinan University majoring in computer science (bachelor's degree), and Northeastern University majoring in software engineering (postgraduate) and materials science (doctoral graduate). He is a professor-level senior engineer.</p>
Bai Xiaohu	<p>Born in January 1968, Chinese nationality with no right of abode overseas, is currently vice president of the Company. Mr. Bai successively served as deputy chief economist of the Operation Department, deputy director of the Marketing Department (deputy division level) in Shanghai Baoye Construction Co., Ltd.; deputy manager of the Guangzhou Higher Education Mega Center Project Department of Shanghai Baoye, manager at Shanghai Baoye's Guangzhou branch and manager of the Engineering Project Department of Guangzhou Higher Education Mega Center; general manager of Shanghai Baoye's south China branch, general manager of its Guangzhou branch, and secretary of its General Party Branch; Assistant to General Manager and head of the General Contracting Department at Shanghai Baoye; deputy general manager of Shanghai Baoye and general manager of the Henan branch of the Company. From October 2015 to October 2016, he served as chairman, general manager, deputy secretary of the Party Committee and secretary of the Party Committee in China Metallurgical Oriental Holdings Co., Ltd.*, and general manager of the Henan branch of the Company. From October 2016 to March 2017, he served as director, general manager and deputy secretary of the Party Committee of Shanghai Baoye and chairman, general manager, and secretary of the Party Committee in China Metallurgical Oriental Holdings Co., Ltd. and general manager of the Henan branch of the Company. From March 2017 to October 2020, He served as chairman of the board of directors and secretary of the Party Committee of Shanghai Baoye, and he has been serving as vice president of the Company since August 2020. Mr. Bai majored in industrial electrical automation at the Automation Control Department of Xi'an University of Architecture and Technology, from which he graduated with a bachelor's degree in engineering. Currently, he is a professor-level senior engineer and senior economist.</p>



## PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Zhu Guangxia	<p>Born in July 1979, Chinese nationality with no right of abode overseas, is currently vice president of the Company. Mr. Zhu successively served as deputy head and head of the First Electrical Installation Engineering Division of China MCC17 Group Co., Ltd., assistant manager of the mechanical and electrical installation company, and manager at Project Management Department of Jiuquan Iron and Steel (Group) Co., Ltd., manager of the Gansu Branch of China MCC17 Group; deputy general manager of China MCC17 Group and general manager with the Gansu Branch of the Company; from July 2016 to November 2017, he served as director, general manager and deputy Party committee secretary of China Second Metallurgy Group Corporation Limited; from November 2017 to July 2019, he served as chairman, general manager, and deputy secretary of the Party Committee at Second Metallurgy and chairman and Party secretary of Second Metallurgy from July 2019 to July 2020; from January 2020 to August 2020, he served as assistant to the president of the Company; since August 2020, he has been serving as vice president of the Company. Mr. Zhu graduated from Xi'an University of Architecture and Technology, where he majored in engineering management. He is a senior engineer.</p>
Zeng Gang	<p>Born in October 1964, Chinese nationality, with no right of overseas abroad outside the PRC, Mr. Zeng currently serves as the secretary to the Board and the Joint Company Secretary of the Company and he also currently serves as director of the office, director of the office of party leading group, director of the board office, director of administrative service center, and Secretary of the board of China Minmetals, and concurrently served as secretary to the Board of China Minmetals. Mr. Zeng served as engineer, deputy director and director of Personnel Department of Beijing Central Engineering Institute for Nonferrous Metallurgical Industries from 1985 to 2003; deputy secretary of the Communist Party Committee, secretary of Commission for Discipline Inspection and Vice President of China Nonferrous Engineering and Research Institute (now known as China Nonferrous Engineering and Research Institute Co., Ltd.) from December 2003 to November 2013; director of China ENFI from December 2005 to November 2013; director, deputy general manager, deputy secretary of the Communist Party Committee, secretary of Commission for Discipline Inspection, secretary to the board of directors, and chief legal counsel of MCC Capital Engineering &amp; Research Incorporation Limited from November 2013 to September 2016. From September 2016 to July 2020, he served as the director of the company's office (Party Committee Office); from April 2018 to July 2020, he served as the assistant to the president of the Company; from March 2019, he served as the secretary of the board of directors and joint company of the Company; from July 2020, he served as director of the office, director of the office of party leading group, director of the board office, director of the administrative service center, and secretary to the Board of China Minmetals. Mr. Zeng graduated from Department of Management Engineering of Central South Institute of Mining and Metallurgy, majoring in Management Engineering (undergraduate) and Graduate School of the Party School of the Central Committee of the CPC (postgraduate), majoring in Economic Management; and he is a senior engineer.</p>

### (II) Share incentives granted to Directors and senior management during the Reporting Period

Applicable

Not applicable

# PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

## II. EMPLOYMENT STATUS OF CURRENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### (I) Employment status at shareholder entities

Name	Name of shareholder entities	Position in shareholder entities	Commencement date of term of office	End date of term of office
Guo Wenqing	China Minmetals Corporation	Director, General Manager, deputy secretary of the Communist Party Committee	May 2016	-
Zhang Mengxing	China Metallurgical Group Corporation	Chairman	August 2014	-
	China Metallurgical Group Corporation	Director, Deputy secretary of the Communist Party Committee	October 2016	-
Yan Aizhong	China Metallurgical Group Corporation	Employee representative Director, Deputy secretary of the Communist Party Committee	September 2016	-
Yin Sisong	China Metallurgical Group Corporation	Chairman of the Supervisory Committee	July 2020	-
Zhang Yandi	China Metallurgical Group Corporation	Supervisor	August 2018	-
Chu Zhiqi	China Metallurgical Group Corporation	Employee representative Supervisor	August 2018	-
Liu Fuming	China Metallurgical Group Corporation	Deputy general manager	September 2019	-
Zeng Gang	China Minmetals Corporation	Secretary to the Board, Offices (General office of the Communist Party Committee, General office of the board of directors), director of the Administrative Service Center	October 2020	-

### (II) Employment status at other entities

Name	Name of other entities	Position in other entities	Commencement date of term of office	End date of term of office
Zhou Jichang	Shenzhen Overseas Chinese Town Company Limited (深圳華僑城股份有限公司)	Independent Director	November 2016	April 2020
	Freetech Road Recycling Technology (Holdings) Limited (英達公路再生科技(集團)有限公司)	Non-Executive Director	February 2021	-
Yu Hailong	China State Construction Engineering Corporation (中國建築股份有限公司)	Independent Director	June 2014	-
	Shenzhen Overseas Chinese Town Company Limited (深圳華僑城股份有限公司)	Independent Director	December 2014	April 2020
Ng, Kar Ling Johnny	China Petroleum & Chemical Corporation	Independent Director	May 2018	-
	China Vanke Co., Ltd.	Independent Director	July 2017	-
	Fangdd Network Group Ltd.	Independent Director	October 2018	-

# PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

## III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

---

Determination procedures for remuneration of Directors, Supervisors and senior management	Remuneration of Directors and Supervisors (not being employee representatives) of the Company was considered and approved at general meetings. The Remuneration and Appraisal Committee of the Board makes remuneration recommendations for senior management, which are subject to the Board's consideration and approval.
Basis for Determination of Remuneration of Directors, Supervisors and senior management	The remuneration of Independent Non-executive Directors of the Company is determined based on the market level and the actual conditions of the Company. The Company's executive Directors do not receive remuneration from their positions as Directors but are remunerated in accordance with their positions and performance at the Company. The Company's Supervisors receive remuneration in accordance with the Management Rules of the Head Office on Remuneration and Assessment (總部薪酬與考核管理辦法) and their positions. Senior management of the Company are remunerated in accordance with management regulations of higher authorities and the administrative measures for remuneration of senior management of the Company.
Remuneration actually paid to Directors, Supervisors and senior management	RMB14,351,888.67
Total actual remuneration received by all Directors, Supervisors and senior management at the end of the Reporting Period	RMB14,351,888.67

---

## PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

The remuneration of Directors and Supervisors of the Company in 2020 was as follows:

Unit: RMB

Name	Basic salary, housing allowances, other allowances and benefits-in-kind	Pension scheme contributions (pension insurance borne by the Company)	Performance remuneration	Total annual remuneration
Guo Wenqing	–	–	–	–
Zhang Mengxing	976,008.00	7,540.80	666,000.00	1,649,548.80
Zhou Jichang	273,310.00	–	–	273,310.00
Yu Hailong	274,305.00	–	–	274,305.00
Ng, Kar Ling Johnny	188,600.00	–	–	188,600.00
Yan Aizhong	294,136.00	–	189,400.00	483,536.00
Zhang Zhaoxiang	–	–	–	–
Chan Ka Keung Peter	75,705.00	–	–	75,705.00
Ren Xudong	247,305.00	–	–	247,305.00
Lin Jinzhen	353,432.00	7,540.80	359,906.67	720,879.47
<b>Sub-total of Directors</b>	<b>2,682,801.00</b>	<b>15,081.60</b>	<b>1,215,306.67</b>	<b>3,913,189.27</b>
Yin Sisong	132,537.00	–	134,965.00	267,502.00
Zhang Yandi	399,868.00	7,540.80	450,140.00	857,548.80
Chu Zhiqi	382,708.00	7,540.80	397,300.00	787,548.80
Cao Xiuyun	441,204.00	4,712.60	521,400.00	967,316.60
<b>Sub-total of Supervisors</b>	<b>1,356,317.00</b>	<b>19,794.20</b>	<b>1,503,805.00</b>	<b>2,879,916.20</b>
<b>Total</b>	<b>4,039,118.00</b>	<b>34,875.80</b>	<b>2,719,111.67</b>	<b>6,793,105.47</b>

During the Reporting Period, no Directors or Supervisors of the Company waived any emoluments and no emoluments were paid by the Company to any of the Directors or Supervisors as an inducement to join or upon joining the Company or as compensation for loss of office.

## PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### IV. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Change	Reason
Zhang Mengxing	Executive Director	Elected	Appointed by election
Ng, Kar Ling Johnny	Independent Non-executive Director	Elected	Appointed by election
Yan Aizhong	Employee representative Director	Elected	Appointed by Employee representative election
Yin Sisong	Chairman of Supervisory Committee	Elected	Appointed by election
Bai Xiaohu	Vice President	Appointed	Appointed by the Board
Zhu Guangxia	Vice President	Appointed	Appointed by the Board
Zhang Zhaoxiang	Executive Director	Resigned	Change of work arrangements
Ren Xudong	Independent Non-executive Director	Resigned	Passed away due to illness
Chan Ka Keung Peter	Independent Non-executive Director	Resigned	Change of work arrangements
Lin Jinzhen	Employee representative Director	Resigned	Change of work arrangements
Cao Xiuyun	Chairman of Supervisory Committee	Resigned	Change of work arrangements
Wang Shilei	Vice President	Resigned	Change of work arrangements
Zhang Ye	Vice President	Resigned	Change of work arrangements

### V. PENALTIES IMPOSED BY SECURITIES REGULATORY AUTHORITIES IN RECENT THREE YEARS

Applicable  Not applicable

### VI. EMPLOYEES OF THE PARENT COMPANY AND PRINCIPAL SUBSIDIARIES

#### (I) Employees

Number of existing staff of the Parent Company	271
Number of existing staff of principal subsidiaries	100,749
Total number of existing staff	101,020
Number of resigned or retired staff to whom the Parent company and principal subsidiaries are liable	132,369

#### Composition of Professionals

Composition of Professionals	Composition of Professionals
Engineering contracting	91,950
Real estate development and others	1,917
Equipment manufacture	6,181
Resources development	972
Total	101,020



# PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

## ***Educational Level***

<b>Categories of Educational Level</b>	<b>Number</b> <i>(in persons)</i>
Above postgraduate	12,757
Undergraduate	51,641
College degree	15,843
Below college degree	20,779
Total	101,020

## **(II) Remuneration policies**

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

## **(III) Training programs**

In 2020, the Company continued to vigorously implement education and trainings for all employees in accordance with the hierarchical management model, and the overall quality and professional competence of management personnel, professional and technical personnel continued to improve, which laid a good foundation for production and operation. In 2020, a total of 78,062 personnel of the Company participated in education and trainings with participation of 328,700 times.

## **(IV) Outsourcing of labour service**

Applicable  Not applicable

## **VII. MANAGEMENT CONTRACTS**

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

## **VIII. DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS**

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

## PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### **IX. DIRECTORS' INTERESTS IN BUSINESS COMPETING WITH THE COMPANY**

During the Reporting Period and as of the latest practicable date before the publication of this report (being 29 March 2021), none of the Directors had any interests in any business that competes or is likely to compete, either directly or indirectly, with the business of the Company.

### **X. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS**

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

### **XI. DIRECTORS' AND SUPERVISORS' RIGHTS REGARDING SHARE ACQUISITION**

During the Reporting Period and as at the end of the Reporting Period, there is no arrangement in which the Company or its subsidiaries or holding companies or the subsidiaries of the holding companies act as a party, and which enables any Directors or Supervisors of the Company or any of their spouses or offspring under the age of eighteen to obtain benefits by means of the acquisition of shares, or debentures of, the Company or any other corporate entity.

# CORPORATE GOVERNANCE

## I. EXPLANATION ON CORPORATE GOVERNANCE

During the Reporting Period, the Company continued to comply strictly with the laws and regulations including the PRC Company Law, the PRC Securities Law, the relevant requirements of regulatory authorities such as the CSRC, as well as the relevant requirements of the SSE and the Hong Kong Stock Exchange, constantly standardized the corporate governance and optimized the corporate systems and mechanisms. The Shareholders' Meeting, the Board, the Supervisory Committee, as well as the management of the Company operated in compliance with the laws and regulations in an efficient manner, and further improved the corporate governance level of the Company, laying a favorable foundation for promoting company development and improving shareholder value. During the Reporting Period, the Board of the Company was again awarded the "Golden Round-table • Best Board of Directors" of listed companies; the Company was awarded the 11th Chinese Listed Companies Investor Relations Tianma Award's "Best Board of Directors Award" and "Best Investor Relations Company Award"; the Best IR Hong Kong Stock Company Award by New Fortune; the "20 Years Special Contributions Enterprise Award" by the 20th Chinese Listed Companies Top 100 Summit; two grand awards, namely the "Best Listed Companies of Social Responsibility" and "the Listed Companies with the Best Investor Relations" by the 10th China Securities Golden Bauhinia Awards. Meanwhile, the Company was once again rated Class A (the top class) Listed Company for SSE Information Disclosure for four consecutive years.

During the Reporting Period, the Company followed the regulating environment, continuously optimized the establishment of corporate governance system. In accordance with the Reply of the State Council on the Adjustment to the Provisions Applicable to the Notice Period of Convening General Meetings of Shareholders and Other Matters Applicable to the Companies Listed Abroad" (Guo Han [2019] No. 97) (《關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批復》(國函[2019]97號)), the Company integrated the relevant requirements by the regulatory authorities with its actual situation to carry out amendments to the relevant terms under the Articles of Association and the Rules of Procedure of General Meeting. Upon the amendments of the relevant terms, the organization and preparation cycle of General Meeting was shortened, which was beneficial to the decision-making efficiency of the procedures of General Meeting.

The Board has reviewed the corporate governance report of the Company. The Board is of the view that during the Reporting Period, the Company has complied with the requirements of the Corporate Governance Code, and adopted recommended best practices as appropriate, except for the code provision E.1.2 of the Corporate Governance Code. Pursuant to the code provision E.1.2 of the Corporate Governance Code, the chairman of the Board shall attend the annual general meeting. Guo Wenqing, the chairman of the Company, was not able to attend the 2019 annual general meeting due to business engagement. Pursuant to relevant requirements in the Articles of Association, Mr. Zhang Zhaoxiang, a then executive Director and Vice Chairman of the Company, presided over the meeting.

The corporate governance has any discrepancies with the relevant requirements of the CSRC or not. If yes, please explain the reasons.

Applicable  Not applicable

## II. SUMMARY OF THE GENERAL MEETINGS

Sessions of the meeting	Convening date	Enquiry index of the designated website for the publication of the resolutions	Date of publication of the resolutions
2020 First Extraordinary General Meeting	29 April 2020	www.sse.com.cn www.hkexnews.hk	29 April 2020
2019 Annual General Meeting	29 June 2020	www.sse.com.cn www.hkexnews.hk	29 June 2020
2020 Second Extraordinary General Meeting	15 October 2020	www.sse.com.cn www.hkexnews.hk	15 October 2020

*Note:* Poll results announcement of each general meeting mentioned above has been respectively published on the website of the Hong Kong Stock Exchange on the date of such meeting.

# CORPORATE GOVERNANCE

## Shareholders' Meeting

On 29 April 2020, the Company convened the 2020 First Extraordinary General Meeting, where Mr. Zhang Zhaoxiang and Mr. Lin Jinzhen, all being Directors of the Company, and Mr. Cao Xiuyun, Mr. Zhang Yandi and Mr. Chu Zhiqi, all being Supervisors of the Company, and Mr. Zeng Gang, Secretary to the Board, attended the meeting. Other senior management personnel of the Company attended the meeting without voting rights. Two ordinary resolutions were considered and approved at the meeting, including the "Resolution on the Election of Mr. Ng, Kar Ling Johnny as the Independent Non-executive Director of the Third Session of the Board of the Company" and the "Resolution on the Adjustment on the Remuneration of the Independent Directors of MCC".

On 29 June 2020, the Company convened the 2019 Annual General Meeting, where Mr. Zhang Zhaoxiang and Mr. Lin Jinzhen, all being Directors of the Company, and Mr. Cao Xiuyun, Mr. Zhang Yandi and Mr. Chu Zhiqi, all being Supervisors of the Company, and Mr. Zeng Gang, Secretary to the Board, attended the meeting. Other senior management personnel of the Company attended the meeting without voting rights. Seven ordinary resolutions were considered and approved at the meeting, including the "Resolution on the Work Report of the Board of MCC for the Year 2019", the "Resolution on the Work Report of the Supervisory Committee of MCC for the Year 2019", the "Resolution on the Report of MCC on Final Accounts for the Year 2019", the "Resolution on Profit Distribution of MCC for the Year 2019", the "Resolution in relation to the Emoluments of Directors and Supervisors of MCC for the Year 2019", the "Resolution on the Guarantee Plan of MCC for the Year 2020", the "Resolution on the Appointment of the Auditor of the Financial Report and Internal Control Auditor of the Company for the Year 2020"; two special resolutions were considered and approved at the meeting, including the "Resolution on the Grant of General Mandate to the Board of Directors to Issue Shares", the "Resolution on the Amendment to the Articles of Association and Rules of Procedure of General Meeting". The "Work Report of Independent Directors for the Year 2019" was heard at the meeting.

On 15 October 2020, the Company convened the 2020 Second Extraordinary General Meeting. Mr. Yan Aizhong, being a Director of the Company, and Mr. Zhang Yandi and Mr. Chu Zhiqi, all being Supervisors of the Company, and Mr. Zeng Gang, Secretary to the Board, Zhang Mengxing (Director-designate) and Yin Sisong (Supervisor-designate), attended the meeting. Other senior management personnel of the Company attended the meeting without voting rights. Two ordinary resolutions were considered and approved at the meeting, including the "Resolution on the Election of Mr. Zhang Mengxing as an Executive Director of the Third Session of the Board of Directors of the Company" and the "Resolution on the Election of Mr. Yin Sisong as a Supervisor of the Third Session of the Supervisory Committee of the Company".

## III. THE PERFORMANCE OF DUTIES BY DIRECTORS

### (I) The Composition of the Board

In the beginning of 2020, the third session of the Board of the Company comprised 7 Directors with Guo Wenqing as the executive Director and the Chairman, Zhang Zhaoxiang as the Vice Chairman and executive Director, Mr. Zhou Jichang, Mr. Yu Hailong, Mr. Ren Xudong and Mr. Chan Ka Keung Peter as Independent Non-executive Directors, and Mr. Lin Jinzhen as a non-executive Director and an employee representative Director.

On 29 April 2020, the Company convened the 2020 First Extraordinary General Meeting, Mr. Ng, Kar Ling Johnny was elected as an Independent Non-executive Director of the Company. On the same day, Mr. Chan Ka Keung Peter tendered his resignation as the independent non-executive Director of the Company and the convener of the Finance and Audit Committee due to work rearrangement. The Company convened the 16th Meeting of the Third Session of the Board and completed the relevant procedures of the alteration in member of the Finance and Audit Committee. On 31 August 2020, the Company convened the employee representative meeting and elected Mr. Yan Aizhong as the employee representative Director. On 9 September 2020, Mr. Zhang Zhaoxiang, the Vice Chairman and an executive Director of the Company, resigned from his positions of a Director and a member of the strategy committee of the Board of the Company due to the change of his work arrangements. On 15 October 2020, the Company convened the 2020 Second Extraordinary General Meeting and elected Mr. Zhang Mengxing as an executive Director of the Company.

# CORPORATE GOVERNANCE

On 2 January 2021, the Company received the notice from the family of Mr. Ren Xudong, the Independent Non-executive Director of the Company that Mr. Ren Xudong passed away due to illness. On the date of disclosure of this Report, the third session of the Board of the Company comprised 6 members with Mr. Guo Wenqing as an executive Director and the Chairman, Mr. Zhang Mengxing as an executive Director, Mr. Zhou Jichang, Mr. Yu Hailong, Mr. Ng, Kar Ling Johnny as Independent Non-executive Directors, and Mr. Yan Aizhong as a non-executive Director and an employee representative Director of the Company.

Pursuant to the Hong Kong Listing Rules and the Work Rules for the Relevant Special Committees of the Company, the Nomination Committee and the Remuneration and Appraisal Committee were comprised of 3 to 5 members, of which independent Directors shall account for over half of the members. After the passing away of Mr. Ren Xudong, the Company was not in compliance with (i) Rule A.5.1 of Appendix 14 of the Hong Kong Listing Rules; and the Work Rules for the Nomination Committee, and the Work Rules for the Remuneration and Appraisal Committee. The Company will appoint the Chairman of the Nomination Committee and a member of the Remuneration and Appraisal Committee as soon as possible.

None of the Independent Non-executive Directors of the Board held any position of the Company other than the Directors of the Company. Pursuant to the confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 3.13 of the Hong Kong Listing Rules, the Company is of the view that each of the Independent Non-executive Directors is independent. All the Independent Non-executive Directors are able to give objective and independent opinions on decisions, thus ensuring the independence and fairness of the decisions made by the Board. All of the Directors have performed their duties with loyalty, integrity and diligence to serve the interests of the Company and all the Shareholders. Among them, Mr. Ng, Kar Ling Johnny has expertise in the fields of financial management and accounting.

Save for their services to the Company, there is no financial, business or family relationship among the Directors and between them and the presidents, nor any other material relationship among them.

During the Reporting Period, the Company purchased liability insurance policies for all Directors.

During the Reporting Period, through study and training, all Directors practically enhanced their duty performance capability and updated the professional knowledge and skills required for the performance of their duties. The specific contents of training/study participated by Directors during the Reporting Period are as follows:

<b>Name of Directors</b>	<b>Contents of training/study</b>
Guo Wenqing	2020 Training Program for Securities Laws for Listed Companies in Beijing Jurisdiction organized by the Beijing Securities Regulatory Bureau, Tenth Session of Training Program for Directors and Supervisors ; Chairman of China Listed Companies Association 2020 Listed Companies, Training Program for General Manager Network Series
Zhang Mengxing	2020 Training Program for Securities Laws for Listed Companies in Beijing Jurisdiction organized by the Beijing Securities Regulatory Bureau, ; Chairman of China Listed Companies Association 2020 Listed Companies, Training Program for General Manager Network Series
Yan Aizhong	2020 Tenth Session of Training Program for Directors and Supervisors of Listed Companies in Beijing Jurisdiction organized by Beijing Securities Regulatory Bureau



# CORPORATE GOVERNANCE

## (II) Attendance of Directors at Board Meetings and General Meetings

Name of Directors	Whether they are Independent Directors	Number of attendance at Board meetings required for the year	Attendance at Board Meetings				Attendance at general meetings	
			Number of meetings attended in person (Including attendance through communication tools)	Number of meetings attended through communication tools	Number of meetings attended by proxy	Number of absence	Whether they did not attend in person for two times consecutively	Number of general meetings arranged
Guo Wengjing	No	14	11	7	3	0	No	0
Zhang Mengxing	No	4	4	2	0	0	No	0
Zhou Jichang	yes	14	14	12	0	0	No	0
Yu Hailong	yes	14	14	11	0	0	No	0
Ng, Kar Ling Johnny	yes	9	9	8	0	0	No	0
Yan Aizhong	No	4	3	2	1	0	No	1
Zhang Zhaoxiang	No	10	9	5	1	0	No	2
Ren Xudong	Yes	14	13	10	0	1	No	0
Chan Ka Keung Peter	Yes	5	5	4	0	0	No	0
Lin Jinzhen	No	10	10	5	0	0	No	2

Explanation on the absence from Board meeting for two times consecutively

Applicable  Not applicable

Number of Board meetings held within the year	14
Including: Number of on-site meetings	1
Number of meetings convened via communications	7
Number of meeting convened by combination of on-site meeting and communication	6

## (III) Objections on Relevant Issues of the Company Raised by Independent Directors

Applicable  Not applicable

## (IV) Duties and Operation of the Board

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

# CORPORATE GOVERNANCE

The roles of Chairman and President of the Company are segregated and Mr. Guo Wenqing serves as the Chairman. Mr. Zhang Mengxing serves as the President. The Chairman and the President perform their respective duties in accordance with the relevant requirements regarding division of duties set out in rules such as the Articles of Association, the Rules of Procedures for Board Meetings and the Work Rules for President of the Company.

The Chairman is mainly responsible for presiding over general meetings and convening and presiding over Board meetings, checking and facilitating the implementation of the resolutions of the Board, nominating candidates for the secretary to the Board, supervising and examining the performance of each special committee under the Board, organizing and formulating rules for the operation of the Board, coordinating the operation of the Board, receiving regular or irregular work reports submitted by the senior officers of the Company and advising on the implementation of the resolutions of the Board, and performing other duties required by laws, administrative regulations, department regulations or the Articles of Association, and authorized by the Board.

The President is accountable to the Board and is mainly responsible for taking charge of the Company's production, operation and management and reporting his work to the Board, organizing the implementation of resolutions of the Board, organizing the implementation of the Company's annual business plans and investment plans, drafting plans for the establishment of the Company's internal management structure, drafting the Company's basic management system, formulating specific rules and regulations of the Company, preparing the merger, demerger or restructuring plans for subsidiaries of the Company, and performing other duties required by laws, administrative regulations, department rules or the Articles of Association, and authorized by the Board. The Vice President assists the President in his work and is accountable to the President, and perform the following duties with a clear division of labour: participate in the preparation of proposals, plans, reports and documents submitted by the President to the Board; responsible for organizing the implementation of annual business plan, investment plan, annual financial budget plan and final accounts assigned to him; and responsible for other matters assigned to him.

The Board and its subordinate special committees performed their duties in strict compliance with the duties and work requirements as authorized by regulatory requirements, and carried out their work pursuant to the Company Law, regulatory rules of the listing place(s), Articles of Association, Rules of Procedures for General Meeting and the Board of Directors and other relevant requirements. For the purpose of maintaining and increasing the value of the state-owned assets and maximizing Shareholders' interests, the Company continue to follow the function of "making strategy, managing team, discussing important issues and controlling risks", captured the development opportunity to target strategic layout and phased development goal to dedicate in reform and innovation, continue to strictly control risks and facilitate continuous progress of the Company.

Firstly, the Company strengthened the strategic leadership and maintained its strategic positioning. Under the guidance of the development vision of "focusing on the core business in building a better MCC", the Company further studied the system issues of the development of segments and business portfolio of the Company, the material issues in relation to the future development of the Company such as the development of regional companies and market expansion, continued to uphold the strategic positioning of "being the national team for metallurgical construction, the main force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for development with advanced technologies and high quality".

Secondly, the Company improved the management level and continued to lower the cost and increase effectiveness. We borne the philosophy of "Saving one cent is easier than earning one cent" in mind. We adhered to fine management; strengthened cost control of all staff, all factors and the whole process; continued to focus on reducing the controllable expenses and financing costs as much as possible, so as to strictly save various expenses and reduce all kinds of costs and minimize the negative impacts brought by the pandemic.

Thirdly, the Company strictly imposed risk control to ensure compliance operation. We took stability as the top priority and placed risk control as an important prerequisite for all business activities, sparing no efforts to strengthen risk management of financial capital, investment control, risk control of overseas business, as well as safety production.

# CORPORATE GOVERNANCE

Fourthly, the Company spared efforts to expand the market and seize development opportunities. We adhered to the market development principle of “herding sheep on the grassland and casting a net at fishpond”. We will strengthen the market development leadership building of “the major leaders taking the lead to develop the market, organizing elites and talents to seek opportunities in the market”. Meanwhile, we will focus on the goal orientation, be self-motivated and assign responsibilities, and aim to achieve trillion contract value. We will stress and strengthen the systematic advantages and further improve the market development system. We will strive to seize a new round of infrastructure investment opportunities by highlighting the entire process of marketing and further improving the quality of market operation.

Fifthly, the Company focused on the prevention and control of risks arising from overseas operations. It is necessary to adhere to “guarding against imported cases and preventing a resurgence of local outbreak” and “protecting both human and objects”, and carry out the normalized prevention and control of the pandemic with caution. On the basis of coordinating the prevention and control of the pandemic and the work of production and management, and on the premise of strictly controlling the risk of “going global”, the Company faced up to difficulties, identify gaps with confidence, improved the internal strength, so as to make full preparations for promoting the new development of overseas business in the post-pandemic period. The Company advanced the construction of major projects of “One Belt, One Road” with high quality and gave priority to countries which are in friendly relations, near China geographically and with risk control. While focusing on major customers and projects for contracting the advantageous projects of MCC, the Company also relied on key markets, optimized the establishment of foreign institutions, strengthened the capacity of overseas institutions to promote regionalized and localized operation. The innovation of the business model helped find the new and reliable business growth points, marked new achievements in the “enhancement of domestic and international dual cycles”.

Sixthly, we enhanced the establishment of the Board to ensure the decision-making is more scientific. The Company further optimized and improved the institutional system, process system, responsibility system of the Board to give full play to the decision-making and consultation role of each professional committee and independent director mechanism, and continued to strengthen the building of team cooperation and duty performance ability of the Board to ensure clear powers and responsibilities, coordinated operations and efficient decision-making.

## (V) Directors’ Responsibilities on Relevant Financial Reports

Directors are accountable to financial reports. When preparing the financial statements for the year ended 31 December 2020, Directors have chosen and applied appropriate accounting policies and made prudent and reasonable judgments and estimations to truly and fairly reflect the position, results and cash flow of the financial year. A statement made by the auditor of the Company on their reporting responsibilities is set out in the “Auditor’s Report” beginning on page 139 of this annual report.

## IV. SIGNIFICANT OPINIONS AND RECOMMENDATIONS PROPOSED BY THE SPECIAL COMMITTEES UNDER THE BOARD IN PERFORMING THEIR DUTIES DURING THE REPORTING PERIOD, SPECIFIC DETAILS SHOULD BE DISCLOSED IF THERE WERE DISAGREEMENTS

There are four special committees under the Board of the Company in total, namely the Strategy Committee, the Finance and Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee. Independent Non-executive Directors formed the majority of all the special committees (except the Strategy Committee) and served as chairman of the Finance and Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee.

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

# CORPORATE GOVERNANCE

## 1. Strategy Committee

In accordance with the Articles of Association, the Rules of Procedures for Board Meetings and the Work Rules for the Strategy Committee, the Strategy Committee is accountable to the Board and is mainly responsible for conducting research and giving recommendations on the Company's mid-to-long term development strategies and major investment decisions, and discharging other duties authorized by the Board.

At the beginning of the Reporting Period, the Strategy Committee of the third session of the Board comprised three Directors, namely Mr. Guo Wenqing, Mr. Zhang Zhaoxiang and Mr. Zhou Jichang. Mr. Guo Wenqing served as the chairman. On 15 October 2020, the twenty first meeting of the third session of the Board considered and approved the Proposal on the Adjustment of Member of the Strategic Committee of the Board. The alteration of the members of the Strategic Committee of the Board is as follows: Mr. Guo Wenqing, Mr. Zhang Mengxing, Mr. Zhou Jichang. Mr. Guo Wenqing serves as the chairman.

During the Reporting Period, the Strategic Committee convened three meetings through communication tools. Three committee members attended the meeting. The meeting discussed about three matters which involve establishments and adjustment of functions of some authorities of the head office, positioning adjustment of the head office's businesses, the 2020–2022 roll planning of the Company and other matters.

## 2. Finance and Audit Committee

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

At the beginning of the Reporting Period, the Finance and Audit Committee of the third session of the Board comprised 3 Directors, namely Mr. Chan Ka Keung Peter, Mr. Zhou Jichang and Mr. Yu Hailong. Mr. Chan Ka Keung Peter served as the chairman. On 29 April 2020 the sixteenth meeting of the third session of the Board considered and approved the Proposal on the Adjustment of the Members of the Finance and Audit Committee. The alteration of the members of the Finance and Audit Committee is as follows: Mr. Ng, Kar Ling Johnny, Mr. Zhou Jichang and Mr. Yu Hailong. Mr. Ng, Kar Ling Johnny serves as the chairman.



# CORPORATE GOVERNANCE

During the Reporting Period, the Finance and Audit Committee convened 9 meetings in total, of which one meeting was convened via on-site, six meetings were convened via a combination of on-site and teleconference, two meetings were convened through communication tools. Three committee members attended the meetings. The meeting considered and discussed 33 issues, including various regular reports and final accounts, the change of auditing institutions and other matters, and communicated with external auditing institutions in respect of the audit and review of regular financial reports several times, completed the inspection of the Company's annual financial audit, gave conclusion and evaluation on the performance of external auditing institutions. The Finance and Audit Committee performed duties on internal control and risk management through listening to the audit work of internal auditing institutions, working plans of internal control and risk management, examination reports on internal control and risk management, and assessment reports on internal control, proposed clear requirements as to how to fully apply internal control and risk management on various areas, including the decision-making, management and operation of the Company, supervised the management of connected transactions of the Company, reviewed a list of affiliated persons/connected persons, reviewed annual caps for daily connected transactions/continuing connected transactions, reviewed non-daily connected transactions, audited issues including the utilization of raised proceeds, guarantee plans, and profit distribution and reviewed the feedback channels established by the Company. No whistle blowing materials in relation to relevant financial reports and internal supervision were received during the Reporting Period.

The attendance by each committee member at meetings is as follows:

<b>Name of Directors</b>	<b>Number of attendance required for the Directors</b>	<b>Number of meetings attended in person (Including attendance through communication tools)</b>
Ng, Kar Ling Johnny	5	5
Zhou Jichang	9	9
Yu Hailong	9	9
Chan Ka Keung Peter	4	4

### 3. Nomination Committee

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

During the Reporting Period, the Nomination Committee of the third session of Board of the Company comprised 3 Directors, namely Mr. Ren Xudong, Mr. Guo Wenqing and Mr. Yu Hailong. Mr. Ren Xudong served as the chairman.



# CORPORATE GOVERNANCE

During the Reporting Period, the Nomination Committee convened 2 meeting via teleconference, and all 3 committee members attended the meeting. Three issues were studied and discussed at the meetings, which were in relation to the nomination of Mr. Ng, Kar Ling Johnny as a candidate of the independent non-executive Director by CMGC, the nomination of Mr. Zhang Mengxing as a candidate of the executive Director by CMGC and the appointment of Vice President of MCC and other matters. The nomination committee is of the view that since Mr. Ng, Kar Ling Johnny is a senior accountant of the Hong Kong Institute of Certified Public Accountants, and he has extensive experience in corporate governance of listed companies, financial management and risk control, and possesses the qualifications required by the regulatory authority; Mr. Zhang Mengxing possesses the qualifications and capabilities as an executive Director of the Company; Mr. Bai Xiaohu and Mr. Zhu Guangxia possess the qualifications and capabilities as Vice Presidents of the Company.

Nomination policy and diversity policy for the Board members:

In reviewing the structure of the Board, the Nomination Committee will consider the Board diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against criteria including talents, skills and experience as may be necessary for the operation of the Board as a whole, with a view to maintaining a sound balance of the Board's composition.

The Nomination Committee is of the view that Independent Non-executive Directors of the third session of the Board have the basic knowledge of the operation of listed companies and the work experience necessary for performing duties of Independent Non-executive Directors. In particular: Mr. Zhou Jichang has the professional background and work experience in the aspects of municipal roads and communication construction for years, and Mr. Zhou, as an Independent Non-executive Director, could supplement the professional background in the municipal construction and management of the members of the Board as municipal communication construction is one of the major businesses of the Company; Mr. Yu Hailong has years of work experience in foreign trade, energy saving and environmental protection and other industries, and he also excels at foreign investment and enterprise management, so Mr. Yu, as an Independent Non-executive Director, could supplement the professional background in the investment and management in relevant areas of the members of the Board; Mr. Ren Xudong has taken up management positions in the non-ferrous metals and minerals industries for a long time and has served as the deputy secretary of China Nonferrous Metals Industry Association, so Mr. Ren, as an Independent Non-executive Director, could supplement the professional background in the aspects of metallurgical construction, resource development and operation management of the members of the Board; During the Reporting Period, Mr. Ng, Kar Ling Johnny, the newly elected Director, was a senior accountant of the Hong Kong Institute of Certified Public Accountants and he has extensive experience in corporate governance of listed companies, financial management and risk control, and possesses the qualifications required by the regulatory authority, so Mr. Ng, as an Independent Non-executive Director, could supplement the professional background in the aspects of finance management, tax management and foreign investment of the members of the Board.

The third session of the Board of the Company has extensive experience in transportation, energy conservation and environmental protection and other business segments, as well as with respect of investment management. The diversified composition of the third session of the Board is as follows:

	Position		Age			Duration of directorship of the Company		
	Non-executive Directors	Independent Non-executive Directors	50 to 59	60 to 69	70 to 79	0 to 3 years	4 to 6 years	7 to 10 years
Executive Directors	1	4	3	2	2	4	2	1

# CORPORATE GOVERNANCE

## 4. Remuneration and Appraisal Committee

Pursuant to the requirements of the Articles of Association, the Rules of Procedures for Board Meetings and the Work Rules for the Remuneration and Appraisal Committee, the Remuneration and Appraisal Committee is accountable to the Board and is mainly responsible for studying and preparing the assessment criteria for Directors and senior management, conducting assessments and giving recommendations in respect thereof, studying and reviewing the remuneration policies and plans of Directors and senior management, and discharging other duties authorized by the Board. The remuneration plan of Directors of the Company proposed by the Remuneration and Appraisal Committee shall be subject to the consent of the Board and then submitted to general meetings for consideration and approval prior to its implementation. The remuneration distribution plan of the senior management of the Company shall be submitted to the Board for approval.

During the Reporting Period, the Remuneration and Appraisal Committee of the second session of the Board of the Company comprised 3 Directors, namely Mr. Yu Hailong, Mr. Zhou Jichang and Mr. Ren Xudong. Mr. Yu Hailong served as the chairman.

During the Reporting Period, the Remuneration and Appraisal Committee convened 3 meetings in total and all were held via teleconference. Three issues were studied and discussed at the meetings, which involved the adjustment on the remuneration of independent directors of Metallurgical Corporation of China Ltd., the remuneration of Directors and Supervisors of the Company for the year 2019, the remuneration plan of the senior management for the year 2019 and the distribution plans of monthly salary for the year 2020 and other issues.

## V. RISKS OF THE COMPANY IDENTIFIED BY THE SUPERVISORY COMMITTEE

Applicable  Not applicable

### Performance of Duties by the Supervisory Committee

During the Reporting Period, the second session of the Supervisory Committee of the Company comprised three Supervisors.

On 24 July 2020, the Supervisory Committee of the Company received the written resignation tendered by Mr. Cao Xiuyun, the Chairman of the Supervisory Committee. Due to adjustment of work arrangements, Mr. Cao Xiuyun resigned from his position as a Supervisor and the Chairman of the Supervisory Committee of the Company. As the number of Supervisors will fall below the quorum of the Supervisory Committee due to the resignation of Mr. Cao Xiuyun, Mr. Cao Xiuyun will continue to perform his duty as a Supervisor until the assumption of office of the replacement supervisor pursuant to the Articles of Association and the requirements of the relevant laws and regulations.

On 15 October 2020, the Company elected Mr. Yin Sizong as the non-employee representative Supervisor at the 2020 Second Extraordinary General Meeting and convened the ninth meeting of the third session of the Supervisory Committee of the Company on the same day and elected Mr. Yin Sizong as the Chairman of the Supervisory Committee. The third session of the supervisory Committee of the Company was changed to: Mr. Yin Sizong as the Chairman of the Supervisory Committee, Ms. Zhang Yandi as the Supervisory and Mr. Zhu Zhiqi as the employee representative Supervisor.

During the Reporting Period, the Supervisory Committee of the Company earnestly performed duties, attended all the Board meetings and reported the work of the Supervisory Committee to the general meetings in accordance with the requirements of the Articles of Association.

In the spirit of being accountable to all Shareholders, all Supervisors of the Company monitored the Company's financial condition, internal control, related party/connected transactions, use of proceeds, as well as the legal compliance of Directors and senior management of the Company in performance of their duties.

# CORPORATE GOVERNANCE

During the Reporting Period, the Company's Supervisory Committee convened five meetings of the Supervisory Committee in total. It considered 17 proposals and received reports in respect thereof. The attendance by each Supervisor at meetings is as follows:

<b>Name of Supervisors</b>	<b>Number of attendance required for the Supervisors</b>	<b>Number of meetings attended in person (Including attendance through communication tools)</b>
Yin Sisong	2	2
Zhang Yandi	5	5
Chu Zhiqi	5	5
Cao Xiuyun	3	3

During the Reporting Period, the Supervisory Committee reviewed all previous regular reports required to be disclosed by the Company and earnestly studied final accounts and profit distribution plans of the Company for the year 2020, and supervised the internal control, a list of related parties/connected persons, as well as the utilization and change of relevant raised proceeds, paid continuous attention to assets or businesses which affected the operating results of the Company, and had no objections to the disposal measures and methods of the Board and management in respect of the assets or businesses.

## VI. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as the codes governing the dealings in the Company's securities by Directors and Supervisors. Having made specific enquiries with all Directors and Supervisors, all Directors and Supervisors of the Company confirmed that they themselves and their respective associates had fully complied with the required standards provided by the above code during the Reporting Period.

## VII. FAILURE OF THE CONTROLLING SHAREHOLDER OF THE COMPANY IN ENSURING INDEPENDENCE AND MAINTAINING THEIR CAPACITY OF INDEPENDENT OPERATION IN TERMS OF BUSINESS, PERSONNEL, ASSETS, ORGANIZATION AND FINANCE

Applicable  Not applicable

The corresponding measures, working process and follow-up working plans of the Company relating to competitions within the industry

Applicable  Not applicable

## VIII. AUDITING INSTITUTION AND ITS REMUNERATION

The Company appointed WUYIGE Certified Public Accountants LLP ("Daxin") as its annual auditors. In addition to the annual financial audit, Daxin also provided the Company with internal control audit services in relation to financial reports and provided part of its domestic subsidiaries with statutory financial audit services.

For details of the remuneration of independent auditors for the year 2020, please refer to "VI. Appointment and Dismissal of Accounting Firm" on page 69 of this report.

# CORPORATE GOVERNANCE

## IX. INFORMATION DISCLOSURE AND INVESTOR RELATIONS

In 2020, the Company seriously organized and completed the work of information disclosure in strict compliance with relevant requirements of regulatory authorities, such as the CSRC, the SSE and the Hong Kong Stock Exchange. It made the information disclosure through statutory channels including designated newspapers and websites in a truthful, accurate, complete, timely and fair manner, according to the principle of simultaneous disclosure in both listed jurisdictions. As of 2020, the Company was rated Class A (the top class) Listed Company for SSE Information Disclosure for four consecutive years.

The Company proactively maintained satisfactory relationship with investors, made every effort to build the Company's image in the capital market and increase the Company's attention in the capital market, and further stepped up its efforts in communications with investors, analysts and financial media, in order to protect the legitimate rights and interests of investors, especially the small and medium investors. In 2020, the Company was awarded the Best Listed Companies of Social Responsibility and the Listed Companies with the Best Investor Relations of China Securities Golden Bauhinia Awards, the Golden Round Table's the "Best Board of Directors", the "Best IR Hong Kong Stock Company Award" by New Fortune, Tianma Award's "Best Board of Directors Award", the "Best Investor Relations Company Award".

The Company commenced the multi-channeled investor relation activities innovatively and commenced regular and daily performance communications and roadshow work. Through video conferences, phone conferences, financial media and other dimensional, multi-media and multi-channeled full coverage promotion approaches, the Company commenced the regular performance promotion activities such as the 2019 Annual and 2020 Interim results, and interpreted the highlights of the Company's results in a readable manner by the flow of graph of the Company's results published by the public account of the Company, covering the public investors in the society. At the end of July, the Company jointly with China Everbright Securities deployed more than 10 fund managers and researchers to Chengdu to investigate the MCC Chengdu Jianyang Technology Industrial Park. By the on-site counter roadshow event of this project, helping investors further understand the technical advantages and market expansion of the Company in the field of prefabricated buildings and steel structures. In addition, the Company published the article "MCC: Continuous innovation, perform "high-quality development" state-owned listed companies' investor relations management work" on the SSE Investor Education Center, which demonstrated the special content and experience in the investor relations work of the Company.

## X. RIGHTS OF SHAREHOLDERS

To safeguard the statutory rights of Shareholders, Article 66 of the Articles of Association of the Company prescribes that the shareholders holding more than 10% of the Company's shares either independently or collectively may request an extraordinary general meeting in writing. Article 76 of the Articles of Association of the Company prescribes that, when a general meeting is convened, the shareholders holding more than 3% of the Company's shares, either independently or collectively, are entitled to table a proposal to the Company in writing, and the Company shall include in the agenda those matters which are within the scope of duties of the general meeting. Shareholders holding more than 3% of the Company's shares, either independently or collectively, may submit a temporary proposal to the convener in writing 15 working days prior to the convening of the general meeting. The Company set an exclusive session for communication with Shareholders at general meeting, during which Shareholders can raise their concerns and suggestions. Shareholders can also lodge their enquiries and suggestions through investor relations hotline (+86-10-5986-8666), or by fax (+86-10-5986-8999) or email (ir@mccchina.com).

## XI. COMPANY SECRETARIES

Mr. Zeng Gang is the current secretary of the Board of the Company. Mr. Zeng Gang and Ms. Ng Sau Mei are the current joint company secretaries of the Company and the main internal contact persons of the Company.

For details of profile of Mr. Zeng Gang, please refer to page 112 of this report.



# CORPORATE GOVERNANCE

The profile of Ms. Ng Sau Mei is set as below:

Ms. Ng Sau Mei is an associate director of the listing services department of TMF Hong Kong Limited, with over 18 years of professional and in-house working experience in the company secretarial field. Ms. Ng Sau Mei is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom.

For the purpose of complying with Rule 3.29 of the Hong Kong Listing Rules, the company secretaries attended relevant professional training for the year for not less than 15 hours as of 31 December 2020.

## **XII. APPRAISAL MECHANISM FOR SENIOR MANAGEMENT AND ESTABLISHMENT AND IMPLEMENTATION OF INCENTIVE MECHANISM DURING THE REPORTING PERIOD**

The appraisal of senior management of the Company is mainly carried out by taking into account the Company's operating results, personal capabilities, work performance and service attitude. The Board completes the appraisal of work performance of senior management based on corporate reports on final accounts and statistics, the report of the President regarding the completion of operating results appraisal targets last year and the work report of vice President and Chief Accountant. Meanwhile, the remunerations of senior management are determined pursuant to the appraisal.

## **XIII. SELF-EVALUATION REPORT OF INTERNAL CONTROL**

The Company regularly conducts identification, evaluation and corresponding actions for risks. The Company seriously analyzes its situation within the industry on the basis of the study and judgement of the general domestic and international macro-economic situation annually and conducts relevant risk management actions by phases according to the strategic objectives and control requirements. Risk identification stage: pursuant to the requirements of the Guideline on Comprehensive Risk Management for State Enterprises (《中央企業全面風險管理指引》), the Company organized all functional departments and subsidiaries to collect relevant information on risks systematically on an on-going basis. In accordance with the risk categorization framework of the SASAC of the State Council and the normative requirements of internal guidance on risk management, the Company conducted risk identification and reorganization procedures to identify internal and external risks affecting operating targets, analyzed the cause of risks and possible impacts case by case, and specified the departments-in-charge. Risk evaluation stage: pursuant to the actual situation of risk management, quantitative assessments and qualitative assessments, the Company classified risks into three levels based on the "importance and urgency of risk management", namely highly important (red), close attention (yellow) and controllable risks (green). The Company organized each of the department-in-charge to evaluate the impact of different types of risks on the realization of the overall objectives of the Company and preliminarily determined the classification of risk management, with extra attention paid to material risks. Risk responding stage: the Company duly formulated risks responding measures in response to routine risks, which include: risk prevention, risk confrontation, risk mitigation and risk transformation. In terms of material risks, control measures to material risks were prepared and the Company had assigned respective departments-in-charge; effective and practicable risk management and control measures have been duly formulated upon thorough analysis on the source, cause, possible impact and corresponding strategies of material risks. Material risks tracking stage: pursuant to the requirement of the regulatory authorities and institutions at high levels, by way of the implementation of risk management and the effective tracking of material risks on a regular basis, the Company paid timely attention to the implementation and practicability of the solutions to material risks or contingency plans on crisis management, allocated resources accordingly, specified work procedures, assigned persons-in-charge and set deadline, so as to ensure the effective implementation of such solutions or plans.

The main features of risk management and internal control system are as follows: pursuant to regulatory requirements, the Company implemented the Basic Standards for Corporate Internal Control (《企業內部控制基本規範》) and its accompanying guidelines since 2011. Based on the Guideline on Comprehensive Risk Management for State Enterprises (《中央企業全面風險管理指引》) published by the SASAC of the State Council, the Company established the framework at company level and business level by integrating the risk management and internal control systems. Under the framework, through preparing risk control matrix to establish the relationship of mutual mapping between key risk and control, the Company implemented the risk identification, evaluation and corresponding control measures to various internal business processes in the enterprise in order to achieve the organic integration between risk management and internal control, significantly improving the capabilities of risk prevention and control of the enterprise and providing effectiveness to the management of the enterprise.



# CORPORATE GOVERNANCE

The Company attaches great importance to the effective operation of the internal control system. The Company divides the internal control system into three levels including fundamental management system, specific regulations/administrative measures and implementation guidelines pursuant to the established main body, levels involved and the scope of limitations. The effectiveness of the regulations and systems are evaluated annually and the list of establishment, amendment and abolishment of rules and regulations would be arranged pursuant to the evaluation results and according to the regulatory requirements and development needs of the Company to formulate the annual development plan of the system. Meanwhile, comparing the logical relationship between the requirements in the framework of internal control and the system of the Company, the regulations and systems of the Company are divided according to business categories in order to program and standardize the management of the regulations and systems of the Company, thus safeguarding the compliance operation and strategic development of the Company.

The Company places heavy emphasis on dynamic monitoring of risk management. According to internal and external changes of the Company, the Company analyzed the collected risk information, evaluated various risks which might create possibilities of impacts on and loss to the operation procedures of the Company, timely identified and systematically analyzed the relevant risks between the operating activities and implementation of internal control targets, and reasonably determined the risk tolerance of the Company and corresponding strategies for the risks. The Company paid special attention to the control of significant risks and formulated risk management measures by refining solutions, and deeply analyzing the source of significant risks, reasons of the risks, possible impact and corresponding strategies to be taken in respect of the significant risks evaluated.

The Company established a healthy and solid special risk emergency mechanism. Due to the direct and indirect impacts suddenly brought by the pandemic in 2020, the Company organized two rounds of special risk evaluation work. The first one was carried out in the beginning of the pandemic in February, whereby a comprehensive risk evaluation and analysis on the impacts brought by the pandemic on the production and operation of the Company were carried out, and respective remedial measures were made with good results. The other one was during the global spread of the pandemic in March. A quick drop in the bulk commodity prices occurred. The Company quickly conducted quantitative analysis on the impacts brought the risks of the price drop in the mine products, made respective remedial measures and activated the status rating work mechanism so that the Company could respond in time to the operational environment and strive to minimize the loss brought by the risks.

The Company put great effort in the project risk alert indicators and procedure regulation. We focused on the material risks highlighted in the main business segments and adjusted the control measures according to the change of the actual situation. The Company monitored the project risks, PPP business risks, overseas project risks and MCC overseas trading special risk updates. In addition, the Company continuously paid attention to the change in material risks and management in 2020. Based on the quarterly report of risk control of the function departments of the headquarters and subsidiaries, we prepared the comprehensive risk management quarterly report. By analyzing the risk management of each subsidiaries and relevant headquarters, we carried out evaluation on the overall risk of the Company and performed well in the isolation of internal risk of the Company to prevent the overlapping of the risks in the Company internally. We carried out conducting upgrades, forming the corresponding results of risk assessment and trend analysis, and submitting them to the decision-making level of the Company for decision-making. The Company significantly improved the risk prevention and control capabilities and control of the enterprise through management control of significant risks in advance and in progress.

The Board assesses annually the effectiveness of the risk management and internal monitoring and control systems of the Company and comes to a complete inspection conclusion in the current year. The procedures of reviewing the effectiveness of risk management and internal control systems includes: formulating the plan for evaluation of work, forming evaluation team, implementing on-site testing, identifying control defects, aggregating evaluation results and compiling evaluation reports, etc. The Company authorizes the audit department to be responsible for specific implementation of the evaluation of internal control. After a comprehensive analysis of internal control defects, the Company gives opinions, and makes a final confirmation in accordance with the scope of authority and procedures after review, and classifies the defects as significant defects, important defects and general defects based on the level of impact. The confirmation proposed will be presented to the Board and operation meeting in the form of written report, and the significant defects will be finally confirmed by the Board.

The procedures for making up severe deficiencies of the internal control system: for the identified significant defects and important defects, MCC will promptly adopt corresponding strategies to effectively control the risks within a bearable level and pursue the liabilities of the relevant department or personnel.

# CORPORATE GOVERNANCE

The Company performs information gathering, studying, preparation of announcements and disclosure approval procedures to ensure the compliance of information disclosure in accordance with the regulatory requirements and the Management System of Information Disclosure of MCC (《中國中冶信息披露管理制度》) and Measures for the Administration of Information Disclosure of MCC in the Stock Market (《中國中冶股票市場信息披露管理辦法》). Meanwhile, the Company has established the inside information Insider Registration System, required the inside information insider to truthfully and completely record the inside information of the insider at the stage of deliberation planning, demonstration consultation, contract conclusion, reporting, transmission, preparation, review, resolution, disclosure, etc. The confidentiality obligation shall be strictly fulfilled by the insiders.

The Company has established an internal audit function which analyzes and independently evaluates the adequacy and effectiveness of the risk management and internal monitoring and control systems of the Company and reports to the Board the results at least once a year. MCC has, in practice, started the inspection and rectification of internal control and risk management pursuant to the plan on evaluation of work and standard of evaluation in order to ensure the defects are rectified properly. Meanwhile, the subsidiaries are required to conduct half-year and annual self-evaluation and special evaluation work in order to provide the base for the issue of internal control evaluation report. The review period of risk management and internal control system covered is from 1 January 2020 to 31 December 2020.

For the year ended 31 December 2020, the Board has inspected the effectiveness of the internal monitoring and control and risk management systems of the Company to ensure that the management maintained and managed a well-functioning system based on the control procedures and standards. The Board has confirmed that there was no significant defect of internal control in the financial report in 2020, and no significant defect of internal control has been discovered in the non-financial report. According to the inspection and assessment results of internal control of the Company, the risk management and internal monitoring and control of the Company is effective and is able to fulfill the internal control objectives.

The Board believes that the current risk management and internal monitoring and control systems are adequate and effective, in particular, with respect of financial reporting and compliance with the Hong Kong Listing Rules.

Explanation on material defects in internal control during the Reporting Period

Applicable  Not applicable

## XIV. RELEVANT EXPLANATIONS ON THE AUDIT REPORT OF INTERNAL CONTROL

WUYIGE Certified Public Accountants LLP has issued the internal control audit report for the Company and is of the opinion that as at 31 December 2020, the Company maintained an effective internal control over its financial report in all material aspects pursuant to the Basic Standards for Enterprise Internal Control (《企業內部控制基本規範》) and relevant requirements.

According to the audit report of internal control issued by WUYIGE Certified Public Accountants LLP, the Board has inspected the risk management and internal monitoring and control systems of the Company and its subsidiaries, and is of the view that they are still effective.

Whether the Company had disclosed its internal control audit report: Yes

The type of opinion of the audit report of internal control: The standard unqualified opinion

# CORPORATE GOVERNANCE

## XV. CHANGE IN THE ARTICLES OF ASSOCIATION

During the Reporting Period, the Company followed the regulating environment, continuously optimized the establishment of corporate governance system. According to the Official Reply of the State Council regarding Adjusting the Application of Provisions to Matters Including the Notice Period for Convention of Shareholders' Meetings by Overseas Listed Companies (No. 97 [2019] of the State Council) (《關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批復》(國函[2019]97號)) released by the State Council in October 2019, the relevant provisions of the Company Law of the PRC (中國《公司法》) shall be uniformly applied to joint stock limited companies registered in China and listed overseas in terms of notice period, shareholders' right to propose and the procedures for convening the general meeting. Based on the relevant regulations of the regulatory authorities and the actual situation of the Company, and with reference to the common practice of similar listed companies, the Company made amendments to the relevant provisions in Articles of Association and the Rules of Procedures for General Meeting (《股東大會議事規則》) based on the principles of prudence, appropriateness and necessity, which were considered and approved by the 2019 annual general meeting. Upon the amendments of the relevant terms, the organization and preparation cycle of General Meeting was shortened, which was beneficial to the decision-making efficiency of the procedures of General Meeting.

# CORPORATE BONDS

## I. BASIC INFORMATION ON CORPORATE BONDS

In order to optimize the capital structure of the Company, the Company issued the following corporate bonds. All of the Company's corporate bonds, which are publicly offered and listed on a stock exchange and have not yet expired as of the date of approval of this annual report, are listed as follows:

Unit: RMB00,000,000

Name of bonds	Short name	Stock code	Issue date	Expiry date	Outstanding bonds	Interest rate (%)	Method of paying principal and interest	Stock exchange
2017 Corporate Bonds (First Tranche) under the Public Issuance	17 MCC 01	144361	24 October 2017 to 25 October 2017	25 October 2022	5.7	4.99	This tranche of bonds shall bear interest on a yearly basis at single rate rather than compound rate and interest shall be paid each year. Upon expiry at the end of such period, the principal shall be repaid on one-off basis and the interest for the last tranche shall also be paid at the same time	SSE
2018 Corporate Bonds (First Tranche) under the Public Issuance	18 MCC 01	143634	7 May 2018 to 8 May 2018	8 May 2021	8.7	4.78	This tranche of bonds shall bear interest on a yearly basis at single rate rather than compound rate and interest shall be paid each year. Upon expiry at the end of such period, the principal shall be repaid on one-off basis and the interest for the last tranche shall also be paid at the same time.	SSE
	18 MCC 02	143635		8 May 2023	2.2	4.98		

Payment of interest principal amount of corporate bonds

As of the date of disclosure of this annual report, the interest on 2017 Corporate Bonds (First Tranche) under the Public Issuance was paid on 26 October 2020; the interest on 2018 Corporate Bonds (First Tranche) under the Public Issuance was paid on 8 May 2020.

Other explanation on corporate bonds

2017 Corporate Bonds (First Tranche) under the Public Issuance and 2018 Corporate Bonds (First Tranche) under the Public Issuance are all targeted to qualified investors through public issuance.

## II. AUTHORIZED CONTACT PERSONS AND CONTACT DETAILS OF CORPORATE BONDS AND CONTACT DETAILS OF CREDIT RANKING INSTITUTIONS

Bond trustee	Name	China Merchants Securities Co., Ltd.
	Office address	17th Floor, 3rd Building, China Merchant Bank Mansion, No. 1 Yuetan South Street, Xicheng District, Beijing, PRC
	Contact persons	Zhao Xin, Yang Dong
	Contact No.	010-60840890
Credit ranking institution	Name	China Chengxin International Credit Rating Co., Ltd.
	Office address	Galaxy SOHO6, No. 2 Nanzhugan Hutong, Dongcheng District, Beijing, PRC

# CORPORATE BONDS

## III. USE OF PROCEEDS OF CORPORATE BONDS

As of the date of disclosure of this annual report, 2017 Corporate Bonds (First Tranche) under the Public Issuance and 2018 Corporate Bonds (First Tranche) under the Public Issuance have been utilized. The use of the entire proceeds of the corporate bonds of the Company is in line with the intended use, plan of use and other purposes as stipulated in the prospectuses.

The deposit and use of the proceeds from corporate bonds have been implemented pursuant to the “Special Account for Proceeds and Special Repayment Account Agreement” entered into between the regulatory bank and the bond trustee. The use of proceeds is in line with the relevant undertakings provided in the prospectus, the account for proceeds is operating under governance, and the withdrawal and use of proceeds from each tranche have complied with the approval formalities of the Company.

## IV. RANKING OF CORPORATE BONDS

According to the credit ranking report (Xin Ping Wei Han Zi [2020] Gen Zong No. 0180) issued by China Chengxin Securities Rating Co., Ltd. on 30 April 2020, “2017 Corporate Bonds (First Tranche) under the Public Issuance by Metallurgical Corporation of China Ltd.” and “2018 Corporate Bonds (First Tranche) under the Public Issuance by Metallurgical Corporation of China Ltd.”, the Company maintained the ranking of AAA with stable outlook. The rating of indebtedness for this tranche remained as AAA.

The debt financing instruments issued by the Company in the interbank bond market were all ranked AAA with no difference existing.

China Chengxin International Credit Rating Co., Ltd. is expected to conduct the follow-up and ranking of the Company and its indebtedness after the disclosure of this report, and will disclose the follow-up and ranking report on the website of SSE within two months after the disclosure of this 2020 annual report of the Company to inform investors in this regard.

## V. CREDIT ENHANCEMENT MECHANISM FOR CORPORATE BONDS, DEBT REPAYMENT PLANS AND OTHER RELEVANT MATTERS DURING THE REPORTING PERIOD

As of the date of approval of this annual report, the Company did not establish any credit enhancement mechanism for corporate bonds, and the debt repayment plans and other debt repayment protective measures for corporate bonds of the Company were in line with the provisions and relevant undertakings provided in the prospectuses and there was no change in the abovementioned.

## VI. CONVENTION OF CORPORATE BONDHOLDERS’ MEETINGS

Since the issuance date of corporate bonds and up to the date of approval of this annual report, there were no matters that fall within the scope of authority of the bondholders’ meetings of the Company. As such, no bondholders’ meeting was convened by the bond trustee.

## VII. PERFORMANCE OF DUTIES OF THE TRUSTEE OF CORPORATE BONDS

China Merchants Securities Co., Ltd. is the bond trustee of corporate bonds “17 MCC 01”, “18 MCC 01” and “18 MCC 02”. As stipulated under the “Bond Trustee Agreement” entered into between the Company and China Merchants Securities Co., Ltd. upon the declaration of each of such corporate bonds, such company performed its relevant duties as a bond trustee.

The bond trustee of corporate bonds “17 MCC 01”, “18 MCC 01” and “18 MCC 02” is expected to issue 2020 trustee reports in relation to respective corporate bonds on the website of SSE before 30 June 2021. Investors shall pay attention to it.



# CORPORATE BONDS

## VIII. ACCOUNTING INFORMATION AND FINANCIAL INDICATORS OF THE COMPANY FOR THE LATEST TWO YEARS PRECEDING THE END OF THE REPORTING PERIOD

Major Indicators	2020	2019	Increase/decrease as compared to the same period of last year
EBITDA (RMB)	<b>18,048,789</b>	17,316,274	Increased by 4.23%
Current Ratio	<b>1.17</b>	1.14	Increased by 0.03
Quick Ratio	<b>0.74</b>	0.70	Increased by 0.04
Asset-liability Ratio (%) <sup>(Note)</sup>	<b>72.28</b>	74.50	Decreased by 2.22 percentage points
EBITDA/Total Liabilities	<b>0.05</b>	0.05	-
Interest Protection Multiples	<b>3.30</b>	2.49	Increased by 0.81
Cash Dividend Protection Multiples	<b>7.99</b>	4.58	Increased by 3.41
EBITDA/Interest Protection Multiples	<b>4.13</b>	3.10	Increased by 1.03
Loan Repayment Ratio (%)	<b>100</b>	100	-
Interest Payment Ratio (%)	<b>100</b>	100	-

Note: Asset-liability ratio = Total liabilities/total assets × 100%

## IX. EXPLANATION ON OVERDUE DEBTS

Applicable  Not Applicable

## X. PAYMENT OF INTEREST PRINCIPAL AMOUNT OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

During the Reporting Period, the debt financing instruments of the Company were paid on schedule and there was no delay or failure in the payment of interest and principal.

## XI. CREDIT FACILITIES OBTAINED FROM BANKS BY THE COMPANY DURING THE REPORTING PERIOD

The Company maintained good long-term relationship with banks and other financial institutions and obtained credit facilities with relatively larger amount, and had relatively stronger ability in indirect debt financing. As at the end of the Reporting Period, the Company obtained a total of RMB699.4 billion from various financial institutions, of which RMB279.5 billion were utilized and RMB419.9 billion were unutilized.

During the Reporting Period, the Company made repayment for bank loans on schedule and did not arrange any extension or reduction.

# CORPORATE BONDS

## **XII. IMPLEMENTATION OF RELEVANT PROVISIONS OR UNDERTAKINGS MADE BY THE COMPANY IN THE CORPORATE BOND PROSPECTUS DURING THE REPORTING PERIOD**

During the Reporting Period, the Company had strictly performed relevant undertakings and provisions under the Corporate Bond Prospectus of each tranche of bonds.

## **XIII. SIGNIFICANT EVENTS OF THE COMPANY AND THEIR IMPACTS ON THE OPERATING CONDITION AND SOLVENCY OF THE COMPANY**

During the Reporting Period, the Company did not have any significant events as indicated under Article 45 of the Administrative Measures for Issuing and Trading Corporate Bonds.

# FINANCIAL STATEMENTS

For the year ended 31 December 2020

## I. AUDITOR'S REPORT

DAXIN SHEN ZI [2021] No. 1-01068

TO THE SHAREHOLDERS OF METALLURGICAL CORPORATION OF CHINA LTD.:

### 1. Opinion

We have audited the attached financial statements of Metallurgical Corporation of China Ltd. (the "Company"), which comprise the consolidated and Company's balance sheet as at 31 December 2020, and the consolidated and Company's income statement, the consolidated and Company's cash flow statements and the consolidated and Company's statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements of the Company present fairly, in all material respects, the consolidated and Company's financial position as at 31 December 2020, and the consolidated and Company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

### 2. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Chinese Institute of Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We confirm that the matters below are key audit matters that need to be communicated in the auditor's report.

#### (1) *Recognition of revenue from engineering contracting service contracts*

##### Description

Refer to Note V 23 and Note V 27(5) (b) (i) in the financial statements, for the engineering contracting services contracts in which a performance obligation is satisfied during a period of time, the Group determines the progress of performance by using input method, namely, determines the progress of performance based on the proportion of the accumulative costs incurred accounting for the expected total costs. The management needs to make reasonable estimates on the transaction price of the engineering contracting service contracts (estimated total revenue) and the expected total costs to further determine the progress toward satisfaction of a performance obligation. The estimates should be evaluated and updated on a regular basis during the execution of the contracts. We therefore identified it as a key audit matter as recognition of revenue from engineering contracting service contracts involves significant accounting estimates of the management.

# FINANCIAL STATEMENTS

For the year ended 31 December 2020

## I. AUDITOR'S REPORT (CONTINUED)

### 3. Key Audit Matters (Continued)

#### (1) *Recognition of revenue from engineering contracting service contracts (Continued)*

How our audit addressed the key audit matter

Our audit procedures in relation to recognition of revenue from engineering contracting service contracts mainly included:

- (1) We tested the internal controls related to the engineering contracting service contract budget and revenue recognition;
- (2) We obtained the ledger of engineering contracting service contracts and selected samples to review whether the management had made correct judgements on identifying the contract, identifying single performance obligation, determining the transaction price and other aspects. We recalculated the accuracy of the progress of performance of engineering contracting service contracts;
- (3) We selected samples of engineering contracting service contracts and inspected the contracts and budget information on which the transaction price (estimated total revenues) and expected total costs were based, and evaluated whether the management had made reasonable estimates on transaction price (estimated total revenues) and expected total costs;
- (4) We selected samples to test the cost of performance of contracts incurred in the current year, and
- (5) We selected a sample of engineering contracting service contracts to inspect the progress of construction project on site, confirmed the degree of completion with project management department, compared with the progress of performance recorded in the Group's ledger, and performed further review procedures for the unusual difference.

#### (2) *Impairment of accounts receivable and contract assets*

Description

As stated in Note V 10(2) and Note V 27(5) (b) (ii) to the financial statements, the provision for impairment of accounts receivable and contract assets recognised by MCC is based on expected credit losses. The management evaluates expected credit losses by considering all reasonable and supportable historical and forward-looking information available. We therefore identified the impairment of accounts receivable and contract assets as a key audit matter as it involves significant accounting estimates and judgements of the management.

# FINANCIAL STATEMENTS

For the year ended 31 December 2020

## I. AUDITOR'S REPORT (CONTINUED)

### 3. Key Audit Matters (Continued)

#### (2) *Impairment of accounts receivable and contract assets (Continued)*

How our audit addressed the key audit matter

Our audit procedures in relation to the impairment of accounts receivable and contract assets mainly included:

- (1) We tested the internal controls related to the daily management and evaluation for impairment of accounts receivable and contract assets;
- (2) We reviewed the management's considerations and objective evidence related to expected credit losses of accounts receivable and contract assets;
- (3) We selected samples of accounts receivable and contract assets for which expected credit losses assessed on an individual basis, and reviewed the basis and reasonableness of the management's estimate on the cash flows expected to receive, and
- (4) For accounts receivable and contract assets for which expected credit losses assessed on a collective basis, we reviewed and evaluated the appropriateness of the ECL model used by the management, and the rationality of the proportion of the provision for impairment losses which are made by the management relying upon the historical credit loss experience and forward-looking information.

### 4. Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2020 annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### 5. Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standards for Business, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.



# FINANCIAL STATEMENTS

For the year ended 31 December 2020

## I. AUDITOR'S REPORT (CONTINUED)

### 5. Responsibilities of Directors and Those Charged with Governance for the Financial Statements (Continued)

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### 6. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, including the disclosures, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

# FINANCIAL STATEMENTS

For the year ended 31 December 2020

## I. AUDITOR'S REPORT (CONTINUED)

### 6. Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

WUYIGE CERTIFIED PUBLIC ACCOUNTANTS LLP.  
Beijing, China

*Chinese Certified Public Accountants:*  
**(Engagement Partner)**  
**Wang Jin**

*Chinese Certified Public Accountants:*  
**Cai Jinliang**  
29 March 2021

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

# FINANCIAL STATEMENTS

For the year ended 31 December 2020

## II. FINANCIAL STATEMENTS

### CONSOLIDATED BALANCE SHEET

31 December 2020

All amounts in RMB'000

Items	Notes	31 December 2020	31 December 2019
<b>Current Assets:</b>			
Cash and bank balances	VII 1	53,095,827	43,677,662
Financial assets held for trading	VII 2	2,250,940	2,162,432
Derivative financial assets	VII 3	46,412	401
Bills receivable	VII 4	6,646,606	7,918,027
Accounts receivable	VII 5	69,436,480	66,026,606
Receivables at FVTOCI	VII 6	11,759,582	7,855,940
Prepayments	VII 7	34,369,714	24,705,845
Other receivables	VII 8	64,225,288	57,290,123
Inventories	VII 9	60,581,435	60,636,905
Contract assets	VII 10	83,199,483	72,800,575
Non-current assets due within one year	VII 11	1,499,007	2,078,913
Other current assets	VII 12	2,142,781	2,282,530
<b>Total Current Assets</b>		<b>389,253,555</b>	347,435,959
<b>Non-current Assets:</b>			
Long-term receivables	VII 13	25,576,642	24,326,794
Long-term equity investments	VII 14	25,676,955	21,834,366
Investments in other equity instruments	VII 15	1,964,664	1,871,747
Other non-current financial assets	VII 16	4,418,546	4,171,068
Investment properties	VII 17	5,641,674	5,763,796
Fixed assets	VII 18	24,684,160	26,121,239
Construction in progress	VII 19	4,915,570	4,426,518
Right-of-use assets	VII 20	473,971	540,522
Intangible assets	VII 21	17,491,859	15,796,873
Goodwill	VII 22	160,928	161,523
Long-term prepayments	VII 23	295,584	265,900
Deferred tax assets	VII 24	5,637,114	5,618,595
Other non-current assets	VII 25	201,741	171,313
<b>Total Non-current Assets</b>		<b>117,139,408</b>	111,070,254
<b>TOTAL ASSETS</b>		<b>506,392,963</b>	458,506,213
<b>Current Liabilities:</b>			
Short-term borrowings	VII 26	29,252,171	40,476,556
Derivative financial liabilities	VII 27	–	4,230
Bills payable	VII 28	30,472,634	31,487,132
Accounts payable	VII 29	133,722,043	115,855,013
Receipts in advance	VII 30	238,753	245,284
Contract liabilities	VII 31	85,653,732	64,595,970
Employee benefits payable	VII 32	2,020,325	2,037,994
Taxes payable	VII 33	3,984,563	3,461,760
Other payables	VII 34	26,710,566	26,219,786
Non-current liabilities due within one year	VII 35	12,238,104	15,683,416
Other current liabilities	VII 36	7,498,360	5,856,396
<b>Total Current Liabilities</b>		<b>331,791,251</b>	305,923,537

# FINANCIAL STATEMENTS

For the year ended 31 December 2020

## II. FINANCIAL STATEMENTS (CONTINUED)

### CONSOLIDATED BALANCE SHEET (CONTINUED)

31 December 2020

All amounts in RMB'000

Items	Notes	31 December 2020	31 December 2019
<b>Non-current Liabilities:</b>			
Long-term borrowings	VII 37	25,631,067	27,219,615
Bonds payable	VII 38	790,000	1,660,000
Lease liabilities	VII 39	237,042	302,054
Long-term payables	VII 40	1,047,205	892,993
Long-term employee benefits payable	VII 41	4,103,656	3,115,993
Provisions	VII 42	777,275	817,931
Deferred income	VII 43	1,584,325	1,582,297
Deferred tax liabilities	VII 24	61,235	71,685
Other non-current liabilities	VII 44	14,600	14,600
<b>Total Non-current Liabilities</b>		<b>34,246,405</b>	35,677,168
<b>TOTAL LIABILITIES</b>		<b>366,037,656</b>	341,600,705
<b>Shareholders' Equity:</b>			
Share capital	VII 45	20,723,619	20,723,619
Other equity instruments	VII 46	20,500,000	25,924,290
Including: Perpetual bond		20,500,000	25,924,290
Capital reserve	VII 47	22,461,602	22,476,448
Other comprehensive income	VII 48	(284,396)	(59,618)
Special reserve	VII 49	12,550	12,550
Surplus reserve	VII 50	2,016,768	1,748,938
Retained earnings	VII 51	32,461,495	27,123,498
Total shareholders' equity attributable to shareholders of the Company		97,891,638	97,949,725
Non-controlling interests		42,463,669	18,955,783
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>140,355,307</b>	116,905,508
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>506,392,963</b>	458,506,213

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

Legal Representative:  
Guo Wenqing

General Accountant:  
Zou Hongying

Financial Controller:  
Fan Wanzhu

# FINANCIAL STATEMENTS

For the year ended 31 December 2020

## II. FINANCIAL STATEMENTS (CONTINUED)

### THE COMPANY'S BALANCE SHEET

31 December 2020

All amounts in RMB'000

Items	Notes	31 December 2020	31 December 2019
<b>Current Assets:</b>			
Cash and bank balances	XVI 1	9,618,084	2,467,897
Derivative financial assets		38,524	–
Accounts receivable	XVI 2	228,188	98,899
Prepayments		1,797,943	1,219,616
Other receivables	XVI 3	43,536,273	43,712,605
Inventories		1,016	1,058
Contract assets		944,863	1,296,461
Non-current assets due within one year	XVI 4	2,037	1,866,177
Other current assets		1,481	–
<b>Total Current Assets</b>		<b>56,168,409</b>	50,662,713
<b>Non-current Assets:</b>			
Long-term receivables	XVI 4	2,082,190	487,590
Long-term equity investments	XVI 5	94,532,711	89,754,018
Other equity instrument investments		454	248
Fixed assets		12,478	11,746
Right-of-use assets		21,360	40,479
Intangible assets		5,445	6,906
<b>Total Non-current Assets</b>		<b>96,654,638</b>	90,300,987
<b>TOTAL ASSETS</b>		<b>152,823,047</b>	140,963,700
<b>Current Liabilities:</b>			
Short-term borrowings	XVI 6	20,932,888	28,199,649
Accounts payable		1,407,149	1,554,946
Contract liabilities		2,114,560	2,220,884
Employee benefits payable		15,407	14,674
Taxes payable		46,768	54,801
Other payables	XVI 7	18,485,432	15,573,592
Non-current liabilities due within one year	XVI 8	3,152,522	442,732
<b>Total Current Liabilities</b>		<b>46,154,726</b>	48,061,278



# FINANCIAL STATEMENTS

For the year ended 31 December 2020

## II. FINANCIAL STATEMENTS (CONTINUED)

### THE COMPANY'S BALANCE SHEET (CONTINUED)

All amounts in RMB'000

Items	Notes	31 December 2020	31 December 2019
<b>Non-current Liabilities:</b>			
Long-term borrowings	XVI 9	2,000,000	2,750,000
Bonds payable	VII 38	790,000	1,660,000
Lease liabilities		695	19,868
Long-term payables		20,444,550	–
Long-term employee benefits payable		61,513	16,893
Provisions		99,806	118,921
Deferred income		3,598	4,411
<b>Total Non-current Liabilities</b>		<b>23,400,162</b>	4,570,093
<b>TOTAL LIABILITIES</b>		<b>69,554,888</b>	52,631,371
<b>Shareholders' Equity:</b>			
Share capital		20,723,619	20,723,619
Other equity instruments	VII 46	20,500,000	25,924,290
Including: Perpetual bond		20,500,000	25,924,290
Capital reserve		37,925,332	38,001,042
Other comprehensive income		(355)	984
Special reserve		12,550	12,550
Surplus reserve		2,016,768	1,748,938
Retained earnings		2,090,245	1,920,906
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>83,268,159</b>	88,332,329
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>152,823,047</b>	140,963,700

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

Legal Representative:  
**Guo Wenqing**

General Accountant:  
**Zou Hongying**

Financial Controller:  
**Fan Wanzhu**

# FINANCIAL STATEMENTS

For the year ended 31 December 2020

## II. FINANCIAL STATEMENTS (CONTINUED)

### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

All amounts in RMB'000

Items	Notes	2020	2019
<b>I Total operating revenue</b>		<b>400,114,623</b>	338,637,609
Including: Operating revenue	VII 52	<b>400,114,623</b>	338,637,609
<b>II Total operating costs</b>		<b>384,200,258</b>	325,246,672
Including: Operating costs	VII 52	<b>354,685,571</b>	299,247,115
Taxes and levies	VII 53	<b>1,967,862</b>	1,896,372
Selling expenses	VII 54	<b>2,441,204</b>	2,315,815
Administrative expenses	VII 55	<b>11,011,320</b>	9,354,662
Research and development expenses	VII 56	<b>12,326,903</b>	9,934,444
Financial expenses	VII 57	<b>1,767,398</b>	2,498,264
Including: Interest expenses		<b>2,509,970</b>	4,149,873
Interest income		<b>1,738,474</b>	2,393,377
Add: Other income	VII 58	<b>451,602</b>	241,945
Investment loss	VII 59	<b>(1,139,662)</b>	(987,178)
Including: (Losses) gains from investments in associates and joint ventures		<b>(177,587)</b>	14,461
(Losses) gains from derecognition of financial assets at amortized cost		<b>(870,347)</b>	(945,269)
(Losses) gains from changes in fair values	VII 60	<b>33,823</b>	(12,810)
Impairment losses of credit	VII 61	<b>(3,086,669)</b>	(2,418,539)
Impairment losses of assets	VII 62	<b>(593,338)</b>	(939,749)
Gains on disposal of assets	VII 63	<b>232,899</b>	67,810
<b>III Operating profit</b>		<b>11,813,020</b>	9,342,416
Add: Non-operating income	VII 64	<b>475,004</b>	523,777
Less: Non-operating expenses	VII 65	<b>370,754</b>	84,035
<b>IV Total profit</b>		<b>11,917,270</b>	9,782,158
Less: Income tax expenses	VII 66	<b>2,534,913</b>	2,205,339
<b>V Net profit</b>		<b>9,382,357</b>	7,576,819
(I) Net profit classified by operating continuity			
Net profit from continuing operations		<b>9,382,357</b>	7,576,819
Net profit from discontinued operations		<b>—</b>	—
(II) Net profit classified by ownership ascription			
Net profit attributable to shareholders of the Company		<b>7,862,185</b>	6,599,712
Profit or loss attributable to non-controlling interests		<b>1,520,172</b>	977,107

# FINANCIAL STATEMENTS

For the year ended 31 December 2020

## II. FINANCIAL STATEMENTS (CONTINUED)

### CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the year ended 31 December 2020

All amounts in RMB'000

Items	Notes	2020	2019
<b>VI Other comprehensive income, net of income tax</b>	VII 67	<b>(570,934)</b>	222,207
Other comprehensive income attributable to shareholders of the Company, net of income tax		<b>(240,002)</b>	214,714
(I) Items that will not be reclassified to profit or loss		<b>190,591</b>	225,096
1. Re-measurement of defined benefit obligations		<b>158,075</b>	163,322
2. Changes in fair values of investments in other equity instruments		<b>32,516</b>	61,774
(II) Items that may be reclassified to profit or loss		<b>(430,593)</b>	(10,382)
1. Other comprehensive income that can be reclassified to profit or loss under the equity method		<b>23,780</b>	(5)
2. Changes of fair value of receivables at FVTOCI		<b>(15,986)</b>	(91,861)
3. Exchange differences on translating financial statements in foreign currencies		<b>(438,387)</b>	81,484
Other comprehensive income attributable to non-controlling interests, net of income tax		<b>(330,932)</b>	7,493
<b>VII Total comprehensive income</b>		<b>8,811,423</b>	7,799,026
Total comprehensive income attributable to shareholders of the Company		<b>7,622,183</b>	6,814,426
Total comprehensive income attributable to non-controlling interests		<b>1,189,240</b>	984,600
<b>VIII Earnings per share</b>	XV 3		
(I) Basic earnings per share (RMB/share)		<b>0.32</b>	0.27
(II) Diluted earnings per share (RMB/share)		<b>N/A</b>	N/A

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

Legal Representative:  
**Guo Wenqing**

General Accountant:  
**Zou Hongying**

Financial Controller:  
**Fan Wanzhu**

# FINANCIAL STATEMENTS

For the year ended 31 December 2020

## II. FINANCIAL STATEMENTS (CONTINUED)

### THE COMPANY'S INCOME STATEMENT

For the year ended 31 December 2020

All amounts in RMB'000

Items	Notes	2020	2019
<b>I Total operating revenue</b>	XVI 10	<b>2,359,983</b>	4,177,307
Less: Operating costs	XVI 10	<b>2,224,072</b>	4,060,098
Taxes and levies		<b>5,051</b>	1,314
Administrative expenses		<b>281,682</b>	258,405
Financial expenses		<b>95,846</b>	387,463
Including: Interest expenses		<b>1,909,236</b>	1,973,377
Interest income		<b>1,613,230</b>	1,649,905
Add: Other income		<b>951</b>	–
Investment income	XVI 11	<b>2,818,991</b>	3,406,868
Including: (Losses) gains from investments in associates and joint ventures		<b>(16,069)</b>	35,941
(Losses) gains from changes in fair values		<b>38,524</b>	–
Impairment losses of credit	XVI 12	<b>67,525</b>	86,306
(Losses) gains from disposal of assets		<b>(24)</b>	(32)
<b>II Operating profit</b>		<b>2,679,299</b>	2,963,169
Add: Non-operating income		<b>417</b>	723
Less: Non-operating expenses		<b>23</b>	920
<b>III Total profit</b>		<b>2,679,693</b>	2,962,972
Less: Income tax expenses		<b>1,391</b>	27,782
<b>IV Net profit</b>		<b>2,678,302</b>	2,935,190
Net profit from continuing operations		<b>2,678,302</b>	2,935,190
Net profit from discontinued operations		<b>–</b>	–
<b>V Other comprehensive income, net of income tax</b>		<b>(1,339)</b>	375
(I) Items that will not be reclassified to profit or loss		<b>(1,370)</b>	375
1. Changes in re-measurement of defined benefit obligations		<b>(1,576)</b>	339
2. Changes in fair values of investments in other equity instruments		<b>206</b>	36
(II) Items that will be reclassified to profit or loss		<b>31</b>	–
1. Items that may be reclassified to profit or loss in equity method		<b>31</b>	–
<b>VI Total comprehensive income</b>		<b>2,676,963</b>	2,935,565

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

Legal Representative:  
**Guo Wenqing**

General Accountant:  
**Zou Hongying**

Financial Controller:  
**Fan Wanzhu**

# FINANCIAL STATEMENTS

For the year ended 31 December 2020

## II. FINANCIAL STATEMENTS (CONTINUED)

### CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020

All amounts in RMB'000

Items	Notes	2020	2019
<b>I Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		416,368,849	345,757,256
Receipts of tax refunds		354,583	596,003
Other cash receipts relating to operating activities	VII 68(1)	5,340,090	3,503,233
Sub-total of cash inflows from operating activities		422,063,522	349,856,492
Cash payments for goods purchased and services received		340,872,351	285,987,017
Cash payments to and on behalf of employees		25,296,206	24,033,117
Payments of various types of taxes		10,236,827	10,637,238
Other cash payments relating to operating activities	VII 68(2)	17,626,433	11,621,187
Sub-total of cash outflows from operating activities		394,031,817	332,278,559
<b>Net Cash Flows from Operating Activities</b>	VII 69(1)	28,031,705	17,577,933
<b>II Cash Flows from Investing Activities:</b>			
Cash receipts from disposals and recovery of investments		199,798	288,755
Cash receipts from investment income		327,537	383,519
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		152,769	605,682
Net cash receipts from disposal of subsidiaries and other business units	VII 69(2)	58,568	296,180
Other cash receipts relating to investing activities	VII 68(3)	1,071,994	2,267,182
Sub-total of cash inflows from investing activities		1,810,666	3,841,318
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		3,743,025	4,109,974
Cash payments to acquire investments		4,120,134	9,566,721
Other cash payments relating to investing activities	VII 68(4)	6,234,940	-
Sub-total of cash outflows from investing activities		14,098,099	13,676,695
<b>Net Cash Flows from Investing Activities</b>		(12,287,433)	(9,835,377)



# FINANCIAL STATEMENTS

For the year ended 31 December 2020

## II. FINANCIAL STATEMENTS (CONTINUED)

### CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year ended 31 December 2020

All amounts in RMB'000

Items	Notes	2020	2019
<b>III Cash Flows from Financing Activities:</b>			
Cash receipts from capital contributions		31,464,045	13,254,229
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries		23,964,045	254,229
Cash receipts from issue of perpetual bond		7,500,000	13,000,000
Cash receipts from borrowings		101,155,602	114,990,724
Other cash receipts relating to financing activities	VII 68(5)	932,237	–
Sub-total of cash inflows from financing activities		133,551,884	128,244,953
Cash repayments of borrowings		117,429,893	124,701,867
Cash payments for distribution of dividends or profits or settlement of interest expenses		8,107,723	8,927,210
Including: Payments for distribution of dividends or profits to non-controlling interests of subsidiaries		899,891	429,326
Other cash payments relating to financing activities	VII 68(6)	13,325,548	3,765,993
Sub-total of cash outflows from financing activities		138,863,164	137,395,070
<b>Net Cash Flows from Financing Activities</b>		<b>(5,311,280)</b>	(9,150,117)
<b>IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>		<b>(82,590)</b>	71,459
<b>V Net Increase in Cash and Cash Equivalents</b>		<b>10,350,402</b>	(1,336,102)
Add: Opening balance of Cash and Cash equivalents		31,814,900	33,151,002
<b>VI Closing Balance of Cash and Cash Equivalents</b>	VII 69(3)	<b>42,165,302</b>	31,814,900

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

Legal Representative:

**Guo Wenqing**

General Accountant:

**Zou Hongying**

Financial Controller:

**Fan Wanzhu**

# FINANCIAL STATEMENTS

For the year ended 31 December 2020

## II. FINANCIAL STATEMENTS (CONTINUED)

### THE COMPANY'S CASH FLOW STATEMENT

For the year ended 31 December 2020

All amounts in RMB'000

Items	Notes	2020	2019
<b>I Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		2,484,498	5,493,008
Receipts of tax refunds		951	664
Other cash receipts relating to operating activities		412,698	425,813
Sub-total of cash inflows from operating activities		2,898,147	5,919,485
Cash payments for goods purchased and services received		2,429,988	4,561,731
Cash payments to and on behalf of employees		158,539	161,164
Payments of various types of taxes		21,061	59,875
Other cash payments relating to operating activities		231,413	256,891
Sub-total of cash outflows from operating activities		2,841,001	5,039,661
<b>Net Cash Flows from Operating Activities</b>	XVI 13(1)	57,146	879,824
<b>II Cash Flows from Investing Activities:</b>			
Cash receipts from investment income		2,201,950	2,531,932
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		21	104
Other cash receipts relating to investing activities		4,070,698	–
Sub-total of cash inflows from investing activities		6,272,669	2,532,036
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		2,347	2,653
Cash payments to acquire investments		4,707,949	1,538,394
Other cash payments relating to investing activities		–	4,255,822
Sub-total of cash outflows from investing activities		4,710,296	5,796,869
<b>Net Cash Flows from Investing Activities</b>		1,562,373	(3,264,833)

# FINANCIAL STATEMENTS

For the year ended 31 December 2020

## II. FINANCIAL STATEMENTS (CONTINUED)

### THE COMPANY'S CASH FLOW STATEMENT (CONTINUED)

For the year ended 31 December 2020

All amounts in RMB'000

Items	Notes	2020	2019
<b>III Cash Flows from Financing Activities:</b>			
Cash receipts from investments		7,500,000	13,000,000
Including: Cash receipts from issue of perpetual bond		7,500,000	13,000,000
Cash receipts from borrowings		89,223,195	93,156,604
Other cash receipts relating to financing activities		444,550	–
Sub-total of cash inflows from financing activities		97,167,745	106,156,604
Cash repayments of borrowings		73,821,239	96,354,591
Cash payments for distribution of dividends or profits or settlement of interest expenses		4,752,421	4,459,526
Other cash payments relating to financing activities		13,021,025	3,021,820
Sub-total of cash outflows from financing activities		91,594,685	103,835,937
<b>Net Cash Flows from Financing Activities</b>		<b>5,573,060</b>	<b>2,320,667</b>
<b>IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>		<b>(42,392)</b>	<b>8,919</b>
<b>V Net Increase in Cash and Cash Equivalents</b>		<b>7,150,187</b>	<b>(55,423)</b>
Add: Opening balance of Cash and Cash equivalents		2,456,387	2,511,810
<b>VI Closing Balance of Cash and Cash Equivalents</b>	XVI 13(2)	<b>9,606,574</b>	<b>2,456,387</b>

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

Legal Representative:  
**Guo Wenqing**

General Accountant:  
**Zou Hongying**

Financial Controller:  
**Fan Wanzhu**

# FINANCIAL STATEMENTS

For the year ended 31 December 2020

## II. FINANCIAL STATEMENTS (CONTINUED)

### CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

Items	For the year ended 31 December 2020								
	Attributable to shareholders of the Company								
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Non-controlling interests	Total shareholders' equity
<b>I Closing balance of the preceding year</b>	20,723,619	25,924,290	22,476,448	(59,618)	12,550	1,748,938	27,123,498	18,955,783	116,905,508
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-
Corrections of prior years' errors	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
<b>II Opening balance of the current year</b>	20,723,619	25,924,290	22,476,448	(59,618)	12,550	1,748,938	27,123,498	18,955,783	116,905,508
<b>III Changes for the year</b>	-	(5,424,290)	(14,846)	(224,778)	-	267,830	5,337,997	23,507,886	23,449,799
(I) Total comprehensive income	-	-	-	(240,002)	-	-	7,862,185	1,189,240	8,811,423
(II) Shareholders' contributions and reduction in capital	-	(5,424,290)	(14,846)	-	-	-	-	23,139,761	17,700,625
1. Capital contribution from shareholders	-	-	-	-	-	-	-	16,024,065	16,024,065
2. Capital contribution and reduction of holders of other equity instruments (Note VII 46)	-	(5,424,290)	-	-	-	-	-	7,692,172	2,267,882
3. Others	-	-	(14,846)	-	-	-	-	(576,476)	(591,322)
(III) Profit distribution	-	-	-	-	-	267,830	(2,508,964)	(821,115)	(3,062,249)
1. Transfer to surplus reserve	-	-	-	-	-	267,830	(267,830)	-	-
2. Distributions to shareholders	-	-	-	-	-	-	(2,241,134)	(821,115)	(3,062,249)
3. Others	-	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	15,224	-	-	(15,224)	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-
4. Changing amount of defined benefit plan carried forward to retained earnings	-	-	-	-	-	-	-	-	-
5. Other comprehensive income carried forward to retained earnings (Note VII 15)	-	-	-	15,224	-	-	(15,224)	-	-
6. Others	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current year	-	-	-	-	5,712,378	-	-	462,644	6,175,022
2. Amount utilized in the current year	-	-	-	-	(5,712,378)	-	-	(462,644)	(6,175,022)
(VI) Others	-	-	-	-	-	-	-	-	-
<b>IV Closing balance of the current year</b>	20,723,619	20,500,000	22,461,602	(284,396)	12,550	2,016,768	32,461,495	42,463,669	140,355,307

# FINANCIAL STATEMENTS

For the year ended 31 December 2020

## II. FINANCIAL STATEMENTS (CONTINUED)

### CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

All amounts in RMB'000

Items	For the year ended 31 December 2019								
	Attributable to shareholders of the Company								
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Non-controlling interests	Total shareholders' equity
<b>I Closing balance of the preceding year</b>	20,723,619	15,924,290	22,492,676	(212,142)	12,550	1,455,419	23,546,950	18,726,082	102,669,444
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-
Corrections of prior years' errors	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
<b>II Opening balance of the current year</b>	20,723,619	15,924,290	22,492,676	(212,142)	12,550	1,455,419	23,546,950	18,726,082	102,669,444
<b>III Changes for the year</b>	-	10,000,000	(16,228)	152,524	-	293,519	3,576,548	229,701	14,236,064
(I) Total comprehensive income	-	-	-	214,714	-	-	6,599,712	984,600	7,799,026
(II) Shareholders' contributions and reduction in capital	-	10,000,000	(16,228)	-	-	-	-	68,062	10,051,834
1. Capital contributed by shareholders	-	-	-	-	-	-	-	254,229	254,229
2. Capital contribution and reduction of holders of other equity instruments	-	10,000,000	-	-	-	-	-	-	10,000,000
3. Others	-	-	(16,228)	-	-	-	-	(186,167)	(202,395)
(III) Profit distribution	-	-	-	-	-	293,519	(3,085,354)	(822,961)	(3,614,796)
1. Transfer to surplus reserve	-	-	-	-	-	293,519	(293,519)	-	-
2. Distributions to shareholders	-	-	-	-	-	-	(2,791,835)	(822,961)	(3,614,796)
3. Others	-	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	(62,190)	-	-	62,190	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-
4. Changing amount of defined benefit plan carried forward to retained earnings	-	-	-	-	-	-	-	-	-
5. Other comprehensive income carried forward to retained earnings	-	-	-	(62,190)	-	-	62,190	-	-
6. Others	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current year	-	-	-	-	4,895,384	-	-	425,423	5,320,807
2. Amount utilized in the current year	-	-	-	-	(4,895,384)	-	-	(425,423)	(5,320,807)
(VI) Others	-	-	-	-	-	-	-	-	-
<b>IV Closing balance of the current year</b>	20,723,619	25,924,290	22,476,448	(59,618)	12,550	1,748,938	27,123,498	18,955,783	116,905,508

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

Legal Representative:  
**Guo Wenqing**

General Accountant:  
**Zou Hongying**

Financial Controller:  
**Fan Wanzhu**



# FINANCIAL STATEMENTS

For the year ended 31 December 2020

## II. FINANCIAL STATEMENTS (CONTINUED)

### THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

Items	For the year ended 31 December 2020							Total shareholders' equity
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	
<b>I Closing balance of the preceding year</b>	20,723,619	25,924,290	38,001,042	984	12,550	1,748,838	1,920,906	88,332,329
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Corrections of prior years' errors	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
<b>II Opening balance of the current year</b>	20,723,619	25,924,290	38,001,042	984	12,550	1,748,838	1,920,906	88,332,329
<b>III Changes for the year</b>	-	(5,424,290)	(75,710)	(1,339)	-	267,830	169,339	(5,064,170)
(I) Total comprehensive income	-	-	-	(1,339)	-	-	2,678,302	2,676,963
(II) Shareholders' contributions and reduction in capital	-	(5,424,290)	(75,710)	-	-	-	-	(5,500,000)
1. Capital contributed by shareholders	-	-	-	-	-	-	-	-
2. Capital contribution and reduction of holders of other equity instruments	-	(5,424,290)	-	-	-	-	-	(5,424,290)
3. Others	-	-	(75,710)	-	-	-	-	(75,710)
(III) Profit distribution	-	-	-	-	-	267,830	(2,508,963)	(2,241,133)
1. Transfer to surplus reserve	-	-	-	-	-	267,830	(267,830)	-
2. Distributions to shareholders	-	-	-	-	-	-	(2,241,133)	(2,241,133)
3. Others	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-
4. Changing amount of defined benefit plan carried forward to retained earnings	-	-	-	-	-	-	-	-
5. Other comprehensive income carried forward to retained earnings	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current year	-	-	-	-	-	-	-	-
2. Amount utilized in the current year	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-
<b>IV Closing balance of the current year</b>	20,723,619	20,500,000	37,925,332	(355)	12,550	2,016,768	2,090,245	83,268,159

# FINANCIAL STATEMENTS

For the year ended 31 December 2020

## II. FINANCIAL STATEMENTS (CONTINUED)

### THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

All amounts in RMB'000

Items	For the year ended 31 December 2019							
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
<b>I Closing balance of the preceding year</b>	20,723,619	15,924,290	38,001,042	609	12,550	1,455,419	2,071,070	78,188,599
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Corrections of prior years' errors	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
<b>II Opening balance of the current year</b>	20,723,619	15,924,290	38,001,042	609	12,550	1,455,419	2,071,070	78,188,599
<b>III Changes for the year</b>	-	10,000,000	-	375	-	293,519	(150,164)	10,143,730
(I) Total comprehensive income	-	-	-	375	-	-	2,935,190	2,935,565
(II) Shareholders' contributions and reduction in capital	-	10,000,000	-	-	-	-	-	10,000,000
1. Capital contributed by shareholders	-	-	-	-	-	-	-	-
2. Capital contribution and reduction of holders of other equity instruments	-	10,000,000	-	-	-	-	-	10,000,000
3. Others	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	293,519	(3,085,354)	(2,791,835)
1. Transfer to surplus reserve	-	-	-	-	-	293,519	(293,519)	-
2. Distributions to shareholders	-	-	-	-	-	-	(2,791,835)	(2,791,835)
3. Others	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-
4. Changing amount of defined benefit plan carried forward to retained earnings	-	-	-	-	-	-	-	-
5. Other comprehensive income carried forward to retained earnings	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current year	-	-	-	-	-	-	-	-
2. Amount utilized in the current year	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-
<b>IV Closing balance of the current year</b>	20,723,619	25,924,290	38,001,042	984	12,550	1,748,938	1,920,906	88,332,329

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

Legal Representative:  
**Guo Wenqing**

General Accountant:  
**Zou Hongying**

Financial Controller:  
**Fan Wanzhu**

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## III. BASIC CORPORATE INFORMATION

### 1. Basic information of the Company

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

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

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

In September and November 2019, CMGC purchased the central enterprise innovation driven ETF fund with 224,685,000 shares of the Company. After the purchase, the shareholding ratio and voting right ratio of CMGC in the Company decreased from 56.18% to 55.10%, and CMGC remains as the controlling shareholder of the Company.

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

In May 2020, CMGC transferred its 1,227,760 thousand A shares of the Company (accounting for 5.92% of the Company’s total share capital) to China National Petroleum Corporation (“CNPC”) for free. After the completion of the free transfer, China Metallurgical Company’s shareholding and voting rights in the Company have been reduced from 55.10% to 49.18%, and CMGC remains as the controlling shareholder of the Company.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## III. BASIC CORPORATE INFORMATION (CONTINUED)

### 1. Basic information of the Company (Continued)

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

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

The Company and consolidated financial statements had been approved by the Board of Directors of the Company on 29 March 2021.

### 2. Scope of consolidated financial statements

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

## IV. BASIS OF PREPARATION

### 1. Basis of preparation

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

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

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

### 2. Accrual basis and measurement principle

The Group has adopted the accrual basis of accounting. Except for certain financial instruments set out in Note XI 1 which are measured at fair value, the Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## IV. BASIS OF PREPARATION (CONTINUED)

### 2. Accrual basis and measurement principle (Continued)

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly;

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

### 3. Going concern

The Group has performed an assessment of the going concern for the following 12 months from 31 December 2020 and does not identify any significant doubtful matter or event on the going concern. As such, these financial statements have been prepared on a going concern basis.

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### 1. Statement of compliance

These financial statements are in compliance with the CASBE to truly and completely reflect consolidated and the Company's financial position as at 31 December 2020 and consolidated and the Company's operating results and cash flows for the year then ended.

### 2. Accounting period

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

### 3. Business cycle

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4. Reporting currency

The Company and its domestic subsidiaries choose RMB as their functional currency. The functional currency of the overseas subsidiaries of the Company is selected based on the primary economic environment where they operate. The Company adopts RMB to present its financial statements.

### 5. Business combinations

#### (1) *Business combinations involving enterprises under common control*

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

#### (2) *Business combinations not involving enterprises under common control*

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

The costs of business combination are the fair value of the assets paid, liabilities happened or bore and equity instruments issued by the acquirer for the purpose of achieving the control rights of the acquiree. If the business combination is achieved in stages, the cost of business combination is the sum of total consideration paid at the acquisition date and the re-measured fair value of acquirer's previously held equity interests in the acquire at the acquisition date. The acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognized in profit or loss. Other comprehensive income associated with equity interest in the acquiree already held by the acquirer before the acquisition date is reclassified to investment income at the date on which acquisition is made.

The intermediary costs such as audit, legal services and assessment consulting costs and other related management costs that are directly attributable to the combination by the acquirer are charged to profit or loss in the period in which they are incurred. Direct issue costs incurred in respect of equity instruments or liabilities issued pursuant to the business combination should be charged to the respect equity instruments or liabilities upon initial recognition of the underlying equity instruments or liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 5. Business combinations (Continued)

#### (2) Business combinations not involving enterprises under common control (Continued)

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

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

### 6. Basis for preparation of consolidated financial statements

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

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

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in consolidated income statement and consolidated statement of cash flows.

For a subsidiary acquired through a business combination involving enterprises under common control, it will be fully consolidated into consolidated financial statements from the date on which the subsidiary was ultimately under common control by the same party or parties.

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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

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

### 7. Classification of joint arrangement and accounting methods for joint management

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

The Group makes the classification of the joint arrangements according to the rights enjoyed and obligations bore in the joint arrangements. There are only two types of joint arrangements - joint operations and joint ventures.

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

A joint operation refers to whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. When the Group undertakes its activities under joint operations, the Group as a joint operator recognized in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly. The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the provision applicable to the particular assets, liabilities, revenue and expenses.

### 8. Cash and cash equivalents

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

#### (1) *Transactions denominated in foreign currencies*

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

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except that exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period are recognized as other comprehensive income.

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

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

#### (2) *Translation of financial statements denominated in foreign currency*

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

#### (2) Translation of financial statements denominated in foreign currency (Continued)

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

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

### 10. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts. When the Group recognizes the accounts receivable excluding significant financing component or does not consider the financing component in the contract within one year in accordance with the *Accounting Standards of Business Enterprise No. 14 - Revenue* (hereinafter referred to as "New Standards for Revenue", the standards for revenue before modification is to be referred to as "Former Standards for Revenue"), the accounts receivable on initial recognition is measured at transaction price defined in New Standards for Revenue.

The amortized cost of a financial asset or a financial liability is an accumulatively amortized amount arising from the initially recognized amount of the financial asset or the financial liability deducting repaid principals plus or less amortization of balances between the initially recognized amount on initial recognition and the amount on maturity date using the effective interest method, and then deducting accumulated provisions for losses (only applicable to financial assets).

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant accounting period.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability without considering expected credit losses.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 10. Financial instruments (Continued)

#### (1) Classification and measurement of financial assets

On initial recognition, the Group's financial assets are classified into the following categories, including financial assets measured at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

##### (a) Categorized into financial assets measured at amortized cost

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows, the Group shall classify the financial asset into the financial asset measured at amortized cost. The Group's financial assets measured at amortized cost include cash and bank balances, bills and accounts receivable, other receivables, non-current assets due within one year and long-term receivables.

Financial assets measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from impairment or derecognition is recognized in profit or loss.

##### – Effective interest method and amortized cost

For financial assets measured at amortized cost, the Group recognizes interest income using effective interest method. The Group calculates and recognizes interest income through book value of financial assets multiplying effective interest, except for the following circumstances:

- (i) For purchased or originated credit-impaired financial assets with credit impairment, the Group calculates and recognizes its interest income based on amortized cost of the financial asset and the effective interest through credit adjustment since initial recognition.
- (ii) For purchased or originated financial assets without credit impairment incurred while with credit impairment incurred in subsequent periods, the Group calculates and recognizes its interest income based on amortized cost of the financial asset and the effective interest in subsequent periods. If the credit risk of the financial asset is reduced during subsequent periods and credit impairment does not exist, the Group shall calculate and recognize interest income through book value of financial assets multiplying effective interest.

##### (b) Categorized into financial assets at fair value through other comprehensive income ("FVTOCI")

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, the Group shall classify the financial asset into the financial assets at FVTOCI.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 10. Financial instruments (Continued)

#### (1) Classification and measurement of financial assets (Continued)

- (b) Categorized into financial assets at fair value through other comprehensive income (“FVTOCI”) (Continued)

Impairment losses or gains related to financial assets, interest income measured using effective interest method and exchange gains or losses are recognized into profit or loss for the current period. Except for the above circumstances, changes in fair value of the financial assets are included in other comprehensive income. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income shall be removed from other comprehensive income and recognized in profit or loss.

The Group’s financial assets at FVTOCI are presented in the line item “financing with receivables” in the balance sheet.

- (c) Categorized into financial assets at fair value through profit or loss (“FVTPL”)

Financial assets at FVTPL include financial assets at FVTPL and those designated as at FVTPL.

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are categorized into financial assets measured at FVTPL.

On initial recognition, the Group may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Other than financial assets included in a portion of hedging relations, the Group subsequently measured these financial assets at fair value, gains or losses arising from changes in fair value and dividends and interest income related to these financial assets shall be recognized into profit or loss for the period.

The Group’s financial assets measured at FVTPL include monetary funds, tradable equity instrument investments, investments in private funds and derivatives classified as financial assets, which are presented under the items “tradable financial assets”, “other non-current financial assets” and “derivative financial assets” in the balance sheet. The Group has no financial assets designated as at FVTPL.

- (d) Designated as financial assets at fair value through other comprehensive income (“FVTOCI”)

On initial recognition, the Group may irrevocably designate a non-tradable equity instrument investments as financial asset measured at FVTOCI.

The financial assets designated as financial assets measured at FVTOCI are set out under the item “investments in other equity instrument”. Changes in fair value of non-tradable equity investments should be recognized in other comprehensive income, when the financial assets are derecognized, the accumulative gains or losses previously recognized in other comprehensive income shall be removed from other comprehensive income and recognized in retained earnings. During the period that the Group holds these non-tradable equity instrument, the Group has established the right of collecting dividends, whose economic benefit is probably flow into the Group, and the amount of the dividends can be reliably measured, then the Group will recognize dividends in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 10. Financial instruments (Continued)

#### (2) Impairment of financial instruments

The Group shall recognize an impairment loss for expected credit losses on financial assets measured at amortized cost, financial assets at FVTOCI, contract assets and financial guarantee contracts.

The Group makes a loss allowance against amount of expected credit losses during the whole life of the contract assets and accounts receivable that exclude significant financing component or do not consider the financing component in the contract within one year arising from transactions adopting New Standards for Revenue.

For other financial instruments, the Group assesses changes in credit risks of the relevant financial instruments since initial recognition at each balance sheet date. If the credit loss of the financial instruments has been significantly increased since initial recognition, the Group will make a loss allowance at an amount of expected credit loss during the whole life; if not, the Group will make a loss allowance for the financial instruments at an amount in the future 12-month expected credit losses. The increased or reversed amount of credit is recognized in profit or loss as impairment loss or gain. The Group has makes a loss allowance against amount of expected credit losses during the whole life in the prior accounting period. However, at the balance sheet date, the credit risk on a financial instrument has not increased significantly since initial recognition; the Group will measure the loss allowance for that financial instrument at an amount in the future 12-month expected credit losses. Reversed amount of loss allowance arising from such circumstances shall be included in profit or loss as impairment gains.

#### (a) Significant increase of credit risk

The Group will make use of reasonable and supportable forward-looking information that is available to determine whether credit risk has increased significantly since initial recognition through comparing the risk of a default occurring on the financial instruments as at the reporting date with the risk of a default occurring on the financial instruments as at the date of initial recognition. For financial guarantee contracts, when applying the provision of impairment of financial instruments, the Group shall take the date when it becomes the party making an irrevocable undertaking as the initial confirmation date.

The Group will take the following factors into consideration when assessing whether credit risk has increased significantly:

- Significant changes in internal price indicators of credit risk as a result of a change in credit risk;
- Adverse changes in business, financial or economic conditions that are expected to cause a significant change in the debtor's ability to meet its debt obligations;
- An actual or expected significant change in the operating results of the debtor;
- Significant adverse change in the regulatory, economic, or technological environment of the debtor;
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the debtor's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring;

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 10. Financial instruments (Continued)

#### (2) Impairment of financial instruments (Continued)

##### (a) Significant increase of credit risk (Continued)

The Group will take the following factors into consideration when assessing whether credit risk has increased significantly: (Continued)

- Significant changes in circumstances expected to reduce the debtor's economic incentive to make scheduled contractual payments;
- Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the financial instruments;
- Significant changes in the expected performance and behavior of the debtor;
- Past due period of contract payment exceeds (inclusive) 30 days.

At balance sheet date, if the Group judges that the financial instruments solely has lower credit risk, the Group will assume that the credit risk of the financial instruments has not been significantly increased since initial recognition. If the risk of default on financial instruments is low, the borrower's ability to meet its contractual cash flow obligations in the short term is strong, and even if the economic situation and operating environment are adversely changed over a long period of time, it may not necessarily reduce the borrower's ability to fulfill its contractual cash flow obligations, the financial instrument is considered to have a lower credit risk.

##### (b) Credit-impaired financial assets

When the Group expected occurrence of one or more events which may cause adverse impact on future cash flows of a financial asset, the financial asset will become a credit-impaired financial assets. Objective evidence that a financial asset is impaired includes the following observable events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract by the debtor, such as a default or delinquency in interest or principal payments;
- The creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting a concession to the debtor;
- It becoming probable that the debtor will enter bankruptcy or other financial reorganizations;
- The disappearance of an active market for that financial asset because of financial difficulties of the issuer or the debtor;
- Purchase or originate a financial asset with a large scale of discount, which reflects facts of credit loss incurred.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 10. Financial instruments (Continued)

#### (2) Impairment of financial instruments (Continued)

##### (c) Determination of expected credit loss

The Group determines expected credit losses of relevant financial instruments using the following methods:

- For a financial asset, a credit loss is the present value of the difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive;
- For a financial guarantee contract, the credit loss is the present value of the differences between estimated amount paid by the Group for the credit losses incurred by the contract holder and the amount the Group expects to receive from the contract holder, the debtor or any other party;
- For a financial asset with credit-impaired at the balance sheet date, the credit loss is the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The factors reflected in methods of measurement of expected credit losses include an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; time value of money; reasonable and supportable information about past events, current conditions and forecasts on future economic status at balance sheet date without unnecessary additional costs or efforts.

##### (d) Write-down of financial assets

When the Group will no longer reasonably expect that the contractual cash flows of financial assets can be collected in aggregate or in part, the Group will directly write down the carrying amount of the financial asset, which constitutes derecognition of relevant financial assets.

#### (3) Transfer of financial assets

The Group will derecognize a financial asset if one of the following conditions is satisfied: (i) the contractual rights to the cash flows from the financial asset expire; (ii) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (iii) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, the Group will recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognize an associated liability.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 10. Financial instruments (Continued)

#### (3) *Transfer of financial assets (Continued)*

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, for financial asset categorized into those measured at amortized cost, the difference between the carrying amount of the financial asset transferred and the sum of the consideration received from the transfer is recognized in profit or loss. For the non-tradable equity instrument designated as financial assets at FVTOCI, cumulative gain or loss that has been recognized in other comprehensive income should be removed from other comprehensive income but be recognized in retained earnings.

For a part of transfer of a financial asset that satisfies the derecognition criteria, the carrying amount of the transferred financial asset is allocated between the part that is derecognized and the part that is continuously involved, based on the respective fair values of those parts on transfer date. The difference between (1) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income; and (2) the carrying amount allocated to the part derecognized on derecognition date; is recognized in profit or loss or retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group will continuously recognize the transferred financial asset in its entirety. Considerations received due to transfer of assets should be recognized as a liability upon receipts.

#### (4) *Classification and measurement of financial liabilities*

Financial instruments issued by the Group are classified into financial liabilities or equity instruments on the basis of the substance of the contractual arrangements and the economic nature not only its legal form, together with the definition of financial liability and equity instruments on initial recognition.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

##### (a) **Financial liabilities at fair value through profit or loss**

Financial liabilities at FVTPL consist of financial liabilities held for trading (including derivatives classified as financial liabilities) and those designated as at FVTPL.

Financial liabilities meet one of the following conditions, indicating that the Group's purpose of undertaking the financial liabilities is transactional:

- The purpose of undertaking relevant financial liabilities is mainly for the recent repurchase;
- The relevant financial liabilities are part of the centrally managed identifiable financial instrument portfolio at initial recognition, and there is objective evidence that there is a short-term profits will presence in the near future;
- Related financial liabilities are derivatives, except for derivatives that meet the definition of a financial guarantee contract and that are designated as effective hedging instruments.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 10. Financial instruments (Continued)

#### (4) Classification and measurement of financial liabilities (Continued)

##### (a) Financial liabilities at fair value through profit or loss (Continued)

Financial liabilities held for trading are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest expenses paid on the financial liabilities are recognized in profit or loss.

The Group's financial liabilities measured at FVTPL are derivatives classified as financial liabilities which are presented as "derivative financial liabilities" in the balance sheet.

##### (b) Other financial liabilities

Other financial liabilities, except for financial liabilities arising from transfer of financial assets does not satisfy derecognition criteria or continue involvement of transferred financial assets and financial guarantee contracts liability, are subsequently measured at amortized cost, with gain or loss arising from derecognition or amortization recognized in profit or loss. The Group's financial liabilities measured at amortized cost include bills payable, accounts payable, other payables, long-term payables, loans and bonds payable etc.

That the Group and its counterparty modify or renegotiate the contract does not result in derecognition of a financial liability subsequently measured at amortized cost but result in changes in contractual cash flows, the Group will recalculate the carrying amount of the financial liability, with relevant gain or loss recognized in profit or loss. The Group will determine carrying amount of the financial liability based on the present value of renegotiated or modified contractual cash flows discounted at the financial liability's original effective interest rate. For all costs or expenses arising from modification or renegotiation of the contract, the Group will adjust the modified carrying amount of the financial liability and make amortization during the remaining term of the modified financial liability.

The term of the financial liability measured at amortized cost is under one year (inclusive), the financial liability is presented as current liability; the financial liability with the term over one year but will fall due within one year (inclusive) since the balance sheet date, it is present as non-current liability due within one year; others are presented as non-current liability.

##### (c) Financial guarantee contracts

A financial guarantee contract is a contract by which the issuer is required to compensate specific amount to the contract holder suffering losses in case the specific debtor fails to settle the debt in accordance with the initial or revised terms of debt instrument when the debt falls due. After initial recognition, the Group measure financial guarantee contracts at the higher of: (i) amount of loss allowance; and (ii) the amount initially recognized less cumulative amortization recognized in accordance with related terms of Standards for Revenue.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 10. Financial instruments (Continued)

#### (5) *Derecognition of financial liabilities*

The Group derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing debtor) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

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

#### (6) *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The issuance (including refinance), repurchase, selling or cancellation of these instruments are treated as change in equity. Change of fair value of equity instruments is not recognized by the group. The related transaction costs are deducted from equity.

The Group recognizes the distribution to holders of the equity instruments as distribution of profits, and dividends paid do not affect total amount of shareholders' equity.

#### (7) *Derivatives*

Derivatives of the Group include Forward foreign exchange settlement and sale contracts and USD foreign exchange option. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value. Changes are recognized in current profit or loss.

#### (8) *Offsetting financial assets and financial liabilities*

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

### 11. Inventories

#### (1) *Categories of inventories and initial measurement*

The Group's inventories are initially measured at cost. Inventories mainly include raw materials, material procurement, outsourced processing materials, work in progress, finished goods, materials in transit, costs to fulfil a contract, properties under development, completed properties held for sale etc.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 11. Inventories (Continued)

#### (2) Valuation method of inventories upon delivery

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

#### (3) Basis for determining net realizable value of inventories and provision methods for decline in value of inventories

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

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

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

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

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

#### (6) Properties under development and completed properties held for sale

Costs of properties under development and completed properties held for sale mainly consist of acquisition cost of land use rights, expenditures of land development, infrastructure costs, construction costs, capitalized borrowing costs and other relevant costs. The expenditure of development land is included in the development cost. The construction expenditures of public facilities (the facilities approved by the relevant government departments such as roads) form part of property development costs and are allocated to respective individual properties projects. Cost of property development product is calculated based on actual costs incurred.

### 12. Long-term equity investments

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 12. Long-term equity investments (Continued)

The Company accounts for the investment in subsidiaries at historical cost in the Company's financial statements. Investments in joint ventures and associates are accounted for under equity method.

#### (1) *Determination of investment cost*

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

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

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

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

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

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income of the investee for the period as investment income or loss and other comprehensive income for the period. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date after making appropriate adjustments to be confirmed with the Group's accounting policies and accounting period. The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. For the changes in equity in addition to the net profit or loss, other comprehensive income and profits distribution, adjust the carrying value of long-term equity investment when the investee declares dividend distribution and included in shareholders' equity. The Group recognizes its share of the dividends of the investee should be adjusted, and reduces the carrying value of the investment. Unrealized profits or losses resulting from the Group's transactions with its associates and joint ventures are recognized as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated if the trading assets do not form a business. Unrealized losses are resulted from the Group's transactions with its associates and joint ventures, the impairment losses on the transferred assets are not eliminated.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 12. Long-term equity investments (Continued)

#### (3) *Basis for determining control, joint control and significant influence over investee*

Control is achieved when the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

#### (4) *Impairment loss of long-term equity investments*

If the recoverable amounts of the investments to subsidiaries, joint ventures and associates are less than their carrying amounts, an impairment loss should be recognized to reduce the carrying amounts to the recoverable amounts (Note V 18).

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

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

If the Group loses its control over the investee because of the disposal of partial equity investment and the remaining equity investment still have joint control or significant influence on the investee, then equity method should be adopted to record long-term equity investment when preparing the financial statements as if the equity investment is all the way accounted for under equity method from the date the Group acquired this investment. If the remaining equity investment does not have joint control or significant influence on the investee, the equity investment should be recorded according to the recognition and measurement of financial assets and the difference between the carrying amount and fair value of the equity investment on the date of losing control shall be included in profit or loss for the current year. The other comprehensive income recognized before the Group had controlled over the investee under equity method or the financial assets recognition and measurement standard should be treated referring to the same fundamental of disposing related assets and liabilities on losing its control over the investee. The other changes in shareholders' equity of the investee's net assets except the net profit or loss, other comprehensive income and profit distribution will be included in profit or loss for the current year of losing its control over the investee. If the residual interests were measured under the equity method, the Group proportionally carries over the other comprehensive income and other shareholders' equity. If the residual interests were measured under the financial assets recognition and measurement standard, the Group wholly carries over the other comprehensive income and other shareholders' equity.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 13. Investment properties

Investment properties include properties held to earn rentals or for capital appreciation or properties in construction which will be used to earn rentals or for capital appreciation in the future. An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

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

	Estimated useful lives	Estimated residual values (%)	Annual depreciation (amortization) rate (%)
Buildings and structures	15-40 years	3-5	2.38-6.47
Land use rights	40-70 years	–	1.43-2.50

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

The estimated useful lives, estimated residual values and depreciation (amortization) rate of investment properties are reviewed and adjusted as appropriate at each year-end.

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

If the recoverable amounts of the investment properties are less than the carrying amount, the carrying amount will be reduced to the recoverable amounts (Note V18).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 14. Fixed assets

#### (1) Recognition criteria for fixed assets

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

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

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Those old fixed asset items are replaced by other new fixed asset items, the old fixed asset items should be de-recognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

#### (2) Depreciation of each category of fixed assets

Fixed asset is depreciated based on the cost of fixed asset recognized less expected net residual value over its useful life using the straight-line method. The fixed asset after impairment, depreciation is calculated based on the carrying amount of the fixed asset after impairment over the estimated remaining useful life of the asset. The estimated useful lives, estimated residual values and annual depreciation rate of fixed assets are reviewed at each year end date to assess if any change is needed. The estimated useful life, estimated net residual value and annual depreciation rate of each category of fixed assets are as follows:

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

#### (3) Other explanations

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

If the recoverable amounts of the fixed assets are less than the carrying amount, the carrying amount will be reduced to the recoverable amounts (Note V 18).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 15. Construction in progress

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

If the recoverable amounts of the construction in progress are less than the carrying amount, the carrying amount will be reduced to the recoverable amounts (Note V 18).

### 16. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Borrowing costs incurred subsequently should be charged to profit or loss. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Capitalization is suspended until the acquisition, construction or production of the asset is resumed.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expenses incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.

Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

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

### 17. Intangible assets

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 17. Intangible assets (Continued)

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

##### (a) Land use rights

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

##### (b) Mining rights

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

##### (c) The right to use the franchise

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

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

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

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

If the financial asset model is applied, the Group recognizes financial assets resulted from the concession arrangement in its balance sheet. The Financial asset is measured in accordance with Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments.

##### (d) Software

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

##### (e) Patent and proprietary technologies

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 17. Intangible assets (Continued)

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

- (f) Review the useful life and amortization method periodically

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

- (g) If the recoverable amounts of the intangible assets are less than the carrying amount, the carrying amount will be reduced to the recoverable amounts (Note V 18).

#### (2) Research and development expenditure

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

Expenditure during the research phase is recognized as an expense in the period in which it is incurred. Expenditure during the development phase that meets all of the following conditions at the same time is recognized as intangible asset:

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

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

### 18. Impairment of long-term assets

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 18. Impairment of long-term assets (Continued)

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

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

### 19. Long-term prepayments

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

### 20. Employee benefits

#### (1) Short-term employee benefits

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

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

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

#### (2) Post-employment benefits

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 20. Employee benefits (Continued)

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

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

Unless other accounting standards require or permit to charge the employee benefits into assets cost, the Group charges (i) and (ii) mentioned above into profits or losses of the current year, and recognize (iii) mentioned above as other comprehensive income without charging into profits or losses in later accounting periods.

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

#### (3) *Termination benefits*

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

The Group provides internal retirement benefits to employees who are willing to retire voluntarily. Internal retirement benefits refer to wages and social security fees the Group pays to employees who retired earlier voluntarily with the approval of the management. Early retirement benefits are recognized in the period in which the Group has entered into an agreement with the employee specifying the terms of redundancy, or after the individual employee has been advised of the specific terms. The accounting treatments of early retirement benefits are referring to termination benefits. From the date on which the termination benefit requirements are fulfilled, the Group recognizes monthly paid salaries and social benefits for these early retirees during the period from the date of early retirement to the normal retirement date as employee benefits payable and charges to profit or loss of the current year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 21. Provisions

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

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

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

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

### 22. Perpetual bonds or other financial instruments

Perpetual bonds or other financial instruments issued by the Group are equity instruments if, and only if both conditions (1) and (2) below are met:

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

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

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

### 23. Revenue

The Group's revenue is mainly from the following business types:

- Engineering contracting
- Real estate development
- Equipment manufacturing
- Resources development

The Group shall recognize revenue when the Group satisfies a performance obligation in the Contract, namely, when the customer obtains control over relevant goods or services. Control over the relevant goods refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from the goods or services.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 23. Revenue (Continued)

Where the contract entered into by the Group and the customer satisfies all of the following conditions at the same time, the Group will recognize revenue when the customer obtains control over relevant goods or services:

- The parties to the contract have approved the contract and are committed to perform their respective obligations;
- The contract can identify each party's rights and obligation regarding goods or services to be transferred;
- The contract can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract); and
- It is probable that the Group will recover the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

If a contract meets the above criteria at contract inception, the Group shall not reassess those criteria unless there is an indication of a significant change in facts and circumstances. If a contract does not meet the above criteria at contract inception, the Group shall continue to assess the contract and make accounting treatment when the above criteria are met. When a contract does not meet the above criteria, the Group shall recognize the consideration received as revenue only when the Group has no remaining obligations to transfer goods or services to the customers and the consideration received from the customer is non-refundable; otherwise, the Group shall recognize the consideration received from the customer as a liability.

#### (1) *Determining the transaction price*

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts expected to be refunded to a customer. The Group shall consider the terms of the contract and its customary business practices to determine the transaction price. When determining the transaction price, the Group may consider effects of factors such as the variable consideration, a significant financing component, consideration payable to a customer and non-cash considerations.

#### (a) **Variable consideration**

In case of the existence of variable consideration (performance bonuses and penalties etc.) in the contract, the Group shall determine the best estimate of variable consideration based on the expected value or the most probably occurred amount. The transaction price including variable consideration shall not exceed the amount of the cumulative recognized revenue which is the most probably to be significantly reversed when elimination of relevant uncertainty. At each balance sheet date, the Group re-estimate the amount of variable consideration which should be included in transaction price.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 23. Revenue (Continued)

#### (1) *Determining the transaction price (Continued)*

##### (b) A significant financing component

In case of the existence of a significant financing component in the contract, the Group shall determine the transaction price on the assumption that the customer has paid the amount payable by cash when obtaining the control over the goods or services. Differences between transaction price and contract consideration are amortized using effective interest method during the contract life. At contract inception, if the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the Group would not consider the significant component in the contract.

##### (c) Consideration payable to a customer

In case of the existence of consideration payable to a customer in the contract, the Group shall account for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service. The Group shall recognize the reduction of revenue at the later of recognizing relevant revenue and paying (or promising to pay) the consideration.

##### (d) Non-cash consideration

In case of non-cash consideration paid by the customer, the Group shall determine transaction price at fair value of non-cash consideration. If the fair value of the non-cash consideration is not be estimated reasonably, the Group shall measure the consideration indirectly by reference to the stand-alone selling price of the goods or services promised to the customer.

#### (2) *Identification of stand-alone performance obligations in the contract*

At contract inception, the Group assesses the contract and identify stand-alone performance obligations. Performance obligations refer to commitment of the Group to transfer a distinct good or service to the customer.

In the following circumstances, the Group takes the commitments to transfer of a good or services to the customer as stand-alone performance obligations: (i) commitment to transfer of a distinct good or services (or a group of goods or services); (ii) commitment to transfer of a series of distinct goods or services with the same substances and the same transfer model.

If the goods or services committed by the Group to the customer meets the following two conditions at the same time, those can be taken as distinct goods or services: (i) the customer is able to benefit from the stand-alone good or services or from the good or services together with other available source, namely, the good or services its own can be distinct; (ii) the commitment to transfer the good or services is separated from other commitments in the contract, namely, the commitment to transfer of the good or services is distinct in the contract.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 23. Revenue (Continued)

#### (2) *Identification of stand-alone performance obligations in the contract (Continued)*

When determining whether the commitment to transfer the good or services can be distinct, the Group uses judgement and comprehensively considers all facts and circumstances. The following circumstances generally reflect that the commitment to transfer the good or services is not separated from other commitments in the contract: (i) the Group provides a significant service of integrating the goods or services with other goods or services promised in the contract into a bundle of goods or services that represent the combined output for which the customer has contracted; (ii) the goods or services significantly modifies or customizes other goods or services promised in the contract; (iii) the goods or services are highly interrelated with other goods or services promised in the contract.

#### (3) *Transaction price allocated to each stand-alone performance obligation*

If there are two or more of performance obligations included in the contract, at the contract inception, the Group allocates the transaction price to each single performance obligation based on the proportion of stand-alone selling price of goods or services promised in each stand-alone performance obligation. However, if there is conclusive evidence indicating that the contract discount or variable consideration is only relative with one or more (not the whole) performance obligations in the contract, the Group will allocate the contract discount or variable consideration to relative one or more performance obligation. Stand-alone selling price refers to the price of single sales of goods or services. If the stand-alone selling price cannot be observed directly, the Group estimates the stand-alone selling price through comprehensive consideration of all reasonably acquired relative information and maximum use of observable inputs.

#### (4) *Revenue recognition at satisfying each stand-alone performance obligation*

At contract inception, the Group identifies each stand-alone performance obligation included in the contract, determines whether the performance obligation satisfied during a period of time or at a point in time, and recognizes revenue when satisfying each stand-alone performance obligation.

##### (a) **Performance obligation satisfied during a period of time**

It is a performance obligation satisfied during a period of time if one of the following conditions is met: (i) the customer obtains and consumes economic benefits at the same time of the Group's performance; (ii) the customer is able to control goods or services in progress during the Group's performance; (iii) goods or services generated during the Group's performance have irreplaceable utilization, and the Group is entitled to collect amounts of cumulative performance part which have been done up to now.

For performance obligations satisfied during a period of time, the Group will recognize revenue according to progress of performance within such period, however, other than circumstances that the progress of performance cannot be reasonably determined. The Group determines progress of performance using input method, namely, determines the progress of performance based on the proportion of the accumulative actual cost accounting for the expected total cost. When the progress of performance cannot be reasonably determined, the costs incurred are expected to be compensated, the Group recognizes revenue based on the amount of costs incurred till the progress of performance can be reasonably determined.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 23. Revenue (Continued)

#### (4) Revenue recognition at satisfying each stand-alone performance obligation (Continued)

##### (b) Performance obligation satisfied at a point in time

For performance obligation satisfied not during a period of time but at a point in time, the Group will recognize revenue at the point in time when the customer obtains control over relative goods or services.

When judging whether the customer has obtain control over the goods or services, the Group will consider the following indications.

- The Group has a present right of receivables for the good or services, namely, a customer is presently obliged to pay for the good or services;
- The Group has transferred the legal title of the good to the customer, namely, the customer has physically possessed the good;
- The Group has transferred the significant risks and rewards of ownership of the good to the customer, namely, the customer has obtained the significant risks and rewards of ownership of the good;
- The customer has accepted the good or services;
- Other indications reflecting that the customer has obtained the control over the good or services.

#### (5) Accounting treatment of specific transaction

##### (a) Sales attached with quality warranty terms

For sales attached with quality warranty terms, if such quality warranty provides an individual service other than that the Group have made commitments that the sold goods or services meet the established criteria, such quality warranty constitutes a single performance obligation, otherwise, the Group will make accounting treatment for quality warranty liability in accordance with the *Accounting Standard for Business Enterprises No. 13 - Contingencies*.

##### (b) A principal and an agent

To determine whether the Group is a principal or an agent, the Group identifies the specified goods or services to be provided to the customer, and assesses whether it controls those goods or services before they are transferred to the customer. If the Group can control those goods or services before they are transferred to the customer, the Group is a principal, recognizing revenue at the total consideration received or receivable; otherwise, the Group is an agent, recognizing revenue at the amount of commissions or service charges expected to be entitled to collection, such amount shall be determined based on net amount of total consideration received or receivable less amounts payable to other related parties, or on established amounts or proportions of commissions.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 23. Revenue (Continued)

#### (6) Contract costs

##### (a) Costs of obtaining a contract

The incremental costs of obtaining a contract (i.e. it would not have incurred if the contract had not been obtained) which are expected to be collected shall be recognize as an asset. If the amortization period of the asset is less than one year, it will be included in profit or loss when incurred. Other expenditures incurred to obtain the contract are included in profit or loss when incurred, except for expenditures clearly borne by the customer.

##### (b) Costs to fulfil a contract

If the costs incurred in fulfilling a contract are not within the scope of other accounting standards for business enterprises the new revenue standards as well as satisfies the following conditions at the same time, the costs will be recognized as an asset: (i) the costs relate directly to a contract or to an anticipated contract; (ii) the costs enhance resources of the Group that will be used in satisfying performance obligations in the future; (iii) the costs are expected to be recovered.

##### (c) Amortization of the related assets of contract costs

An asset associated with contract costs shall be amortized on the same basis as the revenue recognition of goods or services associated with the asset.

##### (d) Impairment of the related assets of contract costs

The Group shall make impairment allowance and recognize an impairment loss in profit or loss to the extent that the carrying amount of an asset associated with contract costs recognized exceeds: (i) the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less (ii) the costs expected to be incurred to transfer the relative goods or services.

The Group shall recognize in profit or loss a reversal of an impairment loss previously recognized when the impairment conditions have changed. The reversed carrying amount of the asset at the reversal date shall not exceed the amount that would have been determined if no impairment loss had been recognized previously.

#### (7) Contract asset and contract liability

Contract asset refers to the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. Please refer to Note V 10 (2) for accounting policies on impairment of contract asset. The Group's right of unconditional (i.e. solely depending on the passage of time) collection of consideration from the customer shall be separately set out as receivables.

Contract liability refers to the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or the amount is due) from the customer.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 24. Government grants

Government grants are transferred of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognized only when the Group can comply with the conditions attaching to it and the grant will be received.

If a government grant takes the form of a monetary asset, it is measured at the amount received or receivable. If a government grant takes the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period. Government grants received by the Group related to routine activities are recognized in other income or as reductions in the related costs and expenses according to the economic nature of business; whereas government grants received by the Group other than those related to routine activities are recognized in non-operating income.

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

Government grants used for creating long-term assets by purchase, construction or other ways, are recognized by the Group as the government grants related to assets, mainly including the investment subsidies for the purchase or construction of new equipment and other production infrastructure.

Government grants related to assets of the Group will be recognized as deferred income and amortized to profit or loss for the current period on a reasonable and systematic basis over the useful life of the related assets.

#### (2) *The basis of judgment and accounting treatments of the government grants related to income*

The government grants related to income are those other than the ones related to assets. Government grants of the Group related to income mainly include scientific research subsidies. As they are mainly the compensation for related expenses of the enterprises, such government grants are recognized as the government grants related to income. The Group classifies government grants difficult to distinguish as the ones related to income on an entire basis.

If the government grants related to income are compensation for related expenses or losses to be incurred in subsequent periods, they are recognized as deferred income, and will be recognized in profit or loss or used to offset with related costs and expenses for the period when related expenses or losses are recognized. If the government grants related to income are compensation for related expenses or losses already incurred, they are recognized immediately in profit or loss for the current period or used to offset related with costs and expenses.

#### (3) *Interest subsidy received under policy loans*

If the preferential low-interest loans received by the Group is subject to the fact that the government finance authority allocates interest subsidy fund to the bank which thereafter issues loans to the Group at preferential low-interest rates, the Group recognizes such borrowing at an amount actually received and calculates the borrowing costs based on the principal and the preferential low-interest rates. If the preferential low-interest loans received by the Group is the interest subsidy fund to the Group directly from the government finance authority, the Group deducts the interest subsidy from related borrowing costs.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 24. Government grants (Continued)

#### (4) Accounting treatment for repayments of government grants

Repayment of government grants should be applied first against any unamortized deferred income in respect of the grants. To the extent that repayment exceeds any such deferred income, or when no deferred income exists, the repayment should be recognized immediately in profit or loss for the current period.

### 25. Deferred tax assets/deferred tax liabilities

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

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

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized. However, for deductible temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized. At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized or the liability is settled.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Except for those current income tax and deferred tax charged to comprehensive income or shareholders' equity in respect of those transactions or events which have been directly recognized in other comprehensive income or shareholders' equity, and deferred tax recognized on business combinations, all other current income tax and deferred tax items are charged to profit or loss in the current year.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 26. Lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset from the lessor to the lessee for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### (1) *The Group as the lessee*

##### (a) Separation of the lease

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component for contracts containing leases for buildings and structures, machinery and equipment, and transportation vehicles.

##### (b) Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset provided by the lessor is available for use). Right-of-use assets are measured at cost which includes:

- the amount of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

If a re-measurement of the lease liability occurs after the commencement date of the lease, the book value of the right-of-use assets shall be adjusted accordingly.

The Group depreciates the right of use assets in accordance with the relevant depreciation requirements of the *Accounting Standards for Business Enterprises No.4 – Fixed Assets*. Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 26. Lease (Continued)

#### (1) The Group as the lessee (Continued)

##### (b) Right-of-use assets (Continued)

The Group determines whether the right of use assets are impaired and accounts for the identified impairment loss based on the *Accounting Standards for Business Enterprises No.4 – Impairment of Assets*. If the recoverable amount of the right-of-use asset is estimated to be less than its carrying amount, the carrying amount of the asset will be reduced to its recoverable amount (Note V 18).

##### (c) Refundable rental deposit

The refundable rental deposits paid by the Group are measured at fair value in accordance with the Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments. The differences between the fair value and the nominal value at the time of initial recognition are considered as an additional lease payments and included in the cost of the right-of-use assets.

##### (d) Lease liabilities

Except for short-term leases and leases of low value assets, at the commencement date of the lease, the Group recognizes and measures the lease liabilities at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease payments refer to the payments made by the Group to the lessor for the lessee's right to use the leased asset over the lease term and include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- the exercise price of a purchase option reasonably certain to be exercised by the Group;
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate;
- amounts expected to be paid under residual value guarantees.

Variable lease payments that depend on an index or a rate are initially measured using the index or rate at the commencement date. Variable lease payments that are not included in the measurement of lease liabilities are recognized in profit or loss or the cost of underlying assets in the period in which they occur.

Interest expenses on the lease liabilities in each period during the lease term are recognized by the Group by using the fixed periodic rate of interest.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 26. Lease (Continued)

#### (1) The Group as the lessee (Continued)

##### (d) Lease liabilities (Continued)

After the commencement date of the lease, the Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liabilities is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in expected payment under a guaranteed residual value or a change in an index or a rate used to determine those payments, in which cases the related lease liabilities is remeasured by discounting the revised lease payments using the initial discount rate.

Lease liabilities are presented as “current liabilities” and “non-current liabilities” based on their liquidity at the balance sheet. The closing balance of non-current lease liabilities due within 1 year from the balance sheet date is reflected under the line item of “non-current liabilities due within 1 year”.

##### (e) Short-term leases and leases of low-value assets

For short-term leases and leases of low-value items to which the recognition exemption is applied by the Group, right-of-use assets and lease liabilities are not recognized. A short-term lease refers to a lease that, at the commencement date, has a lease term of 12 months or less and do not contain a purchase option. A lease of low value asset refers to a single lease asset, when new, is of low value. Lease payments on short-term leases and leases of low-value assets are recognized in profit or loss or the cost of underlying assets on a straight-line basis over the lease term.

##### (f) Lease modifications

The Group accounts for a lease modification as a separate lease if there is a lease modification and both of the following apply:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liabilities based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 26. Lease (Continued)

#### (2) *The Group as the lessor*

##### (a) Separation of the lease

Where a contract contains both lease and non-lease components, the Group allocates the consideration of the contract in accordance with the provisions of Revenue Standards on allocation of transaction price. The basis of the allocation is the respective stand-alone selling price of lease component and non-lease component.

##### (b) Classification of the lease

The Group classifies the lease into financing lease and operating lease on the start date of the lease. Financial lease refers to a lease that essentially transfers almost all the risks and rewards related to the ownership of leased assets. Its ownership may or may not be transferred eventually. Operational lease refers to the leases other than financial leases.

The Group does not reassess the classification of leases after the start of the lease unless there is a modification in the lease. The Group shall not reassess the classification of leases if the estimated useful life and expected residual value of leased assets change or the lessee defaults.

##### (c) Rental deposit to be refunded

The lease deposit received by the Group that shall be refunded, are measured at fair value at the time of initial recognition in accordance with Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments. The difference between the fair value and the nominal value at the time of initial recognition shall be considered as the additional lease payments from the lessee.

##### (d) Operating leases recorded by the Group as lessor

During the periods within the lease term, the Group recognizes the lease receipts from operating lease as rental income. The initial direct costs incurred by the Group to obtain the operating lease are capitalized when they are incurred, and are allocated over the lease term on the same basis of recognition of rental income, and are included in profit or loss by stages.

The variable lease receipts obtained by the Group from operating lease but not included in the lease receivables are included in profit or loss when they incur.

#### (3) *Sales and leaseback transactions (The Group acts as a seller-lessee)*

The Group assesses whether the transfer of the asset in the sales and leaseback transaction constitutes a sale in accordance with the Revenue Standards. If the transfer of the asset is not a sale, the Group continues to recognize the transferred assets and should recognize a financial liability equal to the transfer proceeds. Such financial liability is accounted for applying Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments. If the transfer of an asset constitutes a sale, the Group shall measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use and recognize only the amount of any gain or loss that relates to the rights transferred to the lessor.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 27. Other significant accounting policies and accounting estimates

#### (1) Distribution of dividends

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

#### (2) Production safety expenses

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

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

#### (3) Segment information

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

#### (4) Discontinued operation

Discontinued operation refers to the separately identifiable components that have been disposed of or classified as held for sale and meet one of the following conditions:

- The component represents an independent main business or a major business area;
- This component is a part of a related plan that intends to dispose an independent main business or a separate main operating area;
- This component is a subsidiary acquired exclusively for resale.

#### (5) Significant accounting estimates and judgments

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 27. Other significant accounting policies and accounting estimates (Continued)

#### (5) Significant accounting estimates and judgments (Continued)

##### (a) Important judgments in applying accounting policies

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

##### (i) Perpetual bond

According to the terms of the issue, the issued perpetual bond has no maturity date. The Company has the right to defer interest payment and the option for redemption of perpetual bond. The Company has no obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the issuer, so the perpetual bond is classified as equity instrument, meeting the qualifying conditions in Note V 22 to be recorded as equity instrument. Details are set out in Note VII 46.

##### (b) The key assumptions and uncertainties used in accounting estimates

As at balance sheet date, the key assumptions concerning the future, and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next 12 months are as below:

##### (i) Progress of performance of engineering construction contracts

The Group determines to use input method to measure the progress of income of engineering services contracts provided by the Group which require to be fulfilled in a certain period, namely, determines progress of performance based on the proportion of accumulatively actual cost in estimated total cost. Because of the nature of the activity undertaken in engineering contracting services, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. In the contract progress, the management of the Group regularly reviews the transaction price and contract modification, contract costs in the budget prepared for each contract, the progress of the contracts performance and the accumulatively actual cost. If there are circumstances that there are changes in the transaction price, the contract costs in the budget or the progress of the contract performance, estimates are revised. These revisions may result in increasing or decreasing in estimated revenues or costs and are reflected in consolidated income statement in the current period.

##### (ii) Credit loss provision

Under expected credit loss method, the Group makes a loss allowance against amount of expected credit losses during the whole life of the contract assets and accounts receivable that exclude significant financing component or do not consider the financing component in the contract within one year arising from transactions adopting New Standards for Revenue. The management's judgment and estimation are required in the recognition of the credit loss provision. If re-estimations differ from the original estimates, such differences will affect the profit and carrying amount of account receivable and contract assets in the period in which the estimate changes.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 27. Other significant accounting policies and accounting estimates (Continued)

#### (5) Significant accounting estimates and judgments (Continued)

##### (b) The key assumptions and uncertainties used in accounting estimates (Continued)

###### (ii) Credit loss provision (Continued)

As at 31 December 2020, the net book value of the Group's accounts receivable is RMB69,436,480,000 (As at 31 December 2019: RMB66,026,606,000), from which the provision for bad debts of RMB12,977,047,000 has been deducted (As at 31 December 2019: RMB13,500,748,000), refer to Note VII 5(1) for details.

###### (iii) Useful lives and residual values of fixed assets

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

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

###### (iv) Impairment losses of assets

The Group makes a loss allowance against amount of expected credit losses during the whole life of the contract assets that exclude significant financing component or do not consider the financing component in the contract within one year arising from transactions adopting New Standards for Revenue.

As at 31 December 2020, the net book value of the Group's contract assets is RMB83,199,483,000 (As at 31 December 2019: RMB72,800,575,000), from which the provision for bad debts of RMB3,661,638,000 has been deducted (As at 31 December 2019: RMB3,681,606,000), refer to Note VII 10(1) for details.

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

The Group estimates the recoverable amount on a series of assumptions and estimations, which include estimated useful life of the asset, a reasonable expectation of future market, projected future revenue and profit margin and the discount rate. The Group performs test for impairment for assets with indication of impairment. The Group estimated the present value of future cash flows with a pre-tax discount rate of 14.29% to 17.33% for the reporting period (for the year ended 31 December 2019: 14.29% to 17.33%).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 27. Other significant accounting policies and accounting estimates (Continued)

#### (5) Significant accounting estimates and judgments (Continued)

##### (b) The key assumptions and uncertainties used in accounting estimates (Continued)

##### (iv) Impairment losses of assets (Continued)

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

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

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

##### (v) Tax

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 27. Other significant accounting policies and accounting estimates (Continued)

#### (5) Significant accounting estimates and judgments (Continued)

##### (b) The key assumptions and uncertainties used in accounting estimates (Continued)

##### (vi) Retirement benefits

The Group establishes liabilities in connection with supplementary benefits paid to certain retired employees. The amounts of employee benefit expenses and liabilities are determined using various assumptions and conditions on discount rates, salary growth rates during retirement, medical expense growth rates, and other factors. Actual results that differ from the assumptions are recognized immediately and therefore affect recognized other comprehensive income in the period in which such differences arise. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the other comprehensive income and balance of liabilities related to the supplementary employee retirement benefit obligations.

### 28. Changes in significant accounting policies and accounting estimates

#### (1) Changes in significant accounting policies

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

#### (2) Changes in significant accounting estimates

During the reporting period, there were no significant changes in accounting estimates.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VI. TAXATION

### 1. Major categories of taxes and respective tax rates

Category of tax	Basis of tax computation	Tax rate
Value-added tax ("VAT")	VAT payable(VAT payable is imposed on the taxable sales amount multiplied by the tax rate (output-VAT) less deductible input-VAT of current year)	3%, 5%, 6%, 9% and 13%
City maintenance and construction tax ("CCT")	Payment for VAT and consumption tax	1%, 5% and 7%
Education surcharges	Payment for VAT and consumption tax	3%
Enterprise income tax ("EIT")	Taxable income	25%
Land appreciation tax	Appreciation amount on the transfer of real estate	30% to 60%

(1) *The domestic entities subject to different enterprise income tax rates are disclosed in Note VI 2.*

(2) *The foreign business entities subject to non-25% income tax rates*

Subject of tax payment	Enterprise income tax rate
MCC Minera Sierra Grande S.A	35%
MCC Luba International (Private) Ltd.	35%
ENFI Zambia Ltd.	35%
China 19 MCC Group Namibia Co., Ltd.	35%
MCC International Venezuelan Ltd.	34%
China ENFI (Namibia) Ltd.	33%
China Metallurgical Construction Zimbabwe Co., Ltd.	33%
China ENFI Congo (DRC) Co. Ltd.	30%
MCC Australia Holding Pty Ltd.	30%
MCC Australian Gold Mines Ltd.	30%
MCC Mining (Western Australia) Pty Ltd.	30%
MCC Shijiu Papua New Guinea Co., Ltd.	30%
ACRE Coking & Refractory (India) Engineering Consulting Corporation, MCC Papua New Guinea subsidiary of Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	30%
China ENFI (Chile) SAS	28%
China First Metallurgical India (Private) Ltd.	25.17%
China First Metallurgical Construction Malaysia Co., Ltd.	24%
MCC Malaysia Overseas Ltd.	24%
MCC Real Estate Malaysia Ltd.	24%
MCC Construction Engineering (Malaysia) Co., Ltd.	24%

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VI. TAXATION (CONTINUED)

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

#### (2) The foreign business entities subject to non-25% income tax rates (Continued)

Subject of tax payment	Enterprise income tax rate
Shanghai Baoye (Malaysia) Co., Ltd.	24%
CCEPC Malaysia BHD	24%
MCC Tian Gong (Malaysia) Engineering Technology Co., Ltd.	24%
MCC East Malaysia Sdn Bhd.	24%
CISDI Engineering(America) Co., Ltd.	21%
MCCCISDI Engenharia do Brisal Ltd.	20%
MCC Tian Gong (Kuampuchea) Engineering Technology Co., Ltd.	20%
China 22MCC Group Russia Co., Ltd.	20%
MCC Kampuchea Overseas Ltd.	20%
MCC Constructing (Thailand) Ltd.	20%
China Cambodia Development Construction Co., Ltd.	20%
MCC International (Kuampuchea) Ltd.	20%
Shanghai Baoye (Kampuchea) Co., Ltd.	20%
China Nineteen Metallurgical Group Vietnam Co., Ltd.	20%
17th Metallurgical Group Tashkent Foreign Enterprise Co., Ltd.	20%
MCC Jianyan (Cambodia) Co., Ltd.	20%
China Jingye Engineering Corporation Ltd. (Singapore Branch)	17%
MCC Real Estate Singapore Ltd.	17%
MCC Potong Pasir Ltd.	17%
MCC Real Estate Tampines Co., Ltd.	17%
MCC Hong Kong Overseas Ltd.	16.5%
Nan Hua International Engineering Ltd.	16.5%
MCC Real Estate Hong Kong Co., Ltd.	16.5%
Chinese Metallurgical Engineering Technology (Hong Kong) Co., Ltd.	16.5%
MCC Holding (Hong Kong) Corporation Limited	16.5%
MCC Science and Industry CISDI Brazil GUSA Co., Ltd.	15%
MCC Tian Gong (Mongolia) Ltd.	10%
MCC Vietnam Operation Co., Ltd.	10%
MCC Vietnam Engineering Technology Co., Ltd.	10%
China MCC International Economic and Trade (Hong Kong) Co., Ltd.	8.25%
MCC 20 Indonesia Construction Co., Ltd.	3%
MCC Huaye Duda Mining Co., Ltd.	0%
MCC Ramu NiCo Ltd.	0%
Ramu NiCo Management (MCC) Ltd.	0%
MCC Tongsin Resources Ltd.	0%
MCC JCL Anak Mining Co., Ltd.	0%
China Metallurgical Group Duda Mining Development Co., Ltd.	0%
China Metallurgical Group Resources Development Co., Ltd.	0%
China Metallurgical New Energy (Pakistan) Ltd.	0%

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VI. TAXATION (CONTINUED)

### 2. Tax incentive

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

According to the Circular of the MoF, the State Administration of Taxation and the General Administration of Customs on Issues Concerning Preferential Tax Policies for the Development of the Western Regions ("Cai Shui [2001] No.202"), Guoshui [2002] No.47 and Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies ("Cai Shui [2011] No.58") ("hereinafter referred to as the "Circular"), a series of tax policies to further support the development of the western region are made clear. The above circular had been implemented since 1 January 2011. From 1 January 2011 to 31 December 2020, enterprise income tax may be levied at a reduced tax rate of 15% on enterprises that are established in the western region engaging in those industries with tax incentive. According to the regulation, the following subsidiaries of the Company were approved by the local tax bureau to enjoy preferential tax policies for the development of the western regions, and they need to submit application for applying relevant tax incentive every year:

- (a) MCC-SFRE Heavy Industry Equipment Co., Ltd. has been levied at a preferential tax rate of 15% from 2006 to 2020.
- (b) China Metallurgical Construction Engineering Group Co., Ltd. has been levied at a preferential tax rate of 15% from 2007 to 2020.
- (c) Chongqing CISDI Engineering Management Consultants Co., Ltd., CISDI Industrial Furnace Co., Ltd., CISDI Engineering Co., Ltd., CISDI Equipment Co., Ltd., MCC Xi'an Electric Furnace Institute Co., Ltd. and ENFI New Energy (Zhongwei) Co., Ltd. have been levied at a preferential tax rate of 15% from 2011 to 2020.
- (d) Chongqing CISDI Construction Drawing Examination and Consulting Co., Ltd., and China Metallurgical Construction Engineering Group Chongqing Steel Structure Co., Ltd. have been levied at a preferential tax rate of 15% from 2015 to 2020.
- (e) CISDI Group Chongqing Information and Technology Co., Ltd. has been levied at a preferential tax rate of 15% from 2016 to 2020.
- (f) MCC Chongqing Real Estate Development Co., Ltd., China Metallurgical Construction Engineering (Ningxia) Co., Ltd., CISDI Chongqing Environmental Consulting Co., Ltd. and MCC(Guizhou) Construction Investment Development Co., Ltd. are levied at a preferential tax rate of 15% from 2017 to 2020.
- (g) CISDI Technology Research Center Co., Ltd., CISDI Architectural & Municipal Design Co., Ltd., Tibet China Metallurgical Construction Co., Ltd. are levied at a preferential tax rate of 15% from 2018 to 2020.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VI. TAXATION (CONTINUED)

### 2. Tax incentive (Continued)

#### (2) *Preferential Tax Policies for High-Technology Enterprises*

The following subsidiaries of the Company have been identified as high-technology enterprises by the provincial Department of Science and other related government authorities, these enterprises can enjoy the related tax incentives of high-technology enterprises:

- (a) China MCC 5 Group Co., Ltd., MCC Communication Construction Group Co., Ltd., CERI Phoenix Industrial Furnace Co., Ltd., CERI Long Product Co., Ltd., CERI Eco Technology Co., Ltd., CERI Technology Co., Ltd., CERI Manufacturing Executive & Managing System Co., Ltd., Hunan Zhongye Changtian Energy Conservation and Environmental Protection Technology Co., Ltd., China ENFI Engineering Corporation, Beijing Chongjian Project Co., Ltd. and Panzhihua Tianyu Engineering Detection Co., Ltd. have been levied at a preferential tax rate of 15% from 2017 to 2020.
- (b) Huatian Engineering & Technology Corporation, MCC, MCC Huatian Energy Conservation Environmental Protection Research Institute Co., Ltd., Central Research Institute of Building and Construction Co., Ltd., China Jing Ye Engineering Technology Co., Ltd., CERI Hua Yu Architectural Design & Research Institute Co., Ltd., Shen Kan Engineering & Technology Corporation, MCC, Ceristar Electric Co., Ltd., Beijing Tianrun Construction Co., Ltd., MCC Huatian Nanjing Electric Engineering Technology Co., Ltd., CERI ZeYu Environmental Protection Engineering Technology Co., Ltd., Beijing ENFI Environmental Protection Technology Co., Ltd., Beijing ENFI Environmental Protection Co., Ltd., Inspection and Certification Co., Ltd. MCC and Beijing Jingcheng Sairui Information Technology Co., Ltd. have been levied at a preferential tax rate of 15% from 2020 to 2023.
- (c) MCC South (Wuhan) Automation Co., Ltd., MCC Southern Metropolis Environmental Engineering Technology Co., Ltd., MCC South (Wuhan) Information Technology Engineering Co., Ltd., China Metallurgical (Guizhou) Construction Investment Development Co., Ltd., MCC-17 Group Co., Ltd., Tianjin Yejian Special Materials Co., Ltd., China Metallurgical Construction Research Institute (Shanghai) Co., Ltd., MCC South Handan Wupeng Furnace Lining New Material Co., Ltd., MCC Tiangong Tianjin Co., Ltd. and China First Metallurgical Group Co., Ltd. have been levied at a preferential tax rate of 15% from 2020 to 2022.
- (d) MCC North (Dalian) Engineering Technology Co., Ltd., Shanghai MCC 20 Group Co., Ltd., China MCC 20 Group Co., Ltd., MCC Tiangong Group Co., Ltd., MCC Wuhan Metallurgical Construction Research Institute Co., Ltd., Hunan MCC Changtian Heavy Industry Technology Co., Ltd., MCC Jiaonai (Dalian) Engineering Technology Co., Ltd., MCC Huatian Nanjing Electric Engineering Technology Co., Ltd., China Metallurgical Construction Research Institute (Shenzhen) Co., Ltd., Beijing Sida Jianmao Technology Development Co., Ltd. MCC South (Wuhan) Thermal Engineering Co., Ltd., MCC South Engineering Technology Co., Ltd., MCC CCID Shanghai Engineering Technology Co., Ltd., MCC Southern Continuous Casting Technology Engineering Co., Ltd., Beijing China Metallurgical Equipment Research and Design Institute Co., MCC Saidi Electric Technology Co., Ltd. and MCC Dongfang Engineering Technology Co., Ltd. have been levied at a preferential tax rate of 15% from 2019 to 2021.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VI. TAXATION (CONTINUED)

### 2. Tax incentive (Continued)

#### (2) Preferential Tax Policies for High-Technology Enterprises (Continued)

- (e) Shanghai Baoye Engineering Technology Corp., Ltd., Hunan Hetian Engineering Project Management Co., Ltd., Shanghai Baoye Group Co., Ltd., MCC Wuhan Survey Research Institute Co., Ltd., MCC-SFRE Heavy Industry Equipment Co., Ltd., Shanghai MCC Environmental Engineering Technology Co., Ltd., MCC Baosteel Technical Service Co., Ltd., MCC 19th Group Co., Ltd., Wuye Group Shanghai Co., Ltd., Wuhan First Metallurgical Steel Structure Co., Ltd., MCC (Beijing) Transportation Technology Development Co., Ltd., Ma'anshan Seventeen Metallurgical Engineering Technology Co., Ltd., MCC Shenkan (Qinhuangdao) Engineering Design and Research Institute Co., Ltd., MCC Northwest Engineering Technology Co., Ltd., MCC Chengdu Research Institute Co., Ltd., China Metallurgical Tiangong (Tianjin) Equipment Manufacturing Co., Ltd., Tianjin Xinbin Engineering Technology Testing Co., Ltd., Fangchenggang Zhongyi Heavy Industry Co., Ltd., Shanghai Baoye Building Decoration Co., Ltd., 22nd Metallurgical Group Xinjiang Equipment Manufacturing Co., Ltd., MCC 22nd Group Co., Ltd., MCC Heavy Industry (Xinjiang) Co., Ltd., 22nd Metallurgical Group Equipment Manufacturing Co., Ltd., MCC CCID Engineering Technology Co., Ltd., China Second Metallurgical Group Corporation Limited and MCC South Wuhan Iron and Steel Design and Research Institute Co., Ltd. have been levied at a preferential tax rate of 15% from 2018 to 2020.
- (f) Beijing Yuanda International Engineering Management Consulting Co., Ltd., Beijing Newvisun Construction Engineering Technology Co., Ltd., Beijing Jinwei Welding Materials Co., Beijing Jingcheng Kelin Environmental Protection Technology Co., Ltd., Beijing Zhongshe Water Treatment Co., Ltd., Hebei Guopeng Building Material Co., Ltd. and Zhejiang MCC 20 Group Co., Ltd. have been levied at a preferential tax rate of 15% from 2018 to 2021.
- (g) ZHONGYE Chang Tian International Engineering Co., Ltd., Hunan Changtian Automation Co., Ltd., Beijing Metallurgical Nuclear Technology Development Co., Ltd. and MCC Energy Conservation and Environmental Protection Co., Ltd. have been levied at a preferential tax rate of 15% from 2019 to 2022.

#### (3) The other major preferential tax benefits

- (a) According to the relevant regulation of the preferential tax policies about the projects of environmental protection in clause 88 of Chapter IV of *the Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax, the Order of the President of the People's Republic of China* ("[2007] No.63") and the Order of the State Council No.512: Lu'an Water Corporation MCC, Xiaogan Zhongshe Water Co., Ltd., Beijing Zhongshe Water Treatment Co., Ltd., Fuzhou City Changle District MCC Water Co., Ltd., Wuhan Urban Environmental Water Co., Ltd. and Zhanjiang MCC Environmental Operation Management Co., Ltd. are qualified for a preferential tax policy that from the tax year when the enterprise has obtained the first piece of revenue to the third year, the enterprise income tax is exempted, and in the following 3 years, the enterprise income tax is half exempted.

Among them, the preferential policy of Zhanjiang MCC Environmental Operation Management Co., Ltd. have come into effect in 2015 and the applicable tax rate for the current year was 12.5%. Fuzhou City Changle District MCC Water Co., Ltd. and Wuhan Urban Environmental Water Co., Ltd. have come into effect in 2016 and the applicable tax rate for the current year was 12.5%.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VI. TAXATION (CONTINUED)

### 2. Tax incentive (Continued)

#### (3) The other major preferential tax benefits (Continued)

- (b) According to the Item 3 of Article 27 of the *Law of the People's Republic of China on Enterprise Income Tax* as well as Article 87 of the *Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax*, following examination and approval by the tax authorities, Ejina Ken ENFI New Energy Limited has enjoyed the favorable corporate income tax policy of "3-year tax exemption followed by 3-year tax 50%-reduction" since 2017. Therefore, the applicable tax rate for this year was 12.5%.
- (c) According to the MoF and the State Administration of Taxation on issues concerning *VAT, Business Tax and Enterprise Income Tax Policies for the Promotion of the Development of the Energy-Conservation Service Industry* ("Cai Shui [2010] No.110"), qualified energy conservation service companies implementing energy management contract projects that meet the relevant provisions of the *Enterprise Income Tax Law* shall be exempted from enterprise income tax from the first tax year when it obtains the first piece of revenue from their production and business operation to the third year and followed by 50% reduction of income tax rate of 25% from the fourth year to the sixth year.

Hunan Zhongye Changtian Energy Conservation and Environmental Protection Technology Co., Ltd. and MCC Energy Conservation Environmental Protection Co., Ltd. have a number of energy management contract projects. Each project is subject to income tax independently, and shall be exempted from enterprise income tax from the first tax year when it obtains the first piece of revenue from its production and business operation to the third year and followed by 50% reduction of income tax rate of 25% from the fourth year to the sixth year.

- (d) According to the Notice of the MoF and State Administration of Taxation on *Issues Relevant to Implementation of the List of Public Infrastructure Projects Enjoying Enterprise Income Tax Preferences* ("Cai Shui [2008] No.46"), if enterprises have engaged in public infrastructure projects subject to conditions and technology standards provided in the *List of Public Infrastructure Projects Enjoying Enterprise Income Tax Preferences* with approval since 1 January 2008, their income from investments and operations can be exempted from tax in the first, second and third year and halved in the fourth, fifth and sixth year from the taxable year of earning the first operating income.

MCC Huakang (Zhenjiang) New Energy Co., Ltd., as qualified for aforementioned policies, enjoy 0% applicable tax rate for the year.

- (e) According to Cai Shui [2009] No.166 "*Notice of Ministry of Finance, State Administration of Taxation and National Development and Reform Commission on Publication of Catalogue for Enterprise Income Tax Preferences for Environmental Protection and Energy and Water Conservation Enterprises (Trial)*", where the enterprises obtain revenue from projects satisfying "*Catalogue for Enterprise Income Tax Preferences for Environmental Protection and Energy and Water Conservation Enterprises*", they are entitled to the enterprise income tax preference of "3-year tax exemption followed by 3-year tax 50%-reduction".

Wuxi Xidong Environmental Energy Co., Ltd., Urban Environmental Protection Zhuxi County Water Affairs Co., Ltd., Urban Environmental Macheng Water Co., Ltd., Urban Environmental Protection Wuhan Water Co., Ltd. and Ganzhou ENFI Environmental Energy Co., Ltd. are applicable to the above provisions and subject to tax rate of 0.00% for the current year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VI. TAXATION (CONTINUED)

### 2. Tax incentive (Continued)

#### (3) The other major preferential tax benefits (Continued)

- (f) According to the article II of the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementation of Inclusive Tax Exemption and Reduction Policies for Small Low-Profit Enterprises* ("Cai Shui [2019] No.13"): for small low-profit enterprises, the portion of taxable income not exceeding RMB1 million is subject to 25% reduction and applies enterprise income tax rate of 20%; the portion exceeding RMB1 million but not exceeding RMB3 million is subject to reduction of 50% and applies enterprise income tax rate of 20%.

In 2020, Industrial Construction Magazine Agency, Beijing Anhui Property Management Co., Ltd., Beijing Xinpeng Energy Technology Co., Ltd., Beijing Xinguang Technology Co., Ltd., China Metallurgical Construction Engineering Group Bengbu Construction Co., Ltd., Steel Magazine (Hubei) Co., Ltd., Chongqing MCC Property Management Co., Ltd., MCC Refractory Materials Testing Center, Shanghai Zhongye Baosteel Technology Occupation Skill Training Center, Dalian China Metallurgical Jiaonai Dragon Instrument Co., Ltd., Chongqing Tuoye Construction Engineering Quality Inspection Co., Ltd., Beijing Zhongye Jianyan Property Management Co., Ltd., Shanghai Baosteel MCC 5 Dedusting Equipment Co., Ltd., MCC 5 Group Shanghai Yuanzhu New Building Materials Co., Ltd., MCC Real Estate Service Co., Ltd., Beijing MCC Capital Engineering & Research Incorporation Limited, Shanghai ZhiDa Electronic Co., Ltd., Shanghai Baoding Environmental Engineering Technology Service Co., Ltd., Shanghai Baoshan District Jiangyuan Training Center, Shanghai Baoye Education and Training Center, Shanghai Baoye Engineering Management Co., Ltd., Baotou Beilei Supervision Consulting Co., Ltd., Shanghai Baosteel No.5 Metallurgy Metal Structure Co., Ltd., MCC 5 Shanghai Engineering & Research Construction Co., Ltd., Shanghai Yuanzheng Science and Technology Co., Ltd., Hunan Changyuan Property Management Co., Ltd., Kunshan MCC Baosteel Welding Material Co., Ltd., Inspection and Certification Co., Ltd. MCC, ACRE Coking & Refractory Engineering Consulting (Shanghai) Corporation, WISDRI (Hunan) Engineering and Technology Co., Ltd., Inner Mongolia Construction Investment Co., Ltd., MCC Zhongyuan Construction Investment Co., Ltd., Beijing ENFI Property Management Co., Ltd., MCC 5 Chengdu Tianfu New Area Construction Co., Ltd., Sichuan Metallurgy Construction Engineering Quality Checking and Measuring Co., Ltd., Tianjin Xinbin Engineering Technology Detection Co., Ltd., Guangzhou Shirong International Trade Co., Ltd., MMC 19 Shenzhen Construction Co., Ltd., Ma'anshan Water Corporation, MCC, MCC Xuancheng Water Co., Ltd., China Metallurgical (Hainan) Investment Development Co., Ltd., Chongqing MCC Real Estate Development Co., Ltd., Qingdao MCC Oriental Hotel Management Co., Ltd., Shanghai Baoye Vocational Skills Training Center, Shanghai Xinding Construction Engineering Technology Co., Ltd., Wuye Group Chengdu New Construction Technology Service Co., Ltd., Wuye Chengdu Concrete Equipment Leasing Co., Ltd., Chengdu MCC Yanjing Real Estate Co., Ltd., Wuye Group Shanghai Equipment Material Supply Co., Ltd., Fangchenggang MCC Xinggang Real Estate Co., Ltd., Lu'an MCC Water Co., Ltd., Chongqing CCIDA Data Technology Co., Ltd., Beijing Jingqiu Energy Saving New Technology Co., Ltd., China MCC International Economic and Trade (Beijing) Co., Ltd., Shenzhen MCC Mingsheng Investment Co., Ltd., Qingdao MCC Mingqin Real Estate Co., Ltd., China Metallurgical (Hainan) Investment Development Co., Ltd., Shanghai Baoye Municipal Engineering Co., Ltd., Shanghai MCC Xianglin Property Management Co., Ltd., MCC ACRE (Xichang) Water Co., Ltd., Urban Environmental Protection Operating Qian'an Co., Ltd., Fangchenggang Urban Environmental protection Co., Ltd., MCC Equipment Architectural Design Engineering (Shanghai) Co., Ltd., MCC Dadi Engineering Consulting Co., Ltd. and Hainan MCC 2 Industrial Development Co., Ltd. satisfy the criteria of small and low-profit enterprise and are entitle to the tax preference, i.e. the portion of taxable income not exceeding RMB1 million is subject to 25% reduction and applies enterprise income tax rate of 20%; the portion exceeding RMB1 million but not exceeding RMB3 million is subject to reduction of 50% and applies enterprise income tax rate of 20%.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VI. TAXATION (CONTINUED)

### 2. Tax incentive (Continued)

#### (3) The other major preferential tax benefits (Continued)

- (g) According to the circular Guoshui [2009]185 *On the Issue of Enterprise Income Tax Preferential Management of the Comprehensive Utilization of Resources* and Cai Shui [2008]117 *Enterprise Income Tax Directory of Comprehensive Utilization of Resources* (2008 Edition), from 1 January 2008, enterprises use these resources as raw material for the production of non-restricted and non-prohibited products which are in line with national and industry standard products, their income is reduced to 90% included in the total taxable revenue for that year.

China City Environment Protection Engineering Limited Company enjoyed the aforesaid preferential policy in 2020.

- (h) According to the relevant regulation of *Law of the People's Republic of China on Enterprise Income Tax*, the *Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax* ("Order of the State Council No.512") and *Circular on Issues Concerning the Enterprise Income Tax Incentives on Enterprises That Recruit the Disabled* ("Cai Shui [2009] No.70"), enterprise could deduct all the salary payment for the disabled employees and again claim additional 100% deduction of the aforesaid salary payment.

MCC Baosteel Technology Services Co., Ltd., Shanghai Baohong Industry and Trade Co., Ltd., China MCC 19 Group Co., Ltd., China MCC 19 Group Property Management Service Co., Ltd., MCC TianGong Group Corporation Limited, China MCC 20 Group Co., Ltd., Shanghai MCC 20 Group Co., Ltd., Sichuan MCC 19 Group Property Service Co., Ltd. and MCC TianGong Tianjin Co., Ltd. could deduct all the salary payment for the disabled employees and again claim additional 100% deduction of the aforesaid salary payment in 2020.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VI. TAXATION (CONTINUED)

### 2. Tax incentive (Continued)

#### (3) The other major preferential tax benefits (Continued)

- (i) According to the regulations of the *Notice of the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology on Improving the Policies for the Weighted Pre-tax Deduction of Research and Development Expenses* (“Cai Shui [2018] No.99”), for the R&D expenses that are actually incurred by an enterprise and have been included in the current loss and profit while intangible assets are not created, another 75% of the amount of R&D expenses actually incurred in this year shall be deducted from the amount of taxable income in addition to the deduction as prescribed to the extent of the amount actually incurred for the period from 1 January 2018 to 31 December 2020. The following enterprises of the Group shall enjoy this preferential treatment upon the approval of the local tax bureau.

BERIS Engineering and Research Co., Ltd., MCC Baosteel Technology Services Co., Ltd., China MCC 20 Group Co., Ltd., China MCC 19 Group Co., Ltd., China MCC 19 Group (Fangchenggang) Structure of the Equipment Co., Ltd., China MCC 19 Group of Chengdu Construction Co., Ltd., Panzihua Tianyu Engineering Detection Co., Ltd., MCC TianGong Tianjin Co., Ltd., MCC TianGong Group Corporation Limited, China MCC 5 Group Co., Ltd., MCC 5 Group (Shanghai) Co., Ltd., China First Metallurgical Group Co., Ltd., Wuhan Yi Ye Steel Structure Co., Ltd., MCC Wuhan Research Institute of Metallurgical Construction Co., Ltd., Huatian Engineering & Technology Corporation, MCC, MCC Huatian Engineering & Technology(Nanjing) Co., Ltd., WISDRI (Wuhan) Automation Co., Ltd., WISDRI(Wuhan) Informatology Engineering Co., Ltd., WISDRI Engineering&Research Incorporation Limited, WISDRI (Wuhan) Wei Shi Thermotechnical Co., Ltd., WISDRI City Environment Protection Engineering Co., Ltd., MCC Southern Continuous Casting Technology Engineering Co., Ltd., CISDI Shanghai Engineering Technology Co., Ltd., CISDI Engineering Co., Ltd., CISDI Industrial Furnace Co., Ltd., CISDI Group Chongqing Information and Technology Co., Ltd., MCC Xi’an Electric Furnace Institute Co., Ltd., MCC-SFRE Heavy Industry Equipment Co., Ltd., Zhong Ye Chang Tian International Engineering Co., Ltd., Hunan Changtian Automation Co., Ltd., Hunan Zhongye Changtian Heavy Industry Technology Co., Ltd. Hunan Zhongye Changtian Energy Conservation and Environmental Protection Technology Co., Ltd., MCC Tian Gong (Tianjin) Equipment Manufacturing Co., Ltd., Kunshan MCC Baosteel Welding Material Co., Ltd., Shanghai MCC Environmental Engineering Technology Co., Ltd., Hunan Hetian Engineering Project Management Co., Ltd., MCC Chengdu Reconnaissance and Research Institute Limited, Tianjin Xinbin Engineering Technology Detection Co., Ltd., Shanghai MCC 20 Group Co., Ltd., Shanghai Baoye Group Co., Ltd., MCC Northwest Engineering and Technology Corporation, MCC (formerly called: MCC Huatian Baotou Design Research Institute Limited), Shanghai Baoye Metallurgical Engineering Co. Ltd., Shanghai Baoye Building Decoration Co., Ltd., Fangchenggang Zhongyi Heavy Industry Co., Ltd. WISDRI Urban Design and Construction Co., Ltd, Shanghai Yuanzheng Technology Co., Ltd., Shanghai Baoye Building Decoration Co., Ltd., Shanghai ZhiDa Electronic Co., Ltd., Shanghai Xinding Construction Engineering Technology Co., Ltd., Zhejiang MCC 20 Group Co., Ltd., MCC TianGong Tianjin Co., Ltd., MCC ACRE Automation Co., Ltd., MCC Huatian Nanjing Electrics Engineering & Technology, WISDRI Wuhan Steel Design & Research Co., Ltd., Xi’an Huijin Technology Co., Ltd., Beijing Metallurgical Equipment Research Design Institute Co., Ltd. and Shanghai Baoye Engineering Technology Corp., Ltd. enjoy the preferential tax policy of additionally calculation and deduction of research and development expenditures in 2020.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VI. TAXATION (CONTINUED)

### 2. Tax incentive (Continued)

#### (3) The other major preferential tax benefits (Continued)

- (j) According to "Cai Shui [2015] No.78", The MoF and the State Administration of Taxation on issuing the *Notice of the Comprehensive Utilization of Resources "Products and Services" of Value Added Tax Preferential Directory*, enterprises provide products and labor service using the above resources can enjoy VAT refund policy.

Xiaogan Zhongshe Water Co., Ltd., Beijing Zhongshe Water Treatment Co., Ltd., Lanzhou Zhongtuo Water Corporation, Changzhou ENFI Water Co., Ltd., Laian Huatian Water Corporation MCC, Shouguang Huatian Water Corporation MCC, Shouguang North Water Corporation MCC, Chuzhou Huatian Water Corporation MCC, Tianchang Huatian Water Corporation MCC, Huangshi Water Corporation MCC, Lu'an Water Corporation MCC, Ma'anshan Water Corporation MCC, Wuhan Urban Environmental Water Co., Ltd., Zhejiang Chunnan Sewage Treatment Co., Ltd., Fuzhou City Changle District MCC Water Co., Ltd., MCC Xinglong Water Co., Ltd., China City Environment Protection Engineering Limited Group, Wenxian Zhongtuo Water Supply Co., Ltd., Qinhuangdao Funing District MCC Water Co., Ltd., Wuxi Xidong Environmental Energy Co., Ltd., Xiangyang ENFI Environmental Protection Energy Co., Ltd., Dingyuan Water Corporation MCC, MCC Xuancheng Water Co., Ltd., MCC Qinhuangdao Water Co., Ltd., Urban Environmental Macheng Water Co., Ltd., and Urban Environmental Protection Zhuxi County Water Affairs Co., Ltd., Ganzhou ENFI Environmental Energy Co., Ltd., Pingyuan Zhongshe Water Co., Ltd. and Beijing ENFI New Energy Technology Co., Ltd. enjoyed the policy of "levy and refund" of value-added tax refund of 70% for the sewage treatment services since July 1, 2015.

- (k) According to the MoF and the State Administration of Taxation on issues concerning VAT, *Business Tax and Enterprise Income Tax Policies for the Promotion of the Development of the Energy-Conservation Service Industry* ("Cai Shui [2010] No.110"), the taxable income earned by qualified energy conservation service companies for implementing energy management contract projects shall be temporarily exempted from VAT.

Hunan Zhongye Changtian Energy Conservation and Environmental Protection Technology Co., Ltd. and MCC Energy Conservation Environmental Protection Co., Ltd. have a number of energy management contract projects, which are exempted from VAT.

- (l) According to the Circular of the MoF, the State Administration of Taxation and the General Administration of Customs on *Issues Concerning Tax Policies for Encouraging the Development of Software and Integrated Circuit Industries* ("Cai Shui [2000] No.25"), MCC ACRE Automation Co., Ltd. enjoyed the policy of "levy and refund" of value-added tax of selling software products since 2010, with the refund rate of 10%.

- (m) According to the MoF and the State Administration of Taxation on issuing *Concerning Value-added Tax Policy on Software Products* ("Cai Shui [2011] No.100"), the refund-upon-collection policy shall be applied to the VAT part in excess of 3% of their actual tax burden of selling software products.

CISDI Group Chongqing Information and Technology Co., Ltd. enjoyed the policy of "levy and refund" of value-added tax of selling software products from 2015 to 2021, with the refund rate of 10%. CISDI Electrics Technology Co., Ltd. enjoyed the policy of "levy and refund" of value-added tax of selling software products for long-term, with the refund rate of 10%.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VI. TAXATION (CONTINUED)

### 2. Tax incentive (Continued)

#### (3) The other major preferential tax benefits (Continued)

- (n) According to “Cai Shui [2013] No.37” issued by the State Administration of Taxation, the technology development business income of Beijing ENFI Environmental Protection Technology Co., Ltd. was exempted from value-added tax in 2020. The income derived from the technology transfer of Zhong Ye Chang Tian International Engineering Co., Ltd. was exempted from the value-added tax in 2020. The technology development business income and the technology transfer income of MCC Huatian Engineering Technology Co., Ltd. and Xi’an Electric Furnace Research Institute Co., Ltd. was exempted from the value-added tax in 2020.
- (o) According to the “Cai Shui [2010] No.42” issued by the MoF and the State Administration of Taxation, Wuhu MCC Real Estate Group Co., Ltd. enjoyed the exemption from land use tax (the annual amounts of land-use tax per square meter is RMB12-15 before), and the property transfer book was exempted from stamp duty in 2020. China Metallurgical Construction (Shenyang) Co., Ltd. enjoyed the exemption from land use tax in 2020.
- (p) According to the “Cai Shui [2013] No.101” *Tax Policy on Reconstruction of Shanty Towns* issued by the MoF and the State Administration of Taxation, China Metallurgical Construction (Shenyang) Co., Ltd. enjoyed the exemption from local education surcharge and stamp duty in 2020.
- (q) According to the Tax Policies on Education (“Cai Shui [2004] No.39”) issued by the MoF and the State Administration of Taxation, MCC Capital Real Estate (Yantai) Co., Ltd. enjoyed preferential policies of exemption of deed tax, cultivated land occupancy tax, land use tax and property tax for the land used by the school in 2020.
- (r) According to the article VII of *Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform* [2019] No.39: from 1 April 2019 to 31 December 2021, the tax payers of production and living service industry enjoys additional 10% deduction on the basis of the deductible input VAT for the current period. Beijing ENFI Property Management Co., Ltd., Industrial Construction Magazine Agency., MCC CISDI Technology Research Center Co., Ltd, CISDI Group Chongqing Information and Technology Co., Ltd., MCC CISDI Chongqing Environmental Consulting Co., Ltd., Chongqing CISDI Construction Drawing Examination and Consulting Co., Ltd., Chongqing CISDI Property Management Co., Ltd., Chongqing CISDI Engineering Management Consultants Co., Ltd.; Qingdao Oriental Hotel Management Co., Ltd., Beijing Anhui Property Management Co., Ltd., MCC equipment Architectural Design Engineering (Shanghai) Co., Ltd., MCC Real Estate Service Co., Ltd., and MCC Real Estate Beijing Property Management Co., Ltd, China Metallurgical (Hainan) Investment Development Co., Ltd. and Shanghai Xinding Construction Engineering Technology Co., Ltd. applicable to this policy since 2020.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VI. TAXATION (CONTINUED)

### 2. Tax incentive (Continued)

#### (3) The other major preferential tax benefits (Continued)

- (s) According to the Notice No.83 TT-BTC Announcement issued by Ministry of Finance of Vietnam in 2016, the qualified science-and-technology enterprise enjoys enterprise income tax exemption for 4 years or 50% reduction for 9 years. MCC Vietnam Operation Co., Ltd. enjoys enterprise income tax exemption for 4 years in 2020.
- (t) According to *the Notice of the Ministry of Finance on Adjusting the Relevant Policies of Certain Government-Managed Funds* ("Cai Shui [2019] No. 46") issued by the Ministry of Finance, from 1 July 2019 to 31 December 2024, the tax of the construction fee of cultural undertakings classified to the central revenue shall be levied at 50% of the amount of contributions payable of the taxpayer; the tax of the construction fee of cultural undertakings classified to local revenue, the Ministry of Finance and Party Committee Publicity Departments of each province (district, city) could be levied at an exempted percentage within 50% in combination with local economic development level, publicity, ideological and cultural development and other factors. Zhong Ye Chang Tian International Engineering Co., Ltd. adopts this policy in 2020.
- (u) According to *the Notice on Tax Policies of Small-scale VAT Taxpayers* ("Ji Cai Shui [2019] No. 6") issued by Hebei Provincial Department of Finance and Hebei Provincial Taxation Bureau, Hebei Province reduced resource tax (excluding water resource tax), urban maintenance and construction tax, real estate tax, urban land use tax and stamp tax(excluding stamp tax on securities transactions), farmland occupation tax, education surcharges and local education surcharges by 50% of the taxable amount for small-scale VAT taxpayers from 1 January 2019 to 31 December 2021. China Huaye Handan Real Estate Management Center adopts this policy from 1 January 2019 to 31 December 2021.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VI. TAXATION (CONTINUED)

### 2. Tax incentive (Continued)

#### (3) The other major preferential tax benefits (Continued)

- (v) The Department of Finance of Shandong Province and the State Administration of Taxation, Shandong Provincial Taxation Bureau, jointly issued the “Notice on the Reduction and Exemption Policy of Urban Land Use Tax for Property Tax During the Period of Epidemic Prevention and Control” (Lu Cai Shui [2020] No. 16) Article 1 stipulates: Serious impact on the epidemic Taxpayers in the six categories of industries can apply for exemption from real estate tax and urban land use tax in the first quarter of 2020, Qingdao MCC Minghua Development Co., Ltd., Qingdao MCC Oriental Hotel Management Co., Ltd. and MCC Dongfang Engineering Technology Co., Ltd., adopts this policy in 2020. The “Notice on the Policy for the Difficulty Reduction and Exemption of Property Tax and Urban Land Use Tax During the Period of Epidemic Prevention and Control” Anhui Caishui Law [2020] No. 287 Article 1 stipulates: For transportation, accommodation and catering, residents’ services, and property owned by cultural, sports and entertainment enterprises, Land, exempt from property tax for 3 months, urban land use tax, MCC South (Chizhou) Gas Co., Ltd., adopts this policy in 2020. Shanxi Provincial Department of Finance, State Administration of Taxation, Shanxi Provincial Taxation Bureau, “Notice on Matters Concerning the Relief and Exemption of Urban Land Use Tax and Real Estate Tax Difficulties in Fighting the Epidemic” Shancaishui [2020] No. 4 Regulation: The first quarter of 2020 will be suspended due to the impact of the epidemic If it is difficult to pay urban land use tax and real estate tax for a total of more than 30 days (including 30 days), and the taxpayer applies for difficulty reduction or exemption, the finance and taxation department shall approve it. MCC-SFRE Heavy Industry Equipment Co., adopts this policy in 2020. According to the article 5 of “Shanxi Province’s Measures for Coping with the Epidemic and Support Small and Medium-sized Enterprises to Tide Over the Difficulties Together” issued by the People’s Government of Shanxi Province, the urban land use tax standard will be reduced again from January 1 to December 31, 2020 within the range of tax amount stipulated by the state, and it will be adjusted by 90% of the current tax standard uniformly. China 13th Metallurgical Construction Co., Ltd. adopts this policy in 2020. According to Article 10 of “Several Measures of Shenzhen Municipality for Coping with COVID-19 Epidemic and Supporting Enterprises to Tide Over the Difficulties Together” issued by Shenzhen Municipal People’s Government, in order to effectively reduce the tax burden of enterprises with difficulties affected by the epidemic, we will implement reductions and exemptions of property tax and urban land use tax Shenzhen Qianhai Ye Jian Technology Development Co., Ltd adopts this policy in 2020. According to Article 10 of “Notice on Tax Policy Related to Prevention and Control of COVID-19 Epidemic (2020 No.8)” issued by Ministry of Finance and State Administration of Taxation, taxpayer’s income from providing public transportation services, life services, as well as providing express delivery services for residents with necessary materials for life, shall be exempted from VAT. Shanghai Baoye Vocational Skills Training Center adopts this policy in 2020.
- (w) Participated in the prevention and control of the epidemic in accordance with the “Announcement on Implementing Vehicle and Vessel Tax Policies in Response to the Novel Coronavirus Pneumonia” (Caishui [2020] No. 2) by the Sichuan Provincial Department of Finance, the State Administration of Taxation, Sichuan Provincial Taxation Bureau, China Banking and Insurance Regulatory Commission, and Sichuan Regulatory Bureau. The vehicles of medical and health institutions and logistics enterprises are exempted from the 2020 vehicle and vessel tax. China 19 MCC Group Co., Ltd., adopts this policy in 2020.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash and bank balances

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Cash	11,441	18,581
Bank deposits	41,409,099	30,757,024
Other cash and bank balances	11,675,287	12,902,057
Total	53,095,827	43,677,662
Including: Total amount of deposits abroad	1,333,900	2,725,729

As at 31 December 2020, restricted cash and bank balances of the Group were RMB10,930,525,000 (as at 31 December 2019: RMB11,862,762,000) (Note VII70), which mainly including deposits for issuing acceptance bills and statutory deposit reserve at the central bank, etc.

### 2. Financial assets held for trading

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Financial assets at FVTPL	2,250,940	2,162,432
Including: Currency funds	2,250,132	2,161,485
Equity instruments held for sale	808	947
Total	2,250,940	2,162,432

The fair values of held-for-sale financial assets are based on their prices of publicly traded market on the last trading day of the reporting period.

### 3. Derivative financial assets

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Forward foreign exchange settlement and Sale contracts	46,412	401
Total	46,412	401

For method of determining the fair value of derivative financial assets, refer to Note XI 3.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Bills receivable

#### (1) Bills receivable analyzed by category

All amounts in RMB'000

Items	31 December 2020			31 December 2019		
	Book value	Provisions for credit losses	Carrying amount	Book value	Provisions for credit losses	Carrying amount
Bank acceptance bills	1,970,938	-	1,970,938	3,212,570	-	3,212,570
Commercial acceptance bills	4,691,068	15,400	4,675,668	4,714,827	9,370	4,705,457
Total	6,662,006	15,400	6,646,606	7,927,397	9,370	7,918,027

#### (2) Pledged bills receivable at 31 December 2020

All amounts in RMB'000

Items	31 December 2020
Bank acceptance bills	307,774
Commercial acceptance bills	138,467
Total	446,241

#### (3) Bills receivable endorsed to other parties or discounted but not yet due at 31 December 2020

As at 31 December 2020, bills receivable endorsed to other parties or discounted with recourse but not yet due were RMB980,211,000 (as at 31 December 2019: RMB3,443,595,000), among which the amount derecognized was RMB605,993,000 (as at 31 December 2019: RMB2,553,324,000). The Group is of the view that the risk of not honoring the bills by the issuers upon maturity is remote if the issuers have good credibility, substantially all the risks and rewards of ownership of the above endorsed bills receivable and discounted bills receivable have been transferred, the Group derecognized these bills receivable from the financial statements. The amount not derecognized was RMB374,218,000 (as at 31 December 2019: RMB890,271,000). The Group is of the view that the Group retains nearly all the risks and rewards of ownership of the above endorsed and discounted bills receivable, including default risk, the Group didn't derecognize these bills receivable from the financial statements.

(4) As at 31 December 2020, the balance of impairment provision for the Group's bills receivable is RMB15,400,000 (as at 31 December 2019: RMB9,370,000). The reversed credit losses were RMB6,030,000 in the current year.

(5) Bills receivable with title restriction as at 31 December 2020 are set out in Note VII 70.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. Accounts receivable

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

All amounts in RMB'000

Aging	31 December 2020	31 December 2019
Within 1 year	51,208,541	44,923,491
1 to 2 years	11,838,375	10,692,579
2 to 3 years	4,659,742	6,652,379
3 to 4 years	3,688,508	3,780,365
4 to 5 years	1,952,971	3,772,682
Over 5 years	9,065,390	9,705,858
Total book value	82,413,527	79,527,354
Less: provisions for credit losses	12,977,047	13,500,748
Carrying amount	69,436,480	66,026,606

Settlement of trade receivables generated through engineering and construction services is made in accordance with terms specified in the contracts governing the relevant transactions, and the aging of relevant trade receivables is calculated based on the settlement time-point of the project.

(2) *Disclosed by method of determining provision for credit losses*

All amounts in RMB'000

Category	31 December 2020					31 December 2019				
	Book value		Provision for credit losses		Carrying amount	Book value		Provision for credit losses		Carrying amount
Amount	Ratio (%)	Amount	Ratio (%)	Amount		Ratio (%)	Amount	Ratio (%)		
Accounts receivable for which provision for credit losses is individually assessed (a)	23,253,301	28.22	5,879,358	25.28	17,373,943	26,199,346	32.94	6,573,652	25.09	19,625,694
Accounts receivable for which provision for credit losses is collectively assessed on a portfolio basis (b)	59,160,226	71.78	7,097,689	12.00	52,062,537	53,328,008	67.06	6,927,096	12.99	46,400,912
Total	82,413,527	100.00	12,977,047	/	69,436,480	79,527,354	100.00	13,500,748	/	66,026,606

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. Accounts receivable (Continued)

#### (2) Disclosed by method of determining provision for credit losses (Continued)

- (a) Accounts receivable for which provision for credit losses is individually assessed at the end of the year

All amounts in RMB'000

Accounts receivable (per entity)	31 December 2020			Reasons
	Accounts receivable	Provision for credit losses	Proportion of provision (%)	
Party 1	1,560,272	–	–	The Group considered the reasonable and supported information related to other party (including forward-looking information), then evaluated the anticipated credit losses and made provision for credit losses.
Party 2	1,369,272	528,594	38.60	
Party 3	572,959	572,959	100.00	
Party 4	516,117	372,418	72.16	
Party 5	423,741	42,374	10.00	
Others	18,810,940	4,363,013	23.19	
Total	23,253,301	5,879,358	/	/

- (b) Accounts receivable for which provision for credit losses is collectively assessed on a portfolio basis at the end of the year

All amounts in RMB'000

Aging	31 December 2020		Proportion of provision (%)
	Accounts receivable	Provision for credit losses	
Within 1 year	40,963,811	1,141,984	2.79
1 to 2 years	8,885,421	920,164	10.36
2 to 3 years	3,067,618	671,884	21.90
3 to 4 years	2,340,805	910,616	38.90
4 to 5 years	983,560	609,426	61.96
Over 5 years	2,919,011	2,843,615	97.42
Total	59,160,226	7,097,689	12.00

The Group considers the aging factor and groups accounts receivable accordingly. The Group determines the expected credit loss and provision for credit losses based on the historical experience of credit losses.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. Accounts receivable (Continued)

#### (3) Provision for credit losses of accounts receivable

All amounts in RMB'000

Items	Lifetime expected credit losses (Non-credit-impaired)	Lifetime expected credit losses (Credit-impaired)	Total
Provision for credit losses at 31 December 2019	7,578,748	5,922,000	13,500,748
Provision for the current year	1,080,257	602,642	1,682,899
Reversal for the current year	(193,105)	(407,106)	(600,211)
Write-off for the current year	–	(88,553)	(88,553)
Other changes	(3,134)	(1,514,702)	(1,517,836)
Provision for credit losses at 31 December 2020	8,462,766	4,514,281	12,977,047
Book value at 31 December 2020	71,311,973	11,101,554	82,413,527

#### (4) The top 5 largest accounts receivable collected by arrears at 31 December 2020

All amounts in RMB'000

Name of entity	Relationship with the Group	31 December 2020	As a percentage of total accounts receivable (%)
Party 1	Third party	2,497,518	3.03
Party 2	Third party	1,769,794	2.15
Party 3	Third party	1,560,272	1.89
Party 4	Third party	1,369,272	1.66
Party 5	Third party	683,354	0.83
Total	/	7,880,210	9.56

(5) As at 31 December 2020, the Group's assets and liabilities recognized for transfer of accounts receivable and continuing involvement amounted to RMB14,600,000 (31 December 2019: RMB14,600,000) and presented in other non-current assets and other non-current liabilities. For details, see Note VII 25 and Note VII 44.

(6) Accounts receivable with title restriction as at 31 December 2020 are set out in Note VII 70.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Receivables at FVTOCI

All amounts in RMB'000

Item	31 December 2020	31 December 2019
Bank acceptance bills	11,759,582	7,855,940
Total	11,759,582	7,855,940

- (1) During the course of management of liquidity, part of the Group's subsidiaries discount or endorse part of the bank acceptance bills receivable before they are due and derecognize such discounted or endorsed bank acceptance bills when substantially all the risks and rewards are transferred to the counterparty. When managing the bank acceptance bills receivable, part of the Group's subsidiaries adopt the business model of which the objective is to both collect contractual cash flows and sell the financial assets. Therefore, such bank acceptance bills receivable are subsequently measured at fair value through OCI. For method of determining the fair value, refer to Note XI 3.

For the current year, the changes in fair value of such bank acceptance bills resulted in decrease of RMB34,187,000 in other comprehensive income (Note VII 67).

- (2) The Group recognizes impairment provision for receivables at FVTOCI on the basis of the expected credit loss. For the current year, the Group didn't make provision for credit impairment loss of the receivables at FVTOCI.
- (3) As at 31 December 2020, the Group has receivable bank acceptance bills that has been discounted or endorsed with recourse right but undue amounting to RMB19,918,051,000 (Amounting to RMB8,869,323,000 as at 31 December 2019). As the acceptor is of good reputation, there is minor risk that the acceptor can't honor the receivables at FVTOCI at the maturity date. The Group believes that the risks and rewards of ownership of such discounted or endorsed receivables at FVTOCI have been transferred and derecognizes such receivables at FVTOCI.
- (4) Receivables at FVTOCI with title restriction as at 31 December 2020 are set out in Note VII 70.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 7. Prepayments

#### (1) Aging analysis of prepayments

All amounts in RMB'000

Aging	31 December 2020		31 December 2019	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	27,856,345	81.05	18,579,762	75.20
1 to 2 years	4,051,565	11.79	2,971,328	12.03
2 to 3 years	1,154,752	3.36	802,316	3.25
Over 3 years	1,307,052	3.80	2,352,439	9.52
Total	34,369,714	100.00	24,705,845	100.00

As at 31 December 2020, prepayments aged over one year were RMB6,513,369,000 (As at 31 December 2019: RMB6,126,083,000), mainly including prepaid construction payments and payments for goods to sub-contractors.

#### (2) The five largest prepayments at the end of the year

All amounts in RMB'000

Name of entity	Relationship with the Group	31 December 2020	As a percentage of total prepayments (%)
Party 1	Third party	914,490	2.66
Party 2	Third party	588,493	1.71
Party 3	Third party	426,340	1.24
Party 4	Third party	312,303	0.91
Party 5	Third party	284,600	0.83
Total	/	2,526,226	7.35



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 8. Other receivables

#### (1) Other receivables analyzed by category

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Interest receivables	5,580	5,996
Dividends receivable	487,993	275,647
Other receivables	63,731,715	57,008,480
Total	64,225,288	57,290,123

#### (2) Interest receivables

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Interests on term deposits	5,580	5,996
Total	5,580	5,996

#### (3) Dividends receivable

##### (a) Presentation of dividends receivable

All amounts in RMB'000

The name of investee	31 December 2020	31 December 2019
Zhuhai MCC Jianxin Investment Management Partnership (LP)	388,551	134,209
Hebei Steel Luan County Sijiaying Iron Ore Co., Ltd.	52,725	86,659
MCC Rong Xing Building Materials (Chengdu) Co., Ltd.	6,000	16,340
Shanghai Clear Environmental Protection Science & Technology Co., Ltd.	4,572	–
Sichuan Developing Shuou Construction Engineering Co., Ltd.	1,048	–
Others	35,097	38,439
Total	487,993	275,647

##### (b) As at 31 December 2020, dividends receivable aged over one year were RMB184,682,000 (31 December 2019: RMB95,079,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 8. Other receivables (Continued)

#### (4) Other receivables

##### (a) Aging analysis of other receivables

All amounts in RMB'000

Aging	31 December 2020	31 December 2019
Within 1 year	42,650,722	36,936,544
1 to 2 years	6,427,608	9,808,190
2 to 3 years	6,499,351	5,621,348
3 to 4 years	5,517,987	2,710,241
4 to 5 years	2,471,062	4,349,244
Over 5 years	7,506,735	3,214,013
Total book value	71,073,465	62,639,580
Less: provisions for credit losses	7,341,750	5,631,100
Carrying amount	63,731,715	57,008,480

##### (b) Provision for credit losses of other receivables

All amounts in RMB'000

Items	Phase 1 Future 12-month expected credit losses	Phase 2 Lifetime expected credit losses (Non-credit- impaired)	Phase 3 Lifetime expected credit losses (Credit- impaired)	Total
Provision for credit losses at 31 December 2019	1,904,923	1,848,732	1,877,445	5,631,100
Provision for the current year	405,654	(1,160,264)	2,159,028	1,404,418
Reversal for the current year	(35,050)	(7,051)	(84,851)	(126,952)
Write-off for the current year	-	-	(307)	(307)
Other changes	-	-	433,491	433,491
Provision for credit losses at 31 December 2020	2,275,527	681,417	4,384,806	7,341,750
Carrying amount of other receivables at 31 December 2020	62,288,327	3,119,090	5,666,048	71,073,465

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 8. Other receivables (Continued)

#### (4) Other receivables (Continued)

##### (c) Other receivables categorized by nature

All amounts in RMB'000

Nature of other receivables	31 December 2020	31 December 2019
Guarantee deposits	30,561,019	25,000,477
Loan receivables from related parties	31,781,493	29,261,585
Advance to employees	316,054	329,481
Receivables on disposal of investments	2,702,393	2,704,572
Others	5,712,506	5,343,465
Total	71,073,465	62,639,580

##### (d) The top 5 largest other receivables at the end of the year

All amounts in RMB'000

Name of entity	Relationship with the Group	Nature of other receivables	Closing balance	Aging	As a percentage of total other receivables (%)
Party 1	Joint venture	Loans to related parties	4,339,592	Within 1 year	6.11
Party 2	Joint venture	Loans to related parties	3,528,278	Within 1 year	4.96
Party 3	Joint venture	Loans to related parties	2,775,371	Within 1 year	3.90
Party 4	Joint venture	Loans to related parties	2,543,032	Within 1 year	3.58
Party 5	Third party	Others	2,122,943	Over 5 years	2.99
Total	/	/	15,309,216	/	21.54

- (e) As at 31 December 2020, there was no derecognized accounts receivable due to the transfer of substantially all the risks and rewards of ownership of the accounts receivable to the transferees whereas whose continuing involvement into transferred financial assets (as at 31 December 2019: nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9. Inventories

#### (1) Categories of inventories

All amounts in RMB'000

Items	31 December 2020			31 December 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Raw materials	5,003,298	18,604	4,984,694	3,604,571	62,704	3,541,867
Materials procurement	86,422	-	86,422	336,880	-	336,880
Outsourced processing materials	10,065	330	9,735	12,792	-	12,792
Work in progress	3,002,146	334,043	2,668,103	2,933,033	396,628	2,536,405
Finished goods	2,540,229	136,238	2,403,991	2,799,706	180,121	2,619,585
Other materials	640,615	1,060	639,555	650,460	6,641	643,819
Performance costs of contract	73,814	-	73,814	46,177	-	46,177
Properties under development (a)	31,327,122	10,169	31,316,953	33,024,903	39,564	32,985,339
Completed properties held for sale (b)	18,901,009	502,841	18,398,168	18,326,849	412,808	17,914,041
Total	61,584,720	1,003,285	60,581,435	61,735,371	1,098,466	60,636,905

Note: Inventories with title restriction are set out in Note VII 70.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9. Inventories (Continued)

#### (1) Categories of inventories (Continued)

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

All amounts in RMB'000

Project name	Project Commencement date	Estimated Completion date	Estimated total investment amount	31 December 2019	31 December 2020
Nanjing Xiaguan Riverside Project	2011-01-01	2022-04-30	16,728,279	8,208,267	6,860,670
Zhongye Yijing Mansion	2018-06-15	2021-12-31	9,939,495	-	6,205,384
MCC Xinglong New City					
Hongshijun	2017-12-20	2023-12-31	16,700,000	2,493,451	3,234,492
Qingdao MCC Dexian Mansion	2020-06-24	2022-06-30	5,139,190	1,426,018	1,937,309
Qin Hai Yun Villa Project	2011-08-08	2025-12-31	4,400,000	1,084,900	1,473,365
MCC Tongluo Town	2014-11-01	2026-12-31	3,500,000	1,734,106	1,434,243
Yanjiao Headquarters Base Project	2019-10-31	2021-12-10	2,794,420	715,397	886,992
Changchengshili Spring Breeze Town	2018-03-03	2021-12-31	2,500,000	466,484	659,841
Anxinjiayuan Replacement Residence Project	2017-09-12	2021-06-30	650,000	500,047	604,669
Shanghai Jinshan District – MCC Fengjunyuan Project II	2015-12-31	2021-12-31	590,516	400,322	470,684
Renhe Xili	2019-03-01	2022-12-31	1,924,180	756,408	421,801
Plot D-1, Gengyang New City	2019-12-10	2021-04-30	575,000	181,364	408,405
Gengyang New City 5 District II	2020-11-01	2022-12-31	1,168,200	-	365,937
Guanhu Phase I Project	2018-10-20	2021-12-30	649,190	237,035	345,977
South of Yuhua Road Project, Fenghuang New City	2010-04-01	2021-06-30	1,476,800	197,007	295,443
Qianhai Headquarter R&D Base Commercial properties of Southern R&D Center	2019-12-12	2021-12-31	3,382,174	290,068	245,375
Wutong Avenue Development Project	2008-01-25	2021-12-31	3,430,376	177,283	241,185
Others	/	/	81,665,449	14,156,746	5,235,350
Total	/	/	157,213,269	33,024,903	31,327,122



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9. Inventories (Continued)

#### (1) Categories of inventories (Continued)

##### (b) Details of the completed properties held for sale

All amounts in RMB'000

Project name	Completion date	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Tianjin Xinbadali District Qixianli Project	2019-06-26	3,194,517	-	469,483	2,725,034
Shijiazhuang MCC Dexian Mansion Project	2020-10-31	2,898,119	298,233	996,087	2,200,265
Hengqin Port Base Project	2020-01-31	2,043,218	301,859	531,283	1,813,794
MCC 39th Street Project	2019-09-30	1,432,908	787,626	518,660	1,701,874
Hong Kong Quanwan Qinglongtou Yijing Longwan Project	2020-10-06	-	1,532,958	252,500	1,280,458
Nanjing Xiaguan Riverside Project	2020-06-24	749,837	826,959	748,548	828,248
Qingshuitang Jiezhixia Area, Qinhui District	2020-11-30	-	2,112,867	1,314,285	798,582
Brazil Fluctuation Apartment Project	2018-10-30	662,576	-	37,452	625,124
Beijing Daxing District Jiugong Green Belt Parcel A1 Project	2017-10-31	832,545	64,636	373,138	524,043
Gengyang New City 5 District I	2020-12-31	-	1,203,552	714,018	489,534
Qin Hai Yun Villa Project	2019-06-19	646,904	18,712	191,462	474,154
MCC. Happy Chen	2020-12-31	-	970,630	563,662	406,968
Baotou MCC Campus South Road Community Project	2020-11-20	431,162	1,103,226	1,127,502	406,886
MCC Xinglong New City Hongshijun	2020-02-28	509,637	209,362	318,455	400,544
Tangshan Wutong Road Project	2012-10-31	372,530	1,845	29,067	345,308
Dalian International Business City	2014-12-31	374,140	-	40,913	333,227
Tongluo Town F Land	2020-06-01	-	396,442	72,982	323,460
Baopan Lijing Yuan	2020-08-05	-	376,579	92,977	283,602
Others	/	4,178,756	6,582,534	7,821,386	2,939,904
<b>Total</b>	<b>/</b>	<b>18,326,849</b>	<b>16,788,020</b>	<b>16,213,860</b>	<b>18,901,009</b>

#### (2) Provision for impairment

All amounts in RMB'000

Items	Balance at	Increase			Decrease		Balance at
	31 December 2019	Provision	Others	Reversals	Write-offs	Others	31 December 2020
Raw materials	62,704	(34,641)	-	-	9,459	-	18,604
Outsourced processing materials	-	330	-	-	-	-	330
Work in progress	396,628	(36,955)	-	-	25,630	-	334,043
Finished goods	180,121	74,534	-	-	118,417	-	136,238
Other materials	6,641	(5,581)	-	-	-	-	1,060
Properties under development	39,564	-	-	-	29,395	-	10,169
Completed properties held for sale	412,808	132,421	-	-	15,799	26,589	502,841
<b>Total</b>	<b>1,098,466</b>	<b>130,108</b>	<b>-</b>	<b>-</b>	<b>198,700</b>	<b>26,589</b>	<b>1,003,285</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9. Inventories (Continued)

(3) As at 31 December 2020, the total borrowing costs capitalized in properties under development were RMB4,387,821,000 (as at 31 December 2019: RMB4,075,200,000). Borrowing costs capitalized during the year ended 31 December 2020 amounted to RMB1,377,679,000 (for the year ended 31 December 2019: RMB1,076,259,000). The capitalization rates of borrowing costs were from 3.08% to 8.95% (for the year ended 31 December 2019: from 3.02% to 8.95%).

### 10. Contract assets

#### (1) Presentation of contract assets

All amounts in RMB'000

Items	31 December 2020			31 December 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Contract assets interrelated with engineering contracting services	82,659,393	3,366,039	79,293,354	71,573,380	3,388,866	68,184,514
Contract assets interrelated with quality guarantee deposit	4,201,728	295,599	3,906,129	4,908,801	292,740	4,616,061
Total	86,861,121	3,661,638	83,199,483	76,482,181	3,681,606	72,800,575

#### (2) Provision for impairment of contract assets

All amounts in RMB'000

Items	Lifetime expected credit losses (Non-credit-impaired)	Lifetime expected credit losses (Credit-impaired)	Total
Provision impairment at 31 December 2019	2,475,318	1,206,288	3,681,606
Provision for the current year	(39,626)	256,441	216,815
Reversal for the current year	(791)	(204)	(995)
Other changes	(69)	(235,719)	(235,788)
Provision impairment at 31 December 2020	2,434,832	1,226,806	3,661,638
Book value of contract assets at 31 December 2020	85,585,036	1,276,085	86,861,121

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10. Contract assets (Continued)

#### (3) *Qualitative analysis on contract assets*

The engineering contracting services provided by the Group normally constitute the single performance obligation, which require to be fulfilled in a certain period. The Group shall determine the implementation progress according to the proportion of actual cost in estimated total cost (cost method). Engineering contracting services require regular settlement with the client, and the related contract consideration vests the Group the right to charge the consideration, which will be listed on receivables, to the client unconditionally after the completion of settlement. Under normal circumstances, there are some timing differences between the implementation progress and the settlement progress in engineering contracting. As at 31 December 2020, implementation progress of part of contracts exceeded the settlement progress, thus formed related contract assets, which shall be transferred into receivables after the completion of settlement.

For the engineering quality deposit arising from the settlement of engineering contracting services provided by the Group, the Group has the right to receive the consideration unconditionally from the customer upon the expiration of the guarantee period with no significant quality issues occurred therein. Such deposit constituted contract assets and was transferred into accounts receivable under the above-said condition.

#### (4) *West Australia SINO Iron Mining Project*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10. Contract assets (Continued)

#### (4) West Australia SINO Iron Mining Project (Continued)

The Group assessed the contract assets based on expected credit losses. In the opinion of the Group, although the final contract amount shall be confirmed after the auditing of the third party, the consensus between the Group and CITIC Group for the previously agreed construction costs of USD4.357 billion mentioned in the paragraph above remained unchanged. The Group reasonably expected that the consensus should not have any significant change and recognized no additional contract losses at 31 December 2020.

On 31 December 2020, the contract assets of the project mentioned above amounted to RMB3,490,889,000. After the completion of the audit mentioned above, the Group will actively follow up with CITIC Group for negotiation and discussion in reaching the final agreed project construction costs and make relevant accounting treatments accordingly.

### 11. Non-current assets due within one year

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Long-term receivables due within 1 year (Note VII 13)	1,499,007	2,078,913
Total	1,499,007	2,078,913

### 12. Other current assets

All amounts in RMB'000

Items	31 December 2020	31 December 2019
VAT debit balance	1,280,151	1,822,285
Prepayments of enterprise income tax	862,630	460,245
Total	2,142,781	2,282,530

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13. Long-term receivables

#### (1) Long-term receivables

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Long-term receivables on project	27,489,727	25,271,138
Loans to related parties	773,176	1,209,488
Receivables on disposal of equity investments	333,485	333,485
Others	1,224,025	1,512,710
<b>Total carrying amount</b>	<b>29,820,413</b>	<b>28,326,821</b>
Less: provisions for credit losses of long-term receivables	2,744,764	1,921,114
<b>Total book value</b>	<b>27,075,649</b>	<b>26,405,707</b>
Including: Long-term receivables due within 1 year, net	1,499,007	2,078,913
Long-term receivables due over 1 year, net	25,576,642	24,326,794

At 31 December 2020, long-term receivables are presented on a net basis with the discount rate ranging from 4.35% to 4.90%.

#### (2) Provision for credit losses of long-term receivables

All amounts in RMB'000

Items	Phase 1 Future 12-month expected credit losses	Phase 2 Lifetime expected credit losses (Non-credit- impaired)	Phase 3 Lifetime expected credit losses (Credit- impaired)	Total
Provisions for credit losses at 31 December 2019	109,316	156,761	1,655,037	1,921,114
Provision for the current year	255,094	180,490	295,802	731,386
Reversal for the current year	-	(7,790)	(3,111)	(10,901)
Write-off for the current year	-	-	(747,624)	(747,624)
Other changes	-	-	850,789	850,789
Provisions for credit losses at 31 December 2020	364,410	329,461	2,050,893	2,744,764
Book value of long-term receivables at 31 December 2020	21,220,431	5,551,794	3,048,188	29,820,413



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13. Long-term receivables (Continued)

(3) As of 31 December 2020, the Group has no long-term receivables that are derecognized as a whole because almost all the risks and rewards related to the ownership have been transferred to the transferee but continuing to be involved in the transferred financial assets(as at 31 December 2019: nil).

### 14. Long-term equity investments

All amounts in RMB'000

Name of investee	Carrying amount at 31 December 2019	Movements for the current year								Carrying amount at 31 December 2020	Provision for impairment at 31 December 2020	
		Increasing investments	Decreasing investments	Share of profits/(losses)	Other comprehensive income	Other equity movements	Declaration of cash dividends or profits	Provision for impairment for the current year	Others			
<b>1. Joint ventures</b>												
Guizhou Ziwang Highway Construction Co., Ltd. (Note IX 1(1)(b))	1,630,398	-	-	(39,654)	-	-	-	-	-	-	1,590,744	-
Guizhou Sanli Highway Construction Co., Ltd. (Note IX 1(1)(b))	1,355,934	-	-	32,308	-	-	-	-	-	-	1,388,242	-
Guizhou Sanshi Highway Construction Co., Ltd. (Note IX 1(1)(b))	884,062	-	-	(45,572)	-	-	-	-	-	-	838,490	-
Zuhai Hengqin Headquarters Building Development Co., Ltd. (Note IX 1(1)(b))	-	514,881	-	(563)	-	1,182	-	-	-	-	515,500	-
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd. (Note IX 1(1)(b))	243,785	-	-	-	-	-	-	-	-	-	243,785	-
Others	2,439,232	105,182	66,721	(4,463)	(20)	-	1,699	-	-	-	2,471,511	219,720
Sub-total	6,553,411	620,063	66,721	(57,944)	(20)	1,182	1,699	-	-	-	7,048,272	219,720
<b>2. Associates</b>												
Zuhai MCC Jianxin Investment Management Partnership (LP) (Note IX 1(1)(b))	3,955,134	-	-	254,342	-	-	254,342	-	-	-	3,955,134	-
Beijing City Vice-Center Investment Fund Partnership (Limited Partnership) (Note IX 2(1)(a))	400,178	300,000	-	2,027	-	-	-	-	-	-	702,205	-
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	516,823	-	-	948	-	-	-	-	-	-	517,771	-
Yunnan Mangliang Expressway Investment and Development Co., Ltd.	40,000	442,600	-	-	-	-	-	-	-	-	482,600	-
Sichuan Development National Metallurgical Construction Investment Co., Ltd.	237,846	66,000	-	15,264	-	-	14,502	-	-	-	304,608	-
Others	10,130,974	2,987,744	56,768	(392,224)	(34)	24,557	27,884	-	-	-	12,666,365	155,586
Sub-total	15,280,955	3,796,344	56,768	(119,643)	(34)	24,557	296,728	-	-	-	18,628,683	155,586
Total	21,834,366	4,416,407	123,489	(177,587)	(54)	25,739	298,427	-	-	-	25,676,955	375,306

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15. Investments in other equity instruments

#### (1) Investments in other equity instruments

All amounts in RMB'000

Items	Carrying amount at 31 December 2020	Carrying amount at 31 December 2019	Cash dividends recognized for the current year
Investments in non-trading equity instruments – listed companies	266,483	381,250	1,755
Investments in non-trading equity instruments – unlisted companies	1,698,181	1,490,497	59,604
Total	1,964,664	1,871,747	61,359

(2) In 2020, the Group derecognized investment in other equity instruments, and transferred the accumulated gains from such investment previously included in other comprehensive income amounting to RMB15,224,000 to retained earnings.

(3) As of 31 December 2020, the cumulative loss of other equity instruments held by the Group that are recorded in other comprehensive income is RMB41,465,000 (Note VII 48).

(4) Since these investments are non-tradable equity instruments and the Group is not expected to sell them in the foreseeable future, the Group designates these investments as financial assets at fair value through OCI. The method for determining the fair value of investment in other equity instruments can be found in Note XI.

### 16. Other non-current financial assets

All amounts in RMB'000

Items	Carrying amount at 31 December 2020	Carrying amount at 31 December 2019
Financial assets at FVTPL	4,418,546	4,171,068
Including: Investment in unquoted fund product	4,408,083	4,119,753
Equity instrument investment	10,463	51,315
Total	4,418,546	4,171,068

The method for determining the fair value of above other non-current financial assets can be found in Note XI.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 17. Investment properties

(1) *Investment properties measured at cost*

All amounts in RMB'000

Items	Buildings and structures	Land use rights	Total
<b>I. Total original book value</b>			
1. At 31 December 2019	6,177,530	589,053	6,766,583
2. Increase	101,139	10,454	111,593
(1) Purchase or construction	5,682	–	5,682
(2) Transferred from fixed assets	25,600	–	25,600
(3) Transferred from inventory	40,369	–	40,369
(4) Transferred from construction in progress	–	–	–
(5) Others	29,488	10,454	39,942
3. Decrease	81,568	–	81,568
(1) Disposal	76,678	–	76,678
(2) Transferred from fixed assets	2,779	–	2,779
(3) Others	2,111	–	2,111
4. At 31 December 2020	6,197,101	599,507	6,796,608
<b>II. Accumulated depreciation and amortization</b>			
1. At 31 December 2019	859,175	124,420	983,595
2. Increase	150,920	15,376	166,296
(1) Provision or amortization	143,923	12,309	156,232
(2) Transferred from fixed assets	6,997	–	6,997
(3) Others	–	3,067	3,067
3. Decrease	18,560	–	18,560
(1) Disposal	14,679	–	14,679
(2) Transferred to fixed assets	1,598	–	1,598
(3) Others	2,283	–	2,283
4. At 31 December 2020	991,535	139,796	1,131,331
<b>III. Provision for impairment</b>			
1. At 31 December 2019	19,192	–	19,192
2. Increase	5,371	–	5,371
(1) Provision	5,371	–	5,371
3. Decrease	960	–	960
(1) Disposal	960	–	960
4. At 31 December 2020	23,603	–	23,603
<b>IV. Total carrying amount</b>			
1. 31 December 2020	5,181,963	459,711	5,641,674
2. 31 December 2019	5,299,163	464,633	5,763,796

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 17. Investment properties (Continued)

- (2) As at 31 December 2020, the Group have buildings and structures of investment properties at carrying amount of RMB198,435,000 (historical book value of RMB217,608,000) of which the title certificates were not obtained by the Group (as at 31 December 2019: carrying amount of RMB199,370,000; original book value of RMB217,608,000).

All amounts in RMB'000

Item	Carrying amount	Reasons for title certificates outstanding
Scientific Research Building of China ENFI Engineering Co., Ltd.	198,435	In progress

- (3) Investment properties with title restriction as at 31 December 2020 are set out in Note VII 70.

### 18. Fixed assets

#### (1) Fixed assets

All amounts in RMB'000

Items	Buildings and structures	Machinery and equipment	Transportation vehicles	Office equipment and others	Total
<b>I. Total historical cost</b>					
1. At 31 December 2019	23,390,553	22,725,609	2,019,585	3,894,365	52,030,112
2. Increase	1,414,518	834,235	239,744	314,109	2,802,606
(1) Purchase	162,347	416,985	185,077	189,719	954,128
(2) Transferred from investment properties	2,779	-	-	-	2,779
(3) Transferred from construction in progress	890,543	268,720	236	23,394	1,182,893
(4) Transferred from right-to-use assets	-	-	-	-	-
(5) Others	358,849	148,530	54,431	100,996	662,806
3. Decrease	628,922	1,824,467	192,706	247,328	2,893,423
(1) Disposal or written-off	80,417	1,151,562	166,058	80,609	1,478,646
(2) Decrease in disposal of subsidiaries	54,294	2,636	2,512	780	60,222
(3) Transferred to investment properties	25,600	-	-	-	25,600
(4) Others	468,611	670,269	24,136	165,939	1,328,955
4. At 31 December 2020	24,176,149	21,735,377	2,066,623	3,961,146	51,939,295

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18. Fixed assets (Continued)

#### (1) Fixed assets (Continued)

Items	Buildings and structures	Machinery and equipment	Transportation vehicles	Office equipment and others	Total
<b>II. Accumulated depreciation</b>					
1. At 31 December 2019	7,097,081	13,518,326	1,324,388	1,580,414	23,520,209
2. Increase	901,939	1,478,204	188,737	341,442	2,910,322
(1) Provision	864,485	1,382,582	147,059	245,420	2,639,546
(2) Transferred from investment properties	1,598	-	-	-	1,598
(3) Transferred from right-to-use assets	-	-	-	-	-
(4) Others	35,856	95,622	41,678	96,022	269,178
3. Decrease	224,941	1,154,828	160,677	143,319	1,683,765
(1) Disposal or written-off	67,897	747,528	141,395	70,577	1,027,397
(2) Decrease in disposal of subsidiaries	27,763	1,160	1,400	445	30,768
(3) Transferred to investment properties	6,997	-	-	-	6,997
(4) Others	122,284	406,140	17,882	72,297	618,603
4. At 31 December 2020	7,774,079	13,841,702	1,352,448	1,778,537	24,746,766
<b>III. Provision for impairment</b>					
1. 31 December 2019	886,235	1,360,208	24,646	117,575	2,388,664
2. Increase	168,505	22,147	6,520	1,813	198,985
(1) Provision	111,276	14,405	5,478	176	131,335
(2) Others	57,229	7,742	1,042	1,637	67,650
3. Decrease	15,749	54,390	1,648	7,493	79,280
(1) Disposal or written-off	-	21,155	758	119	22,032
(2) Others	15,749	33,235	890	7,374	57,248
4. At 31 December 2020	1,038,991	1,327,965	29,518	111,895	2,508,369
<b>IV. Total carrying amount</b>					
1. At 31 December 2020	15,363,079	6,565,710	684,657	2,070,714	24,684,160
2. At 31 December 2019	15,407,237	7,847,075	670,551	2,196,376	26,121,239



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18. Fixed assets (Continued)

#### (2) Temporary idle fixed assets

All amounts in RMB'000

Items	Historical cost	Accumulated depreciation	Provision for impairment	Carrying amount	Notes
Buildings and structures	284,032	95,716	148,380	39,936	Seasonal suspension or idle
Machinery and equipment	788,713	370,826	352,655	65,232	Seasonal suspension or idle
Other equipment	41,600	29,657	1,918	10,025	Seasonal suspension or idle

#### (3) Fixed assets under operating leases

All amounts in RMB'000

Items	31 December 2020 Carrying amount
Machinery equipment and others	143,088

#### (4) Fixed assets of which certificates of title have not been obtained

Buildings and structures with an aggregate carrying amount of RMB262,166,000 (historical cost: RMB344,036,000) as at 31 December 2020 (as at 31 December 2019: carrying amount of RMB262,597,000; historical cost of RMB336,990,000) were in the process of applying for relevant title certificates.

All amounts in RMB'000

Items	Carrying amount	Reasons for title certificates outstanding
Scientific Research Building of China ENFI Engineering Co., Ltd.	120,182	In the process
Heavy industry production base project of China First Metallurgical Group Co., Ltd.	128,934	In the process
The office building of China Huaye Group Co., Ltd. in Beijing	13,050	In the process

#### (5) Fixed assets with title restriction as at 31 December 2020 are set out in Note VII 70.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 19. Construction in progress

#### (1) Construction in progress analysed by category

All amounts in RMB'000

Category	31 December 2020	31 December 2019
Construction in progress	4,867,383	4,359,866
Materials for construction of fixed assets	48,187	66,652
Total	4,915,570	4,426,518

#### (2) Construction in progress

##### (a) Construction in progress

All amounts in RMB'000

Items	31 December 2020			31 December 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Infrastructure Project of MCC JCL Anak Mining Co., Ltd.	1,062,355	-	1,062,355	1,111,505	-	1,111,505
MCC Tongluo Town Supporting Project	814,626	-	814,626	872,933	-	872,933
Zhumadian City Group Outreach Road Courtyard Development and Reform Project of Central Research Institute of Building and Construction Co., Ltd.	637,946	-	637,946	-	-	-
Construction Research Institute No.3 Blast Furnace System Engineering Environmental Protection BOO Project	336,407	-	336,407	274,556	-	274,556
MCC Guangdong Shenzhen Qianhai Technology Building Project	311,081	-	311,081	25,797	-	25,797
Xiaogan Dangerous Waste Treatment Center Project	227,969	-	227,969	78,733	-	78,733
MCC Construction Industry Research and Development Production Center Project	122,889	-	122,889	24,920	-	24,920
High Performance Carbon Brick Production Line	50,085	-	50,085	46,556	-	46,556
Rizhao Kangyang Town PPP Project I	46,320	-	46,320	530	-	530
Others	45,617	-	45,617	33,726	-	33,726
	2,003,955	791,867	1,212,088	2,575,592	684,982	1,890,610
Total	5,659,250	791,867	4,867,383	5,044,848	684,982	4,359,866

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 19. Construction in progress (Continued)

#### (2) Construction in progress (Continued)

##### (b) Movements of the significant items of construction in progress

All amounts in RMB'000

Items	Budgeted amount	31 December 2019	Increase	Transfer to fixed assets/ intangible assets	Other changes	31 December 2020	Cost incurred as a percentage of budgeted amount (%)	Construction progress (%)	Accumulated capitalized borrowing costs	Including: Capitalized borrowing costs for the current year	Latest rate of borrowing costs capitalized for the current year (%)	Sources of fund
Infrastructure Project of MCC JCL Anak Mining Co., Ltd.	23,847,800	1,111,505	27,155	-	(76,305)	1,062,355	19.79	19.79	-	-	-	Self-raised funds
MCC Tongluo Town Supporting Project	1,037,373	872,933	21,111	-	(79,418)	814,626	93.28	93.28	-	-	-	Self-raised funds
Zhumadian City Group Outreach Road	1,223,657	-	637,946	-	-	637,946	52.83	52.83	-	-	-	Self-raised funds
Courtyard Development and Reform Project of Central Research Institute of Building and Construction Co., Ltd.	1,000,000	274,556	61,851	-	-	336,407	70.00	70.00	15,476	6,769	6.64	Self-raised funds and loans from financial institutions
Construction Research Institute No.3 Blast Furnace System Engineering Environmental Protection BOO Project	649,867	25,797	285,284	-	-	311,081	54.98	54.98	1,329	1,329	4.20	Self-raised funds and loans from financial institutions
MCC Guangdong Shenzhen Qianhai Technology Building Project	3,382,174	78,733	149,236	-	-	227,969	45.00	45.00	110,421	42,685	7.50	Self-raised funds and loans from financial institutions
Xiaogan Dangerous Waste Treatment Center Project	199,476	24,920	97,969	-	-	122,889	62.62	62.62	2,842	2,808	4.35	Self-raised funds and loans from financial institutions
MCC Construction Industry Research and Development Production Center Project	79,013	46,556	3,529	-	-	50,085	59.04	59.04	-	-	-	Self-raised funds
High Performance Carbon Brick Production Line	180,000	530	45,790	-	-	46,320	85.00	85.00	-	-	-	Self-raised funds
Rizhao Kangyang Town PPP Project I	140,000	33,726	11,891	-	-	45,617	32.50	32.50	-	-	-	Self-raised funds
Others	11,826,516	2,575,592	1,318,672	(1,593,936)	(296,373)	2,003,955	/	/	36,841	16,313	/	/
<b>Total</b>	<b>43,565,876</b>	<b>5,044,848</b>	<b>2,660,434</b>	<b>(1,593,936)</b>	<b>(452,096)</b>	<b>5,659,250</b>	<b>/</b>	<b>/</b>	<b>166,909</b>	<b>69,904</b>	<b>/</b>	<b>/</b>

- (c) The Group made provision for impairment of construction in progress of RMB107,507,000 for 2020 (2019: RMB70,481,000). As at 31 December 2020, the balance of the impairment provision for construction in progress of the Group was RMB791,867,000 (as at 31 December 2019: RMB684,982,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 19. Construction in progress (Continued)

#### (3) Materials for construction

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Materials	5,260	18,946
Equipment	42,297	47,021
Tools and instruments prepared for production	608	660
Others	22	25
<b>Total</b>	<b>48,187</b>	<b>66,652</b>

### 20. Right-of-use assets

All amounts in RMB'000

Items	Buildings and structures	Machinery and equipment	Transportation vehicles	Others	Total
<b>I. Total historical cost</b>					
1. At 31 December 2019	513,009	65,055	441,478	9,187	1,028,729
2. Increase	148,055	497	97,561	17,506	263,619
(1) New leases	148,038	497	38,906	16,567	204,008
(2) Others	17	-	58,655	939	59,611
3. Decrease	95,442	5,354	157,345	3,417	261,558
(1) Expired lease contract	80,260	268	143,837	3,417	227,782
(2) Changes of the scope of consolidation	396	-	-	-	396
(3) Change of exchange rate	765	-	-	-	765
(4) Others	14,021	5,086	13,508	-	32,615
4. At 31 December 2020	565,622	60,198	381,694	23,276	1,030,790
<b>II. Accumulated depreciation</b>					
1. At 31 December 2019	138,511	50,435	297,217	2,044	488,207
2. Increase	157,010	6,176	86,495	5,436	255,117
(1) Provision	157,010	6,176	27,840	4,497	195,523
(2) Others	-	-	58,655	939	59,594
3. Decrease	45,888	4,741	133,983	1,893	186,505
(1) Expired lease contract	38,863	268	121,653	1,893	162,677
(2) Changes of the scope of consolidation	173	-	-	-	173
(3) Change of exchange rate	482	-	-	-	482
(4) Others	6,370	4,473	12,330	-	23,173
4. At 31 December 2020	249,633	51,870	249,729	5,587	556,819
<b>III. Provision for impairment</b>					
1. At 31 December 2019	-	-	-	-	-
2. At 31 December 2020	-	-	-	-	-
<b>IV. Carrying amount</b>					
1. At 31 December 2020	315,989	8,328	131,965	17,689	473,971
2. At 31 December 2019	374,498	14,620	144,261	7,143	540,522

(1) For the current year, the Group's short-term leasing fee and low-price assets leasing fee, which is simplified and charged to current profits and losses, is RMB201,297,000.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 21. Intangible assets

#### (1) Intangible assets

All amounts in RMB'000

Items	Land use rights	Mining rights	Franchise	Software	Patent and proprietary technology	Trademark right	Total
<b>I. Total historical cost</b>							
1. At 31 December 2019	7,975,028	4,060,768	9,003,791	749,245	162,494	270	21,951,596
2. Increase	107,416	79,081	2,101,353	100,830	66,733	-	2,455,413
(1) Purchase	106,570	10,607	1,693,328	87,590	13,163	-	1,911,258
(2) Transferred from construction in progress	-	-	397,803	13,240	-	-	411,043
(3) Internal research and development	-	-	-	-	47,575	-	47,575
(4) Others	846	68,474	10,222	-	5,995	-	85,537
3. Decrease	73,654	91,991	17,325	17,169	1,300	-	201,439
(1) Disposal or written-off	58,121	-	10,465	13,024	13	-	81,623
(2) Decrease in disposal of subsidiaries	-	-	-	-	-	-	-
(3) Others	15,533	91,991	6,860	4,145	1,287	-	119,816
4. At 31 December 2020	8,008,790	4,047,858	11,087,819	832,906	227,927	270	24,205,570
<b>II. Accumulated amortization</b>							
1. At 31 December 2019	1,501,616	62,152	1,420,609	490,255	48,978	270	3,523,880
2. Increase	193,755	7,223	250,387	75,417	17,624	-	544,406
(1) Amortization	193,755	7,223	250,387	75,417	13,365	-	540,147
(2) Others	-	-	-	-	4,259	-	4,259
3. Decrease	16,023	4,854	8,137	16,823	327	-	46,164
(1) Disposal or written-off	11,451	-	8,137	12,806	5	-	32,399
(2) Decrease in disposal of subsidiaries	-	-	-	-	-	-	-
(3) Others	4,572	4,854	-	4,017	322	-	13,765
4. At 31 December 2020	1,679,348	64,521	1,662,859	548,849	66,275	270	4,022,122
<b>III. Provision for impairment</b>							
1. At 31 December 2019	93,749	2,532,061	-	250	4,783	-	2,630,843
2. Increase	2,602	68,159	-	-	-	-	70,761
(1) Provision	2,602	-	-	-	-	-	2,602
(2) Others	-	68,159	-	-	-	-	68,159
3. Decrease	9,740	-	-	-	275	-	10,015
(1) Disposal or written-off	-	-	-	-	-	-	-
(2) Others	9,740	-	-	-	275	-	10,015
4. At 31 December 2020	86,611	2,600,220	-	250	4,508	-	2,691,589
<b>IV. Carrying amount</b>							
1. 31 December 2020	6,242,831	1,383,117	9,424,960	283,807	157,144	-	17,491,859
2. 31 December 2019	6,379,663	1,466,555	7,583,182	258,740	108,733	-	15,796,873

As at 31 December 2020, the internally developed intangible assets as a percentage of total intangible assets of the Group were 0.43% (as at 31 December 2019: 0.26%).



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 21. Intangible assets (Continued)

(2) The Group made no extra impairment provision of Cape Lambert Iron Project owned by the Group for the current year. As at 31 December 2020, the accumulated impairment provision for the Cape Lambert Iron Project intangible assets amounting to RMB2,579,721,000, including the decreasing accumulated impact on exchange fluctuation of Australian dollars of RMB67,883,000. The related intangible assets belong to the resource development segment.

(3) Intangible assets with title restriction as at 31 December 2020 are set out in Note VII 70.

### 22. Goodwill

#### (1) Original historical cost

All amounts in RMB'000

Name of investee	31 December 2019	Increase		Decrease		31 December 2020
		Business combinations	Others	Disposal	Others	
MCC Finance Corporation Ltd.	105,032	-	-	-	-	105,032
Beijing ShengPeng Real Estate Development Co., Ltd.	94,923	-	-	-	-	94,923
MCC Minera Sierra Grande S.A	23,414	-	-	-	4,761	18,653
Chengde Tiangong Architectural Design Co., Ltd.	33,460	-	-	-	-	33,460
Qingdao JinZe HuaDi Real Estate Development Co., Ltd.	9,779	-	-	-	-	9,779
China Metallurgical Construction Engineering Group Chongqing Heyuan Concrete Co., Ltd.	18,533	-	-	-	-	18,533
Beijing HaiKe Real Estate Development Co., Ltd.	6,477	-	-	-	-	6,477
Beijing Tianrun Construction Co., Ltd.	5,142	-	-	-	-	5,142
Shanghai WuGang Equipment Engineering Co., Ltd.	1,114	-	-	-	-	1,114
Total	297,874	-	-	-	4,761	293,113

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 22. Goodwill (Continued)

#### (2) Provision for impairment of goodwill

All amounts in RMB'000

Name of investee	31 December	Increase		Decrease		31 December
	2019	Provision	Others	Disposal	Others	2020
Beijing ShengPeng Real Estate Development Co., Ltd.	94,923	-	-	-	-	94,923
MCC Minera Sierra Grande S.A	23,414	-	-	-	4,761	18,653
Qingdao JinZe HuaDi Real Estate Development Co., Ltd.	9,184	595	-	-	-	9,779
Beijing HaiKe Real Estate Development Co., Ltd.	6,477	-	-	-	-	6,477
China Metallurgical Construction Engineering Group Chongqing Heyuan Concrete Co., Ltd.	2,353	-	-	-	-	2,353
Total	136,351	595	-	-	4,761	132,185

(3) When the Group performs impairment assessment on goodwill arising from business combination, the Group allocates the book value of goodwill to the asset group or portfolio that is expected to benefit from the synergistic effect of enterprise merger, and evaluates the recoverable amount of the asset group or portfolio that contains the apportioned goodwill.

(4) The recoverable value of the asset groups is calculated based on the present value of future cash flows which is approved by the management. MCC Finance Corporation Ltd. adopts a pre-tax discount rate of 17.33% (As at 31 December 2019: 17.33%). Cash flow projections during the forecast period for the asset groups are based on the expected growth rates and gross margins during the forecast period. Forecast growth rate is based on the expected growth rate for the industry. Forecast gross margin has been determined based on past performance and management's expectations for the market development. The recoverable value of the asset groups of the other subsidiaries, are calculated based on the present value of future cash flows as well, but not significant to the Group.

### 23. Long-term prepayments

All amounts in RMB'000

Items	31 December 2019	Increase	Amortization	Other decreases	31 December 2020
Improvements of leasehold	38,564	25,211	11,950	-	51,825
Insurance expenditures	8,776	493	4,678	-	4,591
Rental expenditures	-	35	4	-	31
Repair expenditures	22,044	8,514	5,415	-	25,143
Others	196,516	80,553	63,075	-	213,994
Total	265,900	114,806	85,122	-	295,584

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 24. Deferred tax assets/Deferred tax liabilities

(1) *Deferred tax assets without taking into consideration of the offsetting of balances within the same tax jurisdiction*

All amounts in RMB'000

Items	31 December 2020		31 December 2019	
	Deductible temporary differences/tax losses	Deferred tax assets	Deductible temporary differences/tax losses	Deferred tax assets
Impairment provision	24,424,381	4,188,838	22,648,841	4,052,091
Unrealized profit on inter-company transactions	2,550,283	582,220	2,526,258	584,565
Defined benefit plans	1,243,176	268,998	1,402,165	317,122
Deductible tax losses	1,161,802	186,083	1,364,635	235,677
Employee benefits payable	364,681	58,128	358,475	57,355
Changes in the fair value of other equity instrument investments	186,194	43,758	203,960	42,927
Others	1,829,598	380,696	1,811,225	410,856
Total	31,760,115	5,708,721	30,315,559	5,700,593

(2) *Deferred tax liabilities without taking into consideration of the offsetting of balances within the same tax jurisdiction*

All amounts in RMB'000

Items	31 December 2020		31 December 2019	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Fair value adjustments upon business combination not under common control	9,773	3,421	46,857	13,397
Changes in the fair value of investments of other equity instruments	140,107	23,302	197,372	31,219
Others	433,457	106,119	453,533	109,067
Total	583,337	132,842	697,762	153,683

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 24. Deferred tax assets/Deferred tax liabilities (Continued)

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

All amounts in RMB'000

Items	The offset amount of deferred tax assets and liabilities at the end of the year	Deferred tax assets and liabilities after offset at the end of the year	The offset amount of deferred tax assets and liabilities at the beginning of the year	Deferred tax assets and liabilities after offset at the beginning of the year
Deferred tax assets	71,607	5,637,114	81,998	5,618,595
Deferred tax liabilities	71,607	61,235	81,998	71,685

(4) *Details of the Group's unrecognized deferred tax assets*

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Deductible temporary differences	10,521,073	7,378,256
Deductible tax losses	9,317,348	10,711,071
Total	19,838,421	18,089,327

(5) *Deductible tax losses that are not recognized as deferred tax assets will expire in the following years*

All amounts in RMB'000

Year	31 December 2020	31 December 2019
2020	–	2,052,423
2021	3,010,040	3,270,920
2022	1,654,036	1,675,496
2023	1,741,711	1,853,487
2024	1,754,835	1,858,745
2025	1,156,726	–
Total	9,317,348	10,711,071

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 25. Other non-current assets

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Deposits for acquisition of assets	187,141	156,713
Continuing involvement in the transferred financial asset (Note VII 5(5))	14,600	14,600
Total	201,741	171,313

### 26. Short-term borrowings

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

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Pledged loans (a)	7,452	3,000
Mortgaged loans (b)	576,198	149,000
Credit loans	28,668,521	40,324,556
Total	29,252,171	40,476,556

#### (a) Pledged loans

As at 31 December 2020, the pledged loans of RMB7,452,000 (December 31, 2019: RMB3,000,000) were obtained by pledging bank acceptance bills with the carrying amount of RMB7,760,000 as a collateral (December 31, 2019: RMB6,050,000) to the bank.

#### (b) Mortgaged loans

As at 31 December 2020, the mortgaged loans of RMB576,198,000 (as at 31 December 2019: RMB149,000,000) were secured by the mortgage of the Group's intangible assets and fixed assets in an aggregate carrying amount of RMB878,419,000 (as at 31 December 2019: RMB438,824,000).

(2) In 2020, the weighted average interest rate of short-term borrowings was 3.62% per annum (In 2019:4.25% per annum).



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 27. Derivative financial liabilities

All amounts in RMB'000

Items	31 December 2020	31 December 2019
USD foreign exchange option	-	4,225
Forward exchange contracts	-	5
Total	-	4,230

Determination of fair value of derivative financial liabilities is set out in Note XI 3.

### 28. Bills payable

All amounts in RMB'000

Category	31 December 2020	31 December 2019
Bank acceptance bills	27,496,190	28,204,347
Commercial acceptance bills	2,976,444	3,282,785
Total	30,472,634	31,487,132

### 29. Accounts payable

#### (1) Presentation of accounts payable

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Project fees	84,040,670	75,708,557
Purchases	36,962,900	31,788,744
Design fees	797,224	706,121
Labor fees	9,264,773	6,010,918
Retention money	916,344	728,681
Others	1,740,132	911,992
Total	133,722,043	115,855,013

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 29. Accounts payable (Continued)

#### (2) Aging analysis of accounts payable

All amounts in RMB'000

Aging	31 December 2020	31 December 2019
Within 1 year	100,720,202	84,943,833
1 to 2 years	16,921,797	14,616,943
2 to 3 years	6,104,507	6,977,758
Over 3 years	9,975,537	9,316,479
Total	133,722,043	115,855,013

(3) On 31 December 2020, accounts payable of RMB333,001,841,000 (31 December 2019: RMB30,911,180,000) aged over one year were mainly due to project and materials payable, as both parties remained business transactions and the amount has not been settled.

### 30. Receipts in advance

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Lease receipts in advance	238,753	245,284
Total	238,753	245,284

### 31. Contract liabilities

#### (1) Presentation of contract liabilities

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Contract liabilities relating to engineering contracting service contracts	69,859,483	48,644,973
Contract liabilities relating to sales contracts	13,250,241	14,491,599
Contract liabilities relating to other customers' contracts	2,544,008	1,459,398
Total	85,653,732	64,595,970

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 31. Contract liabilities (Continued)

#### (2) Qualitative analysis on contract liabilities

The contract liabilities of the Group mainly derives from engineering contracting service contracts and sales contracts.

As presented in Note VII 10, the engineering contracting services provided by the Group require regular settlements with the customers. Under normal circumstances, there are some time differences among the implementation and settlement progress of the engineering contracting service contracts or the progress of receipt. As at 31 December 2020, the implementation progress of some engineering contracting service contracts lagged behind the settlement progress or receipt progress, which means the Group has acquired the contract consideration or the right to gain contract consideration unconditionally, thus forming the contract liabilities relating to engineering contracting services.

The sales contracts of the Group are normally satisfied at a point in time. The Group will recognize revenue at the time of acquiring the control of the related goods. As at 31 December 2020, the implementation time of performance obligation of the Group in the sale contract was later than the payment time of the customers, thus forming the related contract liability of the sale contract.

### 32. Employee benefits payable

#### (1) Employee benefits payable

All amounts in RMB'000

Items	31 December 2019	Increase	Decrease	31 December 2020
I. Short-term employee benefits	1,660,516	20,602,860	20,616,178	<b>1,647,198</b>
II. Post-employment benefits – defined contribution plan	349,380	1,946,483	1,984,730	<b>311,133</b>
III. Termination benefits	8,201	37,399	35,431	<b>10,169</b>
IV. Other benefits	19,897	2,824,869	2,792,941	<b>51,825</b>
Total	2,037,994	25,411,611	25,429,280	<b>2,020,325</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 32. Employee benefits payable (Continued)

#### (2) Short-term employee benefits

All amounts in RMB'000

Items	31 December 2019	Increase	Decrease	31 December 2020
I. Salaries, bonuses, allowances and subsidies	514,097	16,821,167	16,819,514	<b>515,750</b>
II. Staff welfare	26,226	850,643	866,362	<b>10,507</b>
III. Social insurance premiums	31,486	1,120,583	1,124,787	<b>27,282</b>
Including: Medical insurance	29,418	1,021,110	1,025,098	<b>25,430</b>
Work-related injury insurance	1,265	60,936	60,571	<b>1,630</b>
Maternity insurance	803	38,537	39,118	<b>222</b>
IV. Housing provident funds	197,098	1,374,566	1,444,011	<b>127,653</b>
V. Labor union expenditures and employees' education expenses	891,609	435,901	361,504	<b>966,006</b>
Total	1,660,516	20,602,860	20,616,178	<b>1,647,198</b>

#### (3) Defined contribution plan

All amounts in RMB'000

Items	31 December 2019	Increase	Decrease	31 December 2020
1. Basic retirement insurance	134,517	1,174,968	1,225,875	<b>83,610</b>
2. Unemployment insurance	6,828	43,534	46,162	<b>4,200</b>
3. Supplementary pension	208,035	727,981	712,693	<b>223,323</b>
Total	349,380	1,946,483	1,984,730	<b>311,133</b>

The Group participated in the social insurance premiums plans set up by the government according to the regulations. According to the plan, the Group makes deposits into the plans according to the regulations. Other than the deposits mentioned above, the Group does not need to make any further payments. The corresponding expenses shall be charged to the profit or loss in the period as and when incurred.

The Group made deposits amounting to RMB1,946,483,000 (for the year ended 31 December 2019: RMB3,501,845,000) to the defined contribution plan for the current year. As at 31 December 2020, there was a payable amount of RMB311,133,000 (as at 31 December 2019: RMB349,380,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 33. Taxes payable

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Value added tax	617,597	468,570
Consumption tax	2,307	1,709
Enterprise income tax	1,210,405	1,328,077
Individual income tax	411,285	333,520
City maintenance and construction tax	67,043	56,216
Education surcharges	48,554	38,215
Land appreciation tax	1,342,072	962,453
Others	285,300	273,000
Total	3,984,563	3,461,760

### 34. Other payables

#### (1) Other payables disclosed by nature

All amounts in RMB'000

Categories	31 December 2020	31 December 2019
Interest payable	12,868	17,986
Dividends payable	916,864	1,627,020
Other payables	25,780,834	24,574,780
Total	26,710,566	26,219,786

#### (2) Interest payable

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Interests payable on long-term borrowings	8,204	16,589
Interest payable on corporate bonds	-	-
Interest payable on short-term borrowings	-	546
Others	4,664	851
Total	12,868	17,986

As at 31 December 2020, the Group did not have any significant overdue interest.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (Continued)

### 34. Other payables (Continued)

#### (3) Dividends payable

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Dividend declared on perpetual bonds classified as equity instrument	401,733	1,023,324
Other dividends	515,131	603,696
Total	916,864	1,627,020

Dividends aged over one year but not settled yet is RMB312,284,000, relevant subsidiaries are discussing with the relevant shareholders for the settlement plan.

#### (4) Other payables

##### (a) Other payables disclosed by nature

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Guarantees and deposits	19,448,018	17,492,598
Rents	108,418	169,662
Utilities	101,949	196,790
Repair and maintenance expenses	320,477	366,510
Others	5,801,972	6,349,220
Total	25,780,834	24,574,780

(b) On 31 December 2020, other payables aged over one year of RMB10,773,438,000 (31 December 2019: RMB10,001,652,000) were mainly guarantees and deposits payable collected by the Group. As both parties remained business transactions, the amount has not been settled.

### 35. Non-current liabilities due within one year

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Long-term borrowings due within one year (Note VII 37)	10,797,928	7,754,919
Bonds payable due within one year (Note VII 38)	909,559	7,010,027
Lease liabilities due within one year (Note VII 39)	189,581	216,602
Long-term payables due within one year (Note VII 40)	–	378,980
Employee benefits payable due within one year (Note VII 41)	341,036	322,888
Total	12,238,104	15,683,416

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 36. Other current liabilities

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Amounts to be transferred to output VAT	7,498,360	5,856,396
Total	7,498,360	5,856,396

### 37. Long-term borrowings

#### (1) Long-term borrowings disclosed by category

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Pledged loans (a)	3,365,012	3,083,279
Mortgaged loans (b)	3,512,652	4,566,594
Guaranteed loans (c)	4,885,065	3,453,508
Credit loans	24,666,266	23,871,153
Total	36,428,995	34,974,534
Less: Long-term borrowings due within one year (Note VII 35)	10,797,928	7,754,919
Including: Pledged loans	590,009	923,623
Mortgaged loans	1,116,180	961,870
Guaranteed loans	4,267	1,360,648
Credit loans	9,087,472	4,508,778
Long-term borrowings due over one year	25,631,067	27,219,615

#### (a) Pledge loans

As at 31 December 2020, long-term borrowings of RMB3,365,012,000 (as at 31 December 2019: RMB3,083,279,000) were secured by the pledge of the Group's accounts receivable in amount of RMB2,510,527,000 (as at 31 December 2019: RMB3,746,313,000).

#### (b) Mortgage loans

As at 31 December 2020, long-term borrowings of RMB3,512,652,000 (as at 31 December 2019: RMB4,566,594,000) were secured by the mortgage of the Group's intangible assets, investment properties, inventories, etc in amount of 5,254,119,000 (as at 31 December 2019: RMB6,741,436,000).

#### (c) Guaranteed loans

As at 31 December 2020, long-term borrowings of RMB4,885,065,000 were guaranteed by CMGC (as at 31 December 2019: RMB3,453,508,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 37. Long-term borrowings (Continued)

(2) *Analysis of the maturity profile of long-term borrowings due over one year*

All amounts in RMB'000

Maturity Date	31 December 2020	31 December 2019
1 to 2 years	10,199,358	11,261,882
2 to 5 years	10,770,680	11,683,899
Over 5 years	4,661,029	4,273,834
Total	25,631,067	27,219,615

(3) In 2020, the weighted average interest rate of long-term borrowings was 4.89% per annum (In 2019: 5.24% per annum).

(4) As at 31 December 2020, the Group did not have any significant overdue long-term borrowings.

### 38. Bonds payable

(1) *Bonds payable*

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Corporate debentures	1,699,559	1,691,143
USD debentures	–	6,978,884
Total	1,699,559	8,670,027
Including: Bonds payable due within one year (Note VII 35)	909,559	7,010,027
Bonds payable due over one year	790,000	1,660,000

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 38. Bonds payable (Continued)

#### (2) Movements of bonds payable

All amounts in RMB'000

Name of bonds	Face value	Issue date	Term	Issue amount	31 December 2019	Issued in the current year	Interest accrued based on face value	Effect of change of exchange rate	Premium and discount amortization	Repaid in the current year	31 December 2020
USD debentures (a)	3,431,650	2017-05-31	3 years	3,411,043	3,486,393	-	65,317	67,677	3,067	3,622,454	-
USD debentures (b)	3,378,100	2017-07-17	To 2020-05-30	3,376,770	3,492,491	-	39,539	59,371	206	3,591,607	-
Corporate debentures (c)	570,000	2017-10-24 to 2017-10-25	5 years	570,000	573,377	-	28,443	-	-	26,521	575,299
Corporate debentures (d)	870,000	2018-05-07 to 2018-05-08	3 years	870,000	891,639	-	41,586	-	-	36,109	897,116
Corporate debentures (e)	220,000	2018-05-07 to 2018-05-08	5 years	220,000	226,127	-	10,956	-	-	9,939	227,144
<b>Total</b>	<b>8,469,750</b>	<b>/</b>	<b>/</b>	<b>8,447,813</b>	<b>8,670,027</b>	<b>-</b>	<b>185,841</b>	<b>127,048</b>	<b>3,273</b>	<b>7,286,630</b>	<b>1,699,559</b>

- (a) MCC Holding (Hong Kong) Corporation Limited issued USD debentures on 31 May 2017 at a discounted price of USD496,998,000 with a face value of USD500,000,000, a term of three years from issuance. The debentures bear interest at a fixed rate of 2.950% per annum. Interest will be paid every half year and principal will be paid upon maturity date. This debenture was paid upon maturity date on 30 May 2020.
- (b) MCC Holding (Hong Kong) Corporation Limited issued USD debentures on 17 July 2017 at a discounted price of USD499,803,000 with a face value of USD500,000,000. The maturity date is 30 May 2020. The debentures bear interest at a fixed rate of 2.950% per annum. Interest will be paid every half year and principal will be paid upon maturity date. This debenture was paid upon maturity date on 29 May 2020.
- (c) As approved by CSRC, the Company issued corporate debentures publicly from 24 October 2017 to 25 October 2017, at an equal price with the face value of RMB570,000,000, a term of five years from issuance. The debentures bear interest at a fixed rate of 4.99% per annum. Interest will be paid every year and principal will be paid upon maturity date.
- (d) As approved by CSRC, the Company issued corporate debentures on a public issuance basis from 7 May 2018 to 8 May 2018 at an equal price with the face value of RMB870,000,000 with a term of three years from issuance and interest bearing at a fixed rate of 4.78%. Interest will be paid every year and principal will be paid upon maturity date.
- (e) As approved by CSRC, the Company issued corporate debentures on a public issuance basis from 7 May 2018 to 8 May 2018 at an equal price with the face value of RMB220,000,000 with a term of five years from issuance and interest bearing at a fixed rate of 4.98%. Interest will be paid every year and principal will be paid upon maturity date.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 39. Lease liabilities

#### (1) Lease liabilities disclosed by nature

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Lease of buildings and structures	297,501	362,548
Other leases	129,122	156,108
Total	426,623	518,656
Including: Lease liabilities due within one year (Note VII 35)	189,581	216,602
Lease liabilities due over one year	237,042	302,054

#### (2) Analysis of the maturity profile of lease liabilities

All amounts in RMB'000

Maturity Date	31 December 2020	31 December 2019
1st year after the balance sheet date	206,222	231,986
2nd year after the balance sheet date	101,476	164,874
3rd year after the balance sheet date	71,091	57,902
Subsequent years	85,493	119,428
Total minimum lease payments	464,282	574,190
Less: Unrecognized financing cost	37,659	55,534
Total lease liabilities	426,623	518,656



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 40. Long-term payables

#### (1) Presentation of long-term payables

All amounts in RMB'000

Categories	31 December 2020	31 December 2019
Long-term payables	883,492	440,111
Special payables	163,713	452,882
Total	1,047,205	892,993

#### (2) Long-term payables

##### (a) Long-term payables disclosed by nature

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Housing maintenance fee payables	41,775	42,050
Amounts due to funds	376,858	376,858
Others	464,859	400,183
Total	883,492	819,091
Including: Long-term payables due within one year (Note VII 35)	-	378,980
Long-term payables due over one year	883,492	440,111

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 40. Long-term payables (Continued)

#### (2) Long-term payables (Continued)

(b) Analysis of the maturity profile of long-term payables due over one year

All amounts in RMB'000

Maturity Date	31 December 2020	31 December 2019
1 to 2 years	1,220	2,445
2 to 5 years	451,601	4,101
Over 5 years	430,671	433,565
Total	883,492	440,111

#### (3) Special payables

All amounts in RMB'000

Items	31 December 2019	Increase	Decrease	31 December 2020
Housing allowance payables	571	–	–	571
Special housing maintenance fee payables	58	–	13	45
Special payables for water/power/gas supply and property (Note)	448,879	20,901	309,457	160,323
Others	3,374	67	667	2,774
Total	452,882	20,968	310,137	163,713

Note: The Group has commenced the transfer of water/power/gas supply and property with the received special payables for water/power/gas supply and property aggregated to the special payables for settlement, in accordance with the *Notice of Rewarding the Guidance on the Separation and Transfer of Water/Power/Gas Supply and Property in Residential Quarters for Employees of the State-owned Enterprises by State-owned Assets Supervision and Administration Commission of the State Council, the MoF from the General Office of the State Council* (Guo Ban Fa [2016] No.45), and the *Management of Central Government Grants on the Separation and Transfer of Water/Power/Gas Supply and Property to Employees and Their Relatives of Central Enterprises* (Cai Zi [2016] No.38) and other related management documents etc.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 41. Long-term employee benefits payable

#### (1) Long-term employee benefits payable

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Post-employment benefits -Net liability arising from defined benefit plans	<b>4,444,692</b>	3,438,881
Total	<b>4,444,692</b>	3,438,881
Including: Long-term employee benefits payable due within one year (Note VII 35)	<b>341,036</b>	322,888
Long-term employee benefits payable due over one year	<b>4,103,656</b>	3,115,993

#### (a) Movements in the defined benefit plans

All amounts in RMB'000

Items	2020	2019
I. Opening balance	<b>3,438,881</b>	3,853,063
II. Defined benefit costs recognized in profit or loss	<b>1,497,949</b>	136,144
1. Past service cost	<b>1,402,405</b>	16,671
2. Net interest expense	<b>95,544</b>	119,473
III. Defined benefit costs recognized in other comprehensive income	<b>(130,122)</b>	(157,846)
1. Actuarial (gains) losses	<b>(130,122)</b>	(157,846)
IV. Other movements	<b>(362,016)</b>	(392,480)
1. Benefits paid	<b>(362,016)</b>	(392,480)
V. Closing balance	<b>4,444,692</b>	3,438,881

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 41. Long-term employee benefits payable (Continued)

(2) *Details of the defined benefit plan and its corresponding risk, effect on further cash flows, maturity and uncertainty of the Group*

- (a) Defined benefit plan is for the staff supplementary-retirement benefits. 3,048,132,000 Of the balance of defined benefit plan is for the staff retired before 31 December 2007; 1,396,560,000 of the balance of defined benefit plan is for the staff retired before 31 December 2023. The retirement benefits received depend on the position, seniority, salary, etc when the staff retires. The Group's supplementary-retirement benefits obligation at the balance sheet date is calculated by an external independent actuary "Willis Towers Watson" using projected unit credit actuarial cost method.
- (b) The Group's weighted average period of the present value for the defined benefit plan is 7-8 years.
- (c) Expected maturity analysis of undiscounted post-employment benefits:

*All amounts in RMB'000*

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Post-employment benefits	341,036	435,638	846,312	3,850,722	5,473,708

- (d) Defined benefits plan exposes the Group to various risks, mainly including the risk of change of interest rate of treasury bonds, inflation rate risk, and risk of the increase in life expectancy. The drop of the interest rate of treasury bonds will increase the defined benefit plan obligations. The Group is of the view that the interest rate of treasury bonds will not have significant fluctuations in the future. The changes of inflation rate will have impact on the significant assumptions of the living costs of the underlying staff and survivors, and the growth rate of the staff medical expense reimbursements. The Group believes this risk is not significant. The increase of the life expectancy will increase the defined benefit plan obligations.

(3) *The principal assumptions used for the purposes of the actuarial valuations and sensitivity analyses*

- (a) The major actuarial assumptions used for calculating the present value of the defined benefit obligations of the Group

	31 December 2020	31 December 2019
Discount rate	3.25%	3.00%
Mortality rate	CLA CL5/CL6 up 3	CLA CL5/CL6 up 3
Annual growth rate of living cost for retirement staff and survivors	4.50%	4.50%
Annual growth rate of various employee medical expense reimbursement	8.00%	8.00%

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (Continued)

### 41. Long-term employee benefits payable (Continued)

(3) *The principal assumptions used for the purposes of the actuarial valuations and sensitivity analyses (Continued)*

(b) The sensitivity analysis of the major actuarial assumptions used for calculating the present value of the defined benefit obligations of the Group

	Impact on present value of the defined benefit obligations		
	Assumed changes	Assumed increase	Assumed decrease
Discount rate	0.25%	1.50% down	1.50% up
Annual growth rate of living cost for retirement staff and survivors	1.00%	0.80% up	0.70% down
Annual growth rate of various employee medical expense reimbursement	1.00%	1.70% up	1.50% down

The sensitivity analysis above was prepared based on the change of one assumption but all other variables were held constant. However, the assumptions above are usually inter-related. The calculation of the present value of the defined benefit obligation in the sensitivity analysis above also adopted the projected unit credit actuarial cost method.

Method and type of significant assumptions used in the sensitivity analysis for the current year remained unchanged comparing with the previous year.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 42. Provisions

All amounts in RMB'000

Items	31 December 2020	31 December 2019	Reasons
Pending litigations	127,904	98,741	Because of the verdict of losing a lawsuit, the Group needed to bear the present obligations of the pending litigations, and that an outflow of resources would be required to settle this obligations and the amount had been reliably estimated.
Product quality warranties	9,594	5,238	Because of the sales contract, the Group needed to bear the present obligations of the product quality warranties, and that an outflow of resources would be required to settle this obligations and the amount had been reliably estimated.
Restoration, rehabilitation and environmental provision	219,635	220,821	Because of the resource development contract, the Group needed to bear the present obligations of the restoration of the environment, and that an outflow of resources would be required to settle this obligations and the amount had been reliably estimated.
Onerous contract to be performed	224,760	225,243	It is probable that the performance of the present obligation arising from the Group's payment for expected contract loss due to the onerous contract to be performed will result in an outflow of economic benefits and reliable measurement of the obligation amount.
The separation and hand-over cost of "Special payables for water/power/gas supply and property"	187,061	259,243	In accordance with the requirement of Guo Ban Fa [2016] No.45, Cai Zi [2016] No.38, and other related management documents, the Group shall bear the current obligation formed during the separation and hand-over of "Special payables for water/power/gas supply and property". An outflow of resources would be required to settle this obligation and the amount had been reliably estimated.
Others	8,321	8,645	Others
<b>Total</b>	<b>777,275</b>	<b>817,931</b>	/

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 43. Deferred income

All amounts in RMB'000

Items	31 December 2019	Increase	Decrease	31 December 2020	Reasons
Government grants	1,505,285	298,635	314,289	1,489,631	The government grants related to assets mainly include the investment subsidies for the purchase of new equipment and other production infrastructure; the government grants related to profits mainly include research subsidies.
Others	77,012	32,711	15,029	94,694	Others
Total	1,582,297	331,346	329,318	1,584,325	/

### 44. Other non-current liabilities

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Continuing involvement in liabilities (Note VII 5(5))	14,600	14,600
Total	14,600	14,600

### 45. Share capital

All amounts in RMB'000

Items	31 December 2019	Movements during the current year					Sub-total	31 December 2020
		Issue of new shares	Bonus issue	Shares converted from capital reserve	Others			
Total shares	20,723,619	-	-	-	-	-	20,723,619	

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 46. Other equity instruments

All amounts in RMB'000

Name of financial instrument	31 December 2019		Increase		Decrease		31 December 2020	
	Number (ten thousand)	Carrying amount	Number (ten thousand)	Carrying amount	Number (ten thousand)	Carrying amount	Number (ten thousand)	Carrying amount
2015 First Tranche of Interim Notes	5,000	4,925,000	-	-	5,000	4,925,000	-	-
Public Offering of Renewable Corporate Bonds in 2017 (First Tranche)	2,700	2,699,779	-	-	2,700	2,699,779	-	-
Public Offering of Renewable Corporate Bonds in 2017 (Second Tranche)	2,000	1,999,836	-	-	2,000	1,999,836	-	-
Public Offering of Renewable Corporate Bonds in 2017 (Third Tranche)	2,000	1,999,803	-	-	2,000	1,999,803	-	-
Public Offering of Renewable Corporate Bonds in 2017 (Fourth Tranche)	1,300	1,299,872	-	-	1,300	1,299,872	-	-
Renewable Financing Instruments of Generali China Asset Management in 2019	-	3,000,000	-	-	-	-	-	3,000,000
Renewable Financing Instruments of Kunlun Trust in 2019	-	8,000,000	-	-	-	-	-	8,000,000
2019 First Tranche of Renewable Financing Instrument of ICBC	-	1,000,000	-	-	-	-	-	1,000,000
2019 Second Tranche of Renewable Financing Instrument of ICBC	-	1,000,000	-	-	-	-	-	1,000,000
Public Offering of Renewable Corporate Bonds in 2020 (First Tranche) (a)	-	-	2,000	2,000,000	-	-	2,000	2,000,000
Public Offering of Renewable Corporate Bonds in 2020 (Second Tranche) (b)	-	-	1,000	1,000,000	-	-	1,000	1,000,000
Renewable Financing Instruments of North Silver abundance (Beijing) Asset Management Limited in 2020 (c)	-	-	-	3,000,000	-	-	-	3,000,000
Renewable Financing Instruments of Bairui Trust in 2020 (d)	-	-	-	1,500,000	-	-	-	1,500,000
<b>Total</b>	<b>/</b>	<b>25,924,290</b>	<b>/</b>	<b>7,500,000</b>	<b>/</b>	<b>12,924,290</b>	<b>/</b>	<b>20,500,000</b>

As it is at the discretion of the Company to decide whether to redeem the above-mentioned medium-term notes or defer payments on the above-mentioned corporate bonds and renewable financing instruments, the above-mentioned renewable financing instruments' perpetuity remains in effect. Unless otherwise dictated by a compulsory interest payment occurrence that is independently decided and consequently controlled by the Company, the Company can choose, at its own discretion, to defer the current interest payment and previous deferred interests and related yields to next interest payment date without any limitation on the number of deferred interest payments, and the repayment order of such renewable financing instruments at the settlement is inferior to that of ordinary bonds and other debts issued by the Company. The Company believes that such renewable financing instruments do not meet the definition of financial liabilities and are accounted for as other equity instruments subsequent to deduction of related transaction costs from the total issue amount.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 46. Other equity instruments (Continued)

- (a) In 2020, the company issued a new 2020 first phase of medium-term notes of RMB2,000,000,000. The announcement was issued on June 18, 2020. Bonds was issued on June 22-23, 2020. The repayment period is 3 +n (3) years, the lead underwriter and bookkeeper of the current medium-term notes is Bank of Shanghai Co., Ltd., Ltd. The company has the financier's redemption option. This medium-term note does not include contractual obligations to deliver cash or other financial assets to other parties, or exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions. Therefore, the company includes this medium-term note financing instrument as other equity instruments.
- (b) In 2020, the company issued a new 2020 second phase of medium-term notes of RMB1,000,000,000. The announcement was issued on June 22-23, 2020. Bonds was issued on June 24, 28 and 29, 2020. The repayment period is 3 +n (3) years, the lead underwriter and bookkeeper of the current medium-term notes is China CITIC Bank Co., Ltd.

The company has the financier's redemption option. This medium-term note does not include contractual obligations to deliver cash or other financial assets to other parties, or exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions. Therefore, the company includes this medium-term note financing instrument as other equity instruments.

- (c) The Company entered into a renewable financing contract with North Silver abundance (Beijing) Asset Management Limited. in 2020, totaling RMB3,000,000,000. The Company has the financier redemption option and can choose to exercise the right of repayment on the corresponding expiration date of the 3th year, or the expiration date of each year after the 3th year from the date (inclusive) when each tranche of investment funds is substantially transferred into the account designated by the Company. The renewable financing instrument does not include the contractual obligation to deliver cash or other financial assets to other parties, or to exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions. Therefore, the Company treats the renewable financing instruments as other equity instruments.
- (d) The Company entered into a renewable financing contract with Bairui Trust Co., Ltd in 2020, totaling RMB1,500,000,000. The Company has the financier redemption option and can choose to exercise the right of repayment on the corresponding expiration date of the 3th year, or the expiration date of each year after the 3th year from the date (inclusive) when each tranche of investment funds is substantially transferred into the account designated by the Company. The renewable financing instrument does not include the contractual obligation to deliver cash or other financial assets to other parties, or to exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions. Therefore, the Company treats the renewable financing instruments as other equity instruments.

### 47. Capital reserve

All amounts in RMB'000

Items	31 December 2019	Increase	Decrease	31 December 2020
Share premium	22,467,142	–	–	22,467,142
Other capital reserve	9,306	–	14,846	(5,540)
Total	22,476,448	–	14,846	22,461,602

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 48. Other comprehensive income

All amounts in RMB'000

Items	31 December 2019	Other comprehensive income before tax for the year	Amount for the current year				Less: Retained earnings transferred from other comprehensive income	31 December 2020
			Less: Amount included in other comprehensive income in the prior periods that is transferred to profit or loss for current period	Less: Income tax expenses	Attributable to owners of the Company, net of income tax	Attributable to non-controlling interests, net of income tax		
(I) Other comprehensive income that will not be reclassified to profit or loss	(155,991)	156,757	-	(38,909)	190,591	5,075	(15,224)	49,824
1. Changes in re-measurement of defined benefit obligations	(149,716)	130,122	-	(28,195)	158,075	242	-	8,359
2. Fair value changes in investments in other equity instruments	(6,275)	26,635	-	(10,714)	32,516	4,833	(15,224)	41,465
(II) Other comprehensive income that may be reclassified to profit or loss	96,373	(775,061)	-	(8,461)	(430,593)	(336,007)	-	(334,220)
1. Other comprehensive income that may be transferred to profit or loss under equity method	(555)	(54)	-	-	23,780	(23,834)	-	23,225
2. Changes in fair value of receivables at FVTOCI	(91,861)	(34,187)	-	(8,824)	(15,986)	(9,377)	-	(107,847)
3. Exchange differences on translating foreign operations	188,789	(740,820)	-	363	(438,387)	(302,796)	-	(249,598)
Total other comprehensive income	(59,618)	(618,304)	-	(47,370)	(240,002)	(330,932)	(15,224)	(284,396)

### 49. Special reserve

All amounts in RMB'000

Items	31 December 2019	Increase	Decrease	31 December 2020
Production safety fee	12,550	5,712,378	5,712,378	12,550
Total	12,550	5,712,378	5,712,378	12,550



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50. Surplus reserve

All amounts in RMB'000

Items	31 December 2019	Increase	Decrease	31 December 2020
Statutory surplus reserve	1,748,938	267,830	–	<b>2,016,768</b>
Total	1,748,938	267,830	–	<b>2,016,768</b>

- (a) In accordance with the *Company Law of the PRC* and the Company's Articles of Association, the Company appropriated 10% of the net profit to the statutory surplus reserve. When the accumulated amount of statutory surplus reserve reaches 50% of the Company's registered capital, further appropriation will not be needed. Upon the approval of the board, the statutory surplus reserve can be used to offset previous years' losses or increase the share capital. The Company appropriated 10% of the net profit, amounting to RMB267,830,000 for the year ended 31 December 2020 (for the year ended 31 December 2019: RMB293,519,000), to the statutory surplus reserve.

### 51. Retained earnings

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Retained earnings at the beginning of the year	<b>27,123,498</b>	23,546,950
Add: Net profit attributable to shareholders of the parent company for the current year	<b>7,862,185</b>	6,599,712
Other comprehensive income carried forward to retained earnings	<b>(15,224)</b>	62,190
Less: Appropriation to surplus reserve ( <i>Note VII 50 (a)</i> )	<b>267,830</b>	293,519
Declaration of dividends on ordinary shares ( <i>a</i> )	<b>1,492,100</b>	1,450,653
Declaration of dividends on perpetual bonds ( <i>c</i> )	<b>749,034</b>	1,341,182
Retained earnings at the end of the year ( <i>b/c</i> )	<b>32,461,495</b>	27,123,498

- (a) In accordance with the resolution at the 2019 annual general meeting of shareholders on 29 June 2020, a final cash dividend of RMB0.72 (inclusive of tax) for every ten shares was approved after the appropriation to statutory surplus reserve, which amounted to RMB1,492,100,000. These dividends have been paid in the current year.
- (b) As at 31 December 2020, retained earnings of the Group contained statutory surplus reserve of subsidiaries of the parent company amounting to RMB15,080,725,000 (as at 31 December 2019: RMB12,347,493,000).
- (c) For the year ended 31 December 2020, dividends on perpetual bond amounted to RMB749,034,000 (2019: RMB1,341,182,000). As at 31 December 2020, retained earnings contained no interests belonging to the perpetual bond holders (as at 31 December 2019: nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 52. Operating revenue and operating costs

#### (1) Operating revenue and operating costs

All amounts in RMB'000

Items	Amount for the current year		Amount for the prior year	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Principal business	398,896,668	354,190,985	337,588,847	298,705,458
Other business	1,217,955	494,586	1,048,762	541,657
Total	400,114,623	354,685,571	338,637,609	299,247,115

(2) The segment information of operating revenue and operating costs for the year ended 31 December 2020 is set out in Note XV 1.

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

The total amount of operating revenue from the top five largest customers of the Group is RMB17,594,606,000 (for the year ended 31 December 2019: RMB17,297,429,000), accounting for 4.40% of the total operating revenue of the Group (for the year ended 31 December 2019: 5.11%). The details are set out below:

All amounts in RMB'000

Customers	Operating revenue	As a percentage of total operating revenue of the Group (%)
Party 1	7,095,657	1.77
Party 2	3,369,442	0.84
Party 3	2,583,241	0.65
Party 4	2,425,331	0.61
Party 5	2,120,935	0.53
Total	17,594,606	4.40

(4) The engineering contracting services provided by the Group generally constitutes a single performance obligation as a whole and is performed over time. As at 31 December 2020, some of the Group's engineering contracting service contracts are still in the process of performance, the transaction price allocated to the outstanding (or partially unperformed) performance obligations is related to the performance progress of each service contract, and will be recognized as revenue in the future performance period of each contract based on the performance progress.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 53. Taxes and levies

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
City construction and maintenance tax	302,187	298,360
Education surcharges	144,349	141,875
Land appreciation tax	579,183	610,445
Property tax	210,431	222,222
Land use tax	116,794	130,722
Stamp duty	271,862	176,858
Others	343,056	315,890
Total	1,967,862	1,896,372

### 54. Selling expenses

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Packing charges	4,539	5,889
Employee benefits	1,085,168	1,014,774
Depreciation of fixed assets	15,993	17,510
Travelling expenses	185,584	215,069
Office expenses	191,205	172,432
Transportation expenses	227,775	266,244
Advertising and sales service expenses	422,797	413,857
Other	308,143	210,040
Total	2,441,204	2,315,815

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 55. Administrative expenses

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Employee benefits	7,711,314	6,090,502
Depreciation of fixed assets	498,235	486,717
Travelling expenses	324,284	397,443
Office expenses	710,720	725,537
Lease rentals	140,988	133,046
Repairs and maintenance expenses	106,549	127,606
Amortization of intangible assets	175,942	166,666
Professional service fees	379,702	328,822
Others	963,586	898,323
Total	11,011,320	9,354,662

The administrative expenses for the current year include audit fees of RMB16,010,000 (for the year ended 31 December 2019: RMB20,350,000), among which audit fees for internal control for the current year amounted to RMB1,500,000 (for the year ended 31 December 2019: RMB2,000,000).

### 56. Research and development expenditure

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Research and development material expenditure	8,039,380	6,370,730
Employee benefits	3,483,127	2,835,670
Depreciation of fixed assets	114,595	123,618
Amortization of intangible assets	16,701	18,646
Others	673,100	585,780
Total	12,326,903	9,934,444

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 57. Financial expenses

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Interest expenses	4,371,078	5,587,485
Less: Capitalized interests	1,861,108	1,437,612
Less: Interest income	1,738,474	2,393,377
Exchange losses	191,682	34,729
Bank charges	582,884	456,653
Interest expenses of lease liabilities	21,664	18,103
Others	199,672	232,283
Total	1,767,398	2,498,264

### 58. Other income

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Government grants related to routine activities	425,666	209,712
Others	25,936	32,233
Total	451,602	241,945



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 59. Investment losses

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
(Losses) Gains from long-term equity investments under equity method	(177,587)	19,754
Investment income on disposal of long-term equity investments	9,511	107,797
Investment income on disposal of financial assets held-for-trading	59,822	56,549
Investment income from disposal of other non-current financial assets	(53)	29,754
Investment income from disposal of derivative financial instruments	13,271	5,007
Investment loss from disposal of receivables at FVTOCI	(344,568)	(424,221)
Investment income from holding investment in other equity instrument	61,359	63,648
Investment income from holding other non-current financial assets	77,015	97,450
Losses from derecognition of financial assets at amortized cost (Note)	(870,347)	(945,269)
Others	31,915	2,353
Total	(1,139,662)	(987,178)

Note: For the current year, the Group's investment losses due to the transfer of bank acceptance bills and accounts receivable measured by amortized cost to financial institutions in the form of discount, non-recourse protection factoring and asset securitization were RMB870,347,000 (for the period ended 31 December 2019: RMB945,269,000).

### 60. (Losses) gains from changes in fair values

All amounts in RMB'000

Sources	Amount for the current year	Amount for the prior year
(Losses) Gains arising on changes in fair value of financial assets held for trading	(11,492)	(11,718)
(Losses) Gains arising on changes in fair value of derivative financial assets	46,012	(1,964)
(Losses) Gains arising on changes in fair value of derivative financial liabilities	4,224	(3,734)
(Losses) Gains arising on changes in fair value of other non-current financial assets	(4,921)	4,606
Total	33,823	(12,810)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 61. Impairment losses of credit

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Credit losses of bills receivable (Note VII 4(4))	(6,030)	8,550
Credit losses of accounts receivable (Note VII 5(3))	(1,082,688)	(598,022)
Credit losses of other receivables (Note VII 8(4)(b))	(1,277,466)	(959,297)
Impairment losses of contract assets (Note VII 10(2))	–	(825,583)
Credit losses of long-term receivables (Note VII 13(2))	(720,485)	(44,187)
Total	(3,086,669)	(2,418,539)

### 62. Impairment losses of assets

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
I. Impairment of contract assets (Note VII 10(2))	(215,820)	–
II. Impairment of inventories (Note VII 9(2))	(130,108)	(394,535)
III. Impairment of long-term equity investments (Note VII 14)	–	(98,855)
IV. Impairment of investment properties (Note VII 17(1))	(5,371)	–
V. Impairment of fixed assets (Note VII 18(1))	(131,335)	(374,222)
VI. Impairment of construction in progress (Note VII 19(2)(c))	(107,507)	(70,481)
VII. Impairment of intangible assets (Note VII 21)	(2,602)	–
VIII. Impairment of goodwill (Note VII 22(2))	(595)	(1,656)
Total	(593,338)	(939,749)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 63. Gains on disposal of assets

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Gains on disposal of fixed assets	70,882	69,919
(Losses) Gains on disposal of intangible assets	162,017	(2,109)
Total	232,899	67,810

### 64. Non-operating income

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year	Recognized in non-recurring profit or loss for the current period
Income from penalty	38,412	24,523	38,412
Government grants irrelevant to routine activities	193,031	212,022	193,031
Unpayable balances	64,778	142,918	64,778
Others	178,783	144,314	178,783
Total	475,004	523,777	475,004

### 65. Non-operating expenses

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year	Recognized in non-recurring profit or loss for the current period
Fines and surcharges for overdue payments	24,833	23,854	24,833
Compensation and default payments	156,474	26,748	156,474
Others	189,447	33,433	189,447
Total	370,754	84,035	370,754

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 66. Income tax expenses

#### (1) Income tax expenses

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Current year tax expenses	2,516,511	2,689,518
Deferred tax expenses	18,402	(484,179)
Total	2,534,913	2,205,339

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

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Total profit	11,917,270	9,782,158
Income tax expenses calculated at the statutory/ applicable tax rate (25%)	2,979,317	2,445,540
Effect of difference between applicable tax rate and statutory tax rate	(936,189)	(528,915)
Income not subject to tax	(185,232)	(138,820)
Expenses not deductible for tax purposes	401,762	244,814
Utilization of tax losses and other temporary differences for which no deferred income tax assets were recognized previously	(9,306)	(201,196)
Tax losses and other temporary differences for which no deferred income tax assets were recognized	854,593	685,684
Others	(570,032)	(301,768)
Income tax expense	2,534,913	2,205,339

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 67. Other comprehensive income

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
(I) Other comprehensive income that will not be reclassified to profit or loss		
1. Changes in re-measurement of defined benefit obligations	130,122	157,846
Less: Income tax effects on changes in re-measurement of defined benefit obligations	(28,195)	(2,924)
Sub-total	158,317	160,770
2. Fair value changes of investments in other equity instruments	26,635	59,731
Less: Income tax effects arising from fair value changes of investments in other equity instruments	(10,714)	(7,984)
Sub-total	37,349	67,715
(II) Other comprehensive income that may be reclassified subsequently to profit or loss		
1. Other comprehensive income that may be included to profit or loss under equity method	(54)	(3)
Less: Effect of income tax incurred by other comprehensive income under equity method	-	-
Sub-total	(54)	(3)
2. Changes in fair value of receivables at FVTOCI	(34,187)	(106,284)
Less: Effect of changes in fair value of receivables at FVTOCI on income tax	(8,824)	(7,217)
Sub-total	(25,363)	(99,067)
3. Exchange differences on translating foreign operations	(741,183)	92,792
Total	(570,934)	222,207



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 68. Notes to items in the cash flow statements

#### (1) Other cash receipts relating to operating activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Receipts of deposits and guarantee funds	1,955,420	421,270
Interest income	905,462	644,309
Recovery of receivables	1,226,905	1,093,634
Government grants received	818,157	923,443
Petty cash funds returned by employees	78,449	27,380
Others	355,697	393,197
Total	5,340,090	3,503,233

#### (2) Other cash payments relating to operating activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Payments of deposits and guarantee funds	5,560,543	1,453,958
Research and development expenses	8,712,480	6,954,543
Payments for retirement benefits	386,897	392,480
Travelling expenses	509,868	612,512
Office expenses	901,925	897,969
Repair and maintenance expenses	113,926	132,784
Advertising and sales service expenses	422,797	413,857
Settlements for payables	463,704	474,000
Conference expenses and association fees	11,307	11,867
Others	542,986	277,217
Total	17,626,433	11,621,187

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 68. Notes to items in the cash flow statements (Continued)

#### (3) Other cash receipts relating to investing activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Interest income from loans	1,071,994	1,400,196
Recovery of loans to related parties	–	866,986
Total	1,071,994	2,267,182

#### (4) Other cash payments relating to investing activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Providing loans to related parties	6,234,940	–
Total	6,234,940	–

#### (5) Other cash receipts relating to financing activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Decrease in restricted deposits	932,237	–
Total	932,237	–

#### (6) Other cash payments relating to financing activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Redemption of perpetual medium-term notes	13,000,000	3,000,000
Increase in restricted deposits	–	536,462
Payments for lease liabilities	105,724	185,031
Transactions with non-controlling interests	219,824	44,500
Total	13,325,548	3,765,993

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 69. Supplementary information to the cash flow statements

(1) *Supplementary information to the cash flow statements*

All amounts in RMB'000

Supplementary information	Amount for the current year	Amount for the prior year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	9,382,357	7,576,819
Add: Provision for impairment losses of assets and credit losses	3,680,007	3,358,288
Depreciation of fixed assets and right-of-use assets, and amortization of investment properties	2,997,158	2,834,633
Amortization of intangible assets	540,148	487,170
Amortization of long-term prepayments	84,243	62,440
Gains on disposal of fixed assets, intangible assets and other long-term assets	(232,898)	(67,810)
Losses on written-off of fixed assets	6,523	11,374
Losses (gains) from changes in fair value	(33,823)	12,810
Financial expenses	2,434,843	2,802,509
Investment income	269,315	(382,312)
Increase in deferred tax assets	27,591	(457,633)
Decrease in deferred tax liabilities	(9,190)	(26,545)
(Increase) decrease in inventories	150,652	(3,343,421)
Increase in contract assets	(10,378,939)	(6,891,092)
Increase in contract liabilities	21,057,761	5,677,677
Decrease (increase) in receivables from operating activities	(9,615,933)	1,009,591
Increase (decrease) in payables from operating activities	7,671,890	4,913,435
Net cash flows from operating activities	<b>28,031,705</b>	17,577,933
2. Significant non-cash investing and financing activities:		
None		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	42,165,302	31,814,900
Less: Opening balance of cash	31,814,900	33,151,002
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net increase in cash and cash equivalents	<b>10,350,402</b>	(1,336,102)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 69. Supplementary information to the cash flow statements (Continued)

#### (2) Net cash received from disposal of subsidiaries in the current year

All amounts in RMB'000

Items	Amount
Cash and cash equivalents received from disposal of subsidiaries in the current year	70,429
Less: cash and cash equivalents held by subsidiaries on the date of loss of control	11,861
Add: cash and cash equivalents received from disposal of subsidiaries in the previous year	–
Net cash received from disposal of subsidiaries	58,568

#### (3) The composition of cash and cash equivalents

All amounts in RMB'000

Items	31 December 2020	31 December 2019
I. Cash	42,165,302	31,814,900
Including: Cash on hand	11,441	18,581
Bank deposits without restriction	41,409,099	30,757,024
Other cash and bank balances without restriction	744,762	1,039,295
II. Cash equivalents	–	–
III. Closing balance of cash and cash equivalents	42,165,302	31,814,900
Including: Cash and cash equivalents of the Company or within the Group with restriction	–	–

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 70. Assets with title restrictions

All amounts in RMB'000

Items	31 December 2020	Reasons
Cash and bank balances	10,930,525	Freeze/Control
Bills receivable	446,241	Pledge
Bills receivable	374,218	Endorsed or discounted
Accounts receivable	2,510,527	Pledge
Receivables at FVTOCI	2,465,014	Pledge
Inventories	3,391,956	Mortgage
Investment properties	371,553	Mortgage
Fixed assets	239,234	Mortgage
Intangible assets	2,091,321	Mortgage
Long-term equity investments	49,500	Mortgage
Construction in progress	12,596	Mortgage
Total	22,882,685	/



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 71. Foreign currencies denominated items

(1) *Foreign currencies denominated items*

All amounts in RMB'000

Items	Foreign currency at 31 December 2020	Exchange rate	RMB at 31 December 2020
<b>Cash and bank balances</b>			7,138,618
Including: USD	762,246	6.5249	4,973,582
EUR	5,455	8.0250	43,773
AUD	52,673	5.0163	264,226
HKD	119,613	0.8416	100,666
RMB	173,460	1	173,460
Others	/	/	1,582,911
<b>Accounts receivable</b>			1,309,847
Including: USD	75,081	6.5249	489,893
EUR	1,216	8.0250	9,755
AUD	1,000	5.0163	5,016
HKD	103,117	0.8416	86,783
Others	/	/	718,400
<b>Interest receivables</b>			1,429,128
Including: USD	219,027	6.5249	1,429,128
<b>Other receivables</b>			16,532,729
Including: USD	2,293,145	6.5249	14,962,540
EUR	400	8.0250	3,210
AUD	133,043	5.0163	667,381
HKD	71,753	0.8416	60,387
RMB	117,534	1	117,534
Others	/	/	721,677
<b>Short-term borrowings</b>			4,653,673
Including: USD	713,217	6.5249	4,653,673
<b>Accounts payable</b>			905,348
Including: USD	46,676	6.5249	304,554
EUR	2,507	8.0250	20,117
AUD	565	5.0163	2,835
HKD	89,828	0.8416	75,599
RMB	29,902	1	29,902
Others	/	/	472,341
<b>Other payables</b>			8,316,420
Including: USD	811,498	6.5249	5,294,946
EUR	400	8.0250	3,210
AUD	39,096	5.0163	196,118
HKD	47,758	0.8416	40,193
RMB	94,169	1	94,169
Others	/	/	2,687,784

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 71. Foreign currencies denominated items (Continued)

#### (2) Notes for the foreign operations

Full name of the major foreign operations	Place of business	Reporting currency	The basis of selecting functional currency
MCC Minera Sierra Grande S.A	Argentina	Argentine Peso	The functional currency of the overseas subsidiaries is selected based on the primary economic environment where they operate.
MCC Mining (Western Australia) Pty Ltd.	Australia	US Dollar	
MCC Australia Holding Pty Ltd.	Australia	Australian Dollar	
MCC Tongsin Resources Ltd.	Pakistan	US Dollar	
MCC Holding (Hong Kong) Corporation Limited	Hong Kong, China	US Dollar	
MCC Ramu NiCo Ltd.	Papua New Guinea	US Dollar	

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

### 72. Government grants

#### (1) Basic information of government grants

All amounts in RMB'000

Government grants	Category	Amount received in the current year	Presenting items	Amount recognized in profit or loss
Chenghua District Shuinanhe Road House Demolition Payment	Income related	79,200	Deferred income/non-operating income	79,200
Chengdu Chenghua District Relocation Subsidy	Asset related	60,000	Deferred income/non-operating income	1,762
Subsidy from Resource Management Division of Ministry of Science and Technology for restructuring of research institutes	Income related	50,532	Deferred income/administrative expenses	52,088
Government Subsidies for Zombie Enterprises	Income related	36,096	administrative expenses	36,096
Development Subsidy of Finance Bureau, Baoshan District, Shanghai	Income related	23,600	Other income	23,600
Pension expenditure to retirees allocated from the Ministry of Science and Technology	Income related	18,021	Non-operating income	18,021
VAT Refunds of Comprehensive Resource Utilization Project	Income related	16,071	Other income	16,071
Economic Growth Award of Finance Bureau of Beijing Economic-Technological Development zone	Income related	15,922	Other income	15,922
Demolition Compensation from Suzhou Industrial Area to Jincheng Co.	Income related	15,423	Non-operating income	15,423
People's Government Supporting Funds of Luodian Town, Baoshan District	Income related	15,420	Other income	15,420
Others	Asset related/ Income related	471,824	Deferred income/operating cost/administrative expense/Other income/non-operating income/Research and development expenses	544,161
Total	/	802,109	/	817,764

(2) During the reporting period, the Group has no returned government grants.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## VIII. CHANGES OF THE SCOPE OF CONSOLIDATION

### 1. Disposal of subsidiaries

#### (1) Disposal of subsidiaries through single transaction

All amounts in RMB'000

Name of the subsidiary	Sales proceeds	Percentage of equity interest disposed (%)	Method of disposal	Disposal date	The basis of determining disposal date	The difference between disposal consideration and shares of net assets of the corresponding subsidiaries at the date of disposal	Proportion of the retained interests on disposal date (%)	Carrying amount of the retained interests on disposal date	Fair value of the retained interests on disposal date	Amounts recognized in profit or loss from re-measuring retained interests in accord with its fair value	Key factors and assumptions used in determining the fair value on disposal date	Cumulative gain reclassified from other comprehensive income to profit or loss on disposal
Entity 1	60,429	80.00	Negotiating transfer	2020-12-18	The date of actual loss of control	(610)	-	-	-	-	N/A	-

The Group achieved gains of RMB -610,000 arising on losing control of above subsidiaries, which was presented in investment income in the consolidated financial statements (Note VII59). The Group achieved net cash inflow of RMB48,568,000 arising on losing control of above subsidiaries.

### 2. Change of consolidation scope for other reasons

All amounts in RMB'000

Name of the subsidiary	Cost of investment	Method of getting the subsidiary	Net assets at 31 December 2020	Net profit for the current year
MCC (Yunnan) Engineering Investment and Construction Co., Ltd.	60,000	Newly established through investments	101,201	1,201
MCC Ecological Environmental Protection Group Co., Ltd.	50,000	Newly established through investments	50,940	940
Tianjin United Huitong Investment Partnership (Limited Partnership)	1,500,200	Newly established through investments	7,632,826	132,626
Tianjin United Huixin Investment Partnership (Limited Partnership)	1,000,200	Newly established through investments	5,108,343	108,143
Tianjin Hongxin Investment Partnership (Limited Partnership)	1,500,200	Newly established through investments	7,528,240	28,040

For this reporting period, except for the newly established companies through investments, there was no other significant change of the scope of the consolidation.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## IX. INTERESTS IN OTHER ENTITIES

### 1. Interests in subsidiaries

#### (1) The constitution of the Group

Details of subsidiaries of the Group:

Name of subsidiary	Place of business	Place of establishment/ incorporation	Business scope	Proportion of ownership interest (%)		Method of getting the subsidiary
				Direct	Indirect	
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	China	Anshan	EPC	87.81	-	Invested by shareholders
Northern Engineering & Technology Corporation, MCC	China	Anshan	EPC	91.26	-	Invested by shareholders
China MCC 3 Group Co., Ltd.	China	Anshan	Engineering contracting	100.00	-	Invested by shareholders
Shen Kan Engineering & Technology Corporation, MCC	China	Shenyang	Investigation, design	100.00	-	Invested by shareholders
MCC Overseas Ltd.	China	Beijing	Engineering contracting	100.00	-	Invested by shareholders
MCC Communication Construction Group Co., Ltd.	China	Beijing	Infrastructure contractor	100.00	-	Invested by shareholders
MCC International Incorporation Ltd.	China	Beijing	Engineering contracting	100.00	-	Invested by shareholders
Ramu NiCo Management (MCC) Ltd.	Papua New Guinea	Papua New Guinea	Nickel cobalt ore mining and smelting	100.00	-	Invested by shareholders
MCC Finance Corporation Ltd.	China	Beijing	Finance	86.13	12.49	Invested by shareholders
MCC Tongsin Resources Ltd.	Pakistan	British Virgin Islands	Resource development	100.00	-	Invested by shareholders
MCC-JJ Mining Development Company Limited	China	Beijing	Resource development	67.02	-	Invested by shareholders
MCC Capital Engineering & Research Incorporation Limited	China	Beijing	EPC	88.89	-	Invested by shareholders
MCC Real Estate Group Co., Ltd.	China	Beijing	Property development	100.00	-	Invested by shareholders
China 13th Metallurgical Construction Corporation	China	Taiyuan	Engineering contracting	100.00	-	Invested by shareholders
MCC TianGong Group Corporation Limited	China	Tianjin	Engineering contracting	98.53	-	Invested by shareholders

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (1) The constitution of the Group (Continued)

Details of subsidiaries of the Group: (Continued)

Name of subsidiary	Place of business	Place of establishment/ incorporation	Business scope	Proportion of ownership interest (%)		Method of getting the subsidiary
				Direct	Indirect	
China 22MCC Group Co., Ltd.	China	Tangshan	Engineering contracting	100.00	-	Invested by shareholders
China ENFI Engineering Co., Ltd.	China	Beijing	EPC	100.00	-	Invested by shareholders
China Second Metallurgical Group Corporation Limited (i)	China	Baotou	Engineering contracting	100.00	-	Invested by shareholders
Central Research Institute of Building and Construction Co., Ltd.	China	Beijing	EPC	100.00	-	Invested by shareholders
China Huaye Group Co., Ltd.	China	Beijing	Engineering contracting	100.00	-	Invested by shareholders
Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	China	Beijing	EPC	100.00	-	Invested by shareholders
CISDI Group Co., Ltd.	China	Chongqing	Design, service	100.00	-	Invested by shareholders
China MCC 5 Group Co., Ltd.	China	Chengdu	Engineering contracting	98.58	-	Invested by shareholders
China Metallurgical Construction Engineering Group Co., Ltd.	China	Chongqing	Engineering contracting	100.00	-	Invested by shareholders
China MCC 19 Group Co., Ltd.	China	Panzhuhua	Engineering contracting	100.00	-	Invested by shareholders
MCC Baosteel Technology Services Co., Ltd.	China	Shanghai	Repair work	59.65	20.89	Invested by shareholders
China MCC 20 Group Co., Ltd.	China	Shanghai	Engineering contracting	69.00	-	Invested by shareholders
Shanghai Baoye Group Co., Ltd.	China	Shanghai	Engineering contracting	97.93	0.80	Invested by shareholders
Huatian Engineering & Technology Corporation, MCC	China	Ma'anshan	EPC	85.10	-	Invested by shareholders
China MCC 17 Group Co., Ltd.	China	Ma'anshan	Engineering contracting	72.39	-	Invested by shareholders



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (1) The constitution of the Group (Continued)

Details of subsidiaries of the Group: (Continued)

Name of subsidiary	Place of business	Place of establishment/ incorporation	Business scope	Proportion of ownership interest (%)		Method of getting the subsidiary
				Direct	Indirect	
China MCC International Economic and Trade Co., Ltd.	China	Shanghai	Trading	54.58	40.99	Invested by shareholders
WISDRI Engineering & Research Incorporation Limited	China	Wuhan	EPC	83.08	-	Invested by shareholders
China First Metallurgical Group Co., Ltd.	China	Wuhan	Engineering contracting	93.07	-	Invested by shareholders
Zhong Ye Chang Tian International Engineering Co., Ltd.	China	Changsha	EPC	92.61	-	Invested by shareholders
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	China	Wuhan	Investigation, design	100.00	-	Invested by shareholders
MCC-SFRE Heavy Industry Equipment Co., Ltd.	China	Xi'an	Metallurgy equipment manufacture	71.47	-	Invested by shareholders
MCC Mining (Western Australia) Pty Ltd.	Australia	Australia	Resource development	100.00	-	Invested by shareholders
MCC Australia Holding Pty Ltd.	Australia	Australia	Resource development	100.00	-	Invested by shareholders
MCC Holding (Hong Kong) Corporation Limited (iii/iii)	China	Hong Kong, China	Others	100.00	-	Established through investments
MCC Financial Leasing Co., Ltd.	China	Zhuhai	Finance lease	51.00	49.00	Established through investments
MCC Inner Mongolia Construction Investment Co., Ltd.	China	Hohhot	Engineering contracting	100.00	-	Established through investments
MCC South China Construction Investment Co., Ltd.	China	Shenzhen	Engineering contracting	51.00	-	Established through investments
MCC Rail Transit Co., Ltd.	China	Langfang	Engineering contracting	100.00	-	Established through investments
MCC Zhongyuan Construction Investment Co., Ltd.	China	Zhengzhou	Engineering contracting	100.00	-	Established through investments
MCC Integrated Pipe Network Technology & Development Co., Ltd.	China	Baoding	Project contracting, Integrated pipe network technology development, etc.	100.00	-	Established through investments

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (1) The constitution of the Group (Continued)

Details of subsidiaries of the Group: (Continued)

Name of subsidiary	Place of business	Place of establishment/ incorporation	Business scope	Proportion of ownership interest (%)		Method of getting the subsidiary
				Direct	Indirect	
MCC Vietnam Engineering Technology Co., Ltd.	Vietnam	Vietnam	Engineering contracting	100.00	-	Established through investments
MCC (Hainan) Investment Development Co., Ltd.	China	Hainan	Engineering contracting	60.00	37.23	Established through investments
MCC Urban Investment Holding Co., Ltd.	China	Guangdong	Engineering contracting	60.00	-	Established through investments
MCC (Yunnan) Engineering Investment and Construction Co., Ltd.	China	Yunnan	Engineering contracting	60.00	-	Established through investments
MCC Ecological Environmental Protection Group Co., Ltd.	China	Beijing	Water resource management	100.00	-	Established through investments
MCC Road&Bridge Construction Co., Ltd.	China	Inner Mongolia	Engineering contracting	100.00	-	Established through investments
Tianjin United Huitong Investment Partnership (Limited Partnership)	China	Tianjin	Investing with own funds	20.00	-	Established through investments
Tianjin United Huixin Investment Partnership (Limited Partnership)	China	Tianjin	Investing with own funds	20.00	-	Established through investments
Tianjin Hongxin Investment Partnership (Limited Partnership)	China	Tianjin	Investing with own funds	20.00	-	Established through investments

Note:

- (i) China Second Metallurgical Group Corporation Limited, one of the Company's subsidiary, issued perpetual bonds in 2020. The amounts received after deducting relative transaction costs are recognized in other equity instruments and presented under the headline of minority interests in the consolidated financial statements. At 31 December 2020, the closing balance of this minority interest is RMB800,000,000.
- (ii) At 31 December 2020, except for the Company and MCC Holding (Hong Kong) Corporation Limited (the "MCC Hong Kong"), other subsidiaries have not issued any bond. None of the subsidiaries of the Company have issued share capital.
- (iii) MCC Hong Kong, one of the Company's subsidiary, issued overseas perpetual bonds in 2018 and 2020. The amounts received after deducting relative transaction costs are recognized in other equity instruments and presented under the headline of minority interests in the consolidated financial statements. At 31 December 2020, the closing balance of this minority interest is RMB9,776,236,000.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (1) The constitution of the Group (Continued)

- (a) There is no difference between proportion of ownership interest and proportion of voting power in subsidiaries in the current period.
- (b) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights, and the grounds for not controlling the investees of which the Group is holding more than half of the voting rights.
- (i) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights

Name of investee	The proportion of voting power (%)	The reason for forming part of consolidation scope
Qingdao JinZe HuaDi Real Estate Development Co., Ltd.	50.00	According to the agreement among shareholders, the Group can control the investee.
Beijing Jinwei Soldering Material Co., Ltd.	45.00	According to the rules as agreed in the articles of association, the Group can control the investee.
Shenzhen Qianhai Public Safety Science Research Institute Co., Ltd	45.00	According to the rules as agreed in the articles of association, the Group can control the investee.
Jingjinji MCC Minxin Infrastructure Construction Co., Ltd.	30.00	According to the agreement among shareholders, the Group can control the investee.
Wuhan Zhongyi Communication Construction Co., Ltd.	25.10	According to the agreement of shareholding entrustment, the Group can control the investee.
Tianjin United Huixin Investment Partnership (Limited Partnership)	20.00	According to the partnership agreement, the Group can control the investee.
Tianjin United Huitong Investment Partnership (Limited Partnership)	20.00	According to the partnership agreement, the Group can control the investee.
Tianjin Hongxin Investment Partnership (Limited Partnership)	20.00	According to the partnership agreement, the Group can control the investee.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (1) The constitution of the Group (Continued)

(b) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights, and the grounds for not controlling the investees of which the Group is holding more than half of the voting rights. (Continued)

(ii) The grounds for not controlling the investees in which the Group holds more than half of the voting rights

Name of investee	The proportion of voting power (%)	The reason for forming part of consolidation scope
Fuzhou MCC Infrastructure Investment Co., Ltd.	90.00	The other shareholder has one vote of veto, accounted for as a joint venture
Zhongshan MCC Cuicheng Street Integrated Pipe Network Co., Ltd.	90.00	The other shareholder can decide the related activities of name of investee, accounted for as an associate
Tianjin Mingjin MCC Real Estate Co., Ltd.	80.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Zhengzhou Baoye Zhicheng Pipe Network Construction and Management Co., Ltd.	80.00	Each shareholder has one vote of veto, accounted for as a joint venture
Zhuzhou Beihuan Dafeng Municipal Construction Co., Ltd.	80.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd.	70.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture (Note IX 2 (1))
Xuzhou MCC Chengdong Express Way Co., Ltd.	70.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (1) The constitution of the Group (Continued)

(b) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights, and the grounds for not controlling the investees of which the Group is holding more than half of the voting rights. (Continued)

(ii) The grounds for not controlling the investees in which the Group holds more than half of the voting rights (Continued)

Name of investee	The proportion of voting power (%)	The reason for forming part of consolidation scope
Ba Zhong Sheng Rong Construction Investment Management Co., Ltd.	68.83	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Ba Zhong De Rong Construction Engineering Management Co., Ltd.	68.82	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Wuzhong City Underground Integrated Pipe Network Co., Ltd.	66.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Anshan MCC Jiantou Xinggang Development Co., Ltd.	65.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Anshan MCC Jiantou Gangcheng Development Co., Ltd.	65.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Yinchuan Binhe New Area Water Center Management Co., Ltd.	60.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Beijing New Century Restaurant Co., Ltd.	60.00	Each shareholder has one vote of veto, accounted for as a joint venture
MCC real estate group Xianghe Mingxin Real Estate Development Co., Ltd.	60.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Xing Long County MCC Minglu Real Estate Development Co., Ltd.	60.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (1) The constitution of the Group (Continued)

- (b) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights, and the grounds for not controlling the investees of which the Group is holding more than half of the voting rights. (Continued)
- (ii) The grounds for not controlling the investees in which the Group holds more than half of the voting rights (Continued)

Name of investee	The proportion of voting power (%)	The reason for forming part of consolidation scope
Guizhou Ziwang Highway Construction Co., Ltd.	59.96	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture (Note IX 2 (1))
Guizhou Sanli Highway Construction Co., Ltd.	59.95	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture (Note IX 2 (1))
Guizhou Sanshi Highway Construction Co., Ltd.	59.90	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture (Note IX 2 (1))
Sanya MCC Minglan Development Co., Ltd.	55.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Ningcheng County HongDa Mining Co., Ltd.	54.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Zhuhai MCC Jianxin Investment Management Partnership (LP)	51.01	Other shareholders can control the investee's activities, accounted for as an associate (Note IX 2 (1))
MCC Rong Xing Building Materials(Chengdu) Co., Ltd.	51.00	The other shareholder can decide the related activities of name of investee, accounted for as an associate.
Zhongye Tap Water (Zhumadian) Co., Ltd.	51.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Lahore Xingzhong Renewable Energy Co. Ltd	51.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (1) The constitution of the Group (Continued)

(b) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights, and the grounds for not controlling the investees of which the Group is holding more than half of the voting rights. (Continued)

(ii) The grounds for not controlling the investees in which the Group holds more than half of the voting rights (Continued)

Name of investee	The proportion of voting power (%)	The reason for forming part of consolidation scope
Hangzhou MCC Mingze Real Estate Development Co., Ltd.	51.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	51.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Baoye Yonglian (Jiangsu) Construction Technology Co., Ltd	51.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Zhuhai Hengqin Headquarters Building Development Co., Ltd.	51.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture (Note IX 2 (1))
Nanjing MCC Zhenghuai Real Estate Co., Ltd.	51.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
MCC LAND (CANBERRA) PTE LTD	51.00	Other shareholders can control the investee's activities, accounted for as an associate
MCC LAND (TMK) PTE LTD	51.00	Other shareholders can control the investee's activities, accounted for as an associate

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (2) Material non-controlling interests

All amounts in RMB'000

Company name	Proportion of equity interest held by non-controlling interests (%)	Profit or loss attributable to non-controlling interests in the current year	Declaration of cash dividends to non-controlling interests	Non-controlling interests at the end of the year
WISDRI Engineering & Research Incorporation Limited	16.92	182,024	41,073	1,892,094
China MCC 20 Group Co., Ltd.	31.00	19,032	5,102	1,373,601
China First Metallurgical Group Co., Ltd.	6.93	50,995	13,515	1,148,678
China MCC 17 Group Co., Ltd.	27.61	252,129	76,490	1,405,574
MCC Capital Engineering & Research Incorporation Limited	11.11	28,241	35,310	503,053

- (a) Except for the situation disclosed in Note IX 1(1) (b), there is no significant difference between proportion of ownership interest and proportion of voting power in subsidiaries in the current reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (3) Summarized financial information of subsidiaries with material non-controlling interests

All amounts in RMB'000

Name of subsidiary	31 December 2020						31 December 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
WISDRI Engineering & Research Incorporation Limited	17,279,965	5,541,073	22,821,038	15,178,469	278,248	15,456,717	15,009,774	5,357,116	20,366,890	13,159,282	303,202	13,462,484
China MCC 20 Group Co., Ltd.	25,239,936	3,325,561	28,565,497	22,433,606	1,001,624	23,435,230	22,861,440	3,882,290	26,743,730	21,338,036	380,130	21,718,166
China First Metallurgical Group Co., Ltd.	20,612,907	3,929,607	24,542,514	16,386,628	2,974,731	19,361,359	18,311,202	3,670,297	21,981,499	15,508,329	1,673,716	17,182,045
China MCC 17 Group Co., Ltd.	17,927,390	3,229,301	21,156,691	15,881,380	196,232	16,077,612	16,346,334	2,718,432	19,064,766	13,796,565	826,834	14,623,399
MCC Capital Engineering & Research Incorporation Limited	15,793,416	2,714,104	18,507,520	13,926,434	257,352	14,183,786	13,619,325	3,177,391	16,796,716	12,367,923	173,860	12,541,783

All amounts in RMB'000

Name of subsidiary	Amount for the current year				Amount for the prior year			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
WISDRI Engineering & Research Incorporation Limited	17,651,316	672,409	640,339	1,911,754	13,395,757	527,031	527,710	99,524
China MCC 20 Group Co., Ltd.	30,439,346	60,914	109,804	536,157	27,519,015	127,502	131,198	283,777
China First Metallurgical Group Co., Ltd.	27,474,860	716,596	719,551	1,721,637	21,017,438	409,549	425,055	891,935
China MCC 17 Group Co., Ltd.	30,194,662	913,057	914,741	882,544	26,094,877	754,179	750,449	793,371
MCC Capital Engineering & Research Incorporation Limited	12,461,862	153,380	149,795	730,030	11,979,494	140,558	123,177	1,626,304

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures and associates

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

Name of joint ventures and associates	Principal place of operation	Place of establishment	Principal activities	Proportion of ownership interest held by the Group (%)		Accounting method
				Direct	Indirect	
Guizhou Sanli Highway Construction Co., Ltd.	China	Qiannan Buyei and Miao Autonomous Prefecture	Highway investment and development	59.95	-	Equity method
Guizhou Ziwang Highway Construction Co., Ltd.	China	Anshun	Highway investment and development	59.96	-	Equity method
Guizhou Sanshi Highway Construction Co., Ltd.	China	Qiandongnan Miao and Dong Autonomous Prefecture	Highway investment and development	59.90	-	Equity method
Zhuhai Hengqin Headquarters Building Development Co., Ltd.	China	Zhuhai	Property investment and development	51.00	-	Equity method
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd.	China	Yinchuan	Construction and operation of comprehensive pipe network	70.00	-	Equity method
Zhuhai MCC Jianxin Investment Management Partnership (LP)	China	Zhuhai	Investment management	51.01	-	Equity method
Beijing City Vice-Center Investment Fund Partnership (Limited Partnership)	China	Beijing	Investment management	13.88	-	Equity method
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	China	Yingkou	Special steel production and equipment manufacturing	48.96	-	Equity method
Yunnan Mangliang Expressway Investment and Development Co., Ltd.	China	Dehongzhoumangshi	Highway investment and development	39.97	-	Equity method
Sichuan Development National Metallurgical Construction Investment Co., Ltd.	China	Chengdu	Engineering construction investment	40.00	-	Equity method

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures and associates (Continued)

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

- (a) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees, and the grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence.
- (i) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees

Name of investee	The proportion of voting power (%)	Reason for having significant influence
Hunchun Yilianda Pipe Network Construction Management Co., Ltd.	19.90	Representative is appointed on the board of directors of the investee
Erlian Haote Xinye Yixin Infrastructure Construction and Operation Co., Ltd.	19.68	Representative is appointed on the board of directors of the investee
Tianjin MCC Heyuan Real Estate Co., Ltd.	19.00	Representative is appointed on the board of directors of the investee
Tianjin Yuanda Xingchen Residential Industry Co., Ltd.	18.89	Representative is appointed on the board of directors of the investee
Meizhou Pingye Highway Construction Co., Ltd.	18.00	Representative is appointed on the board of directors of the investee
Gansu Gonghanglv Historic District Construction and Investment Co., Ltd.	17.29	Representative is appointed on the board of directors of the investee
Tangshan Station West Construction and Development Co., Ltd.	16.00	Representative is appointed on the board of directors of the investee
Changsha Happy Ocean Park Co., Ltd.	16.00	Representative is appointed on the board of directors of the investee
Huixian Yushi Infrastructure Investment Co., Ltd.	16.00	Representative is appointed on the board of directors of the investee
Tongren Jingjiang Cultural Tourism Co., Ltd.	15.10	Representative is appointed on the board of directors of the investee
Kunming Chunsheng Urban Construction Co., Ltd.	15.00	Representative is appointed on the board of directors of the investee
Jiangxi Shangli Jiasheng City Construction Development Co., Ltd.	15.00	Representative is appointed on the board of directors of the investee
Qingyang Longjie sponge city construction management and Operation Co., Ltd.	15.00	Representative is appointed on the board of directors of the investee
Anyang Pu'an Highway Engineering Co., Ltd.	15.00	Representative is appointed on the board of directors of the investee
Baiyin Integrated Pipe Network Management Co., Ltd.	14.29	Representative is appointed on the board of directors of the investee

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures and associates (Continued)

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

- (a) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees, and the grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence. (Continued)
- (i) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees (Continued)

Name of investee	The proportion of voting power (%)	Reason for having significant influence
Changchun Runde Construction Project Management Co., Ltd.	13.54	Representative is appointed on the board of directors of the investee
Beijing City Vice-Center Investment Fund Partnership (Limited Partnership)	13.88	Represented in the Investment Committee of the investee
Changji City Haichang Project Management Co., Ltd.	13.00	Representative is appointed on the board of directors of the investee
Yuhuan Tianshang Construction and Development Co., Ltd.	12.20	Representative is appointed on the board of directors of the investee
Shangqiu City Tiangong Engineering Management Co., Ltd.	12.00	Representative is appointed on the board of directors of the investee
Gansu Jingli Expressway Longnan Management Co., Ltd.	11.54	Representative is appointed on the board of directors of the investee
Jianyang Chuanye Xiongzhou City Development Co., Ltd.	11.00	Representative is appointed on the board of directors of the investee
Leshan City Legao Urban Construction Engineering Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Ansteel Engineering Technology Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures and associates (Continued)

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

- (a) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees, and the grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence. (Continued)
- (i) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees (Continued)

Name of investee	The proportion of voting power (%)	Reason for having significant influence
Xi'an Jingang Dingsheng Real Estate Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Chuzhou Kangjian Sports Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Chongqing Xiema East & West Main Line Construction Engineering Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Yichun MCC Tiangong Xiujiang Real Estate Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Nanchong Shunjian Urban Construction Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Luxi Huarui Construction Engineering Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Cangnan Zhonggong Construction and Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Nanjing Pu'ou Construction and Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Nanchong Shunye Investment and Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Ruili MCC Infrastructure Investment and Construction Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Bijie Xinye Municipal Engineering Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Jianyang Zhongye Tianshun Construction Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures and associates (Continued)

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

- (a) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees, and the grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence. (Continued)
- (i) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees (Continued)

Name of investee	The proportion of voting power (%)	Reason for having significant influence
Qingdao Qingping Olympic Sports Engineering Construction Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Foshan Jianxin Infrastructure Construction Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Zhangpu Chengye Construction Investment Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Nanjing Laoshan Shijiu Infrastructure Construction Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Mianyang MCC Three Highway Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Xingtai Runhe Project Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Ya'an Tianshun Kunye Project Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Renqiu MCC Infrastructure Construction Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Jianyang Tianshun Traffic Investment Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Lanzhou Zhenghao Pipe Network Project Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Nanjing Pukou Xingbao Construction Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Meizhou City Meixian MCC Pipe Network Construction Investment and Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures and associates (Continued)

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

- (a) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees, and the grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence. (Continued)
- (i) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees (Continued)

Name of investee	The proportion of voting power (%)	Reason for having significant influence
Yiyang MCC Science and Industry Infrastructure Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Quanzhou City Quangang MCC Tianfeng Project Management Co., Ltd	10.00	Representative is appointed on the board of directors of the investee
Xiangxi Zhongyi Tengda Project Management Co. Ltd.	10.00	Representative is appointed on the board of directors of the investee

- (ii) The grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence

Name of investee	The proportion of voting power (%)	Reason for not having significant influence
Tangshan Stainless steel Co., Ltd.	23.89	The Company did not assign director into the board of directors of the investee, nor involved in the financial and operating decisions or normal operating activities of the investee in any other forms.
Shanghai Clear Environmental Protection Science & Technology Co., Ltd.	22.86	
BERIS Engineering and Research Corporation Jiangsu Heavy Industry Co., Ltd.	20.00	
Shanxi Sanjin Mining Holdings Co., Ltd.	20.00	



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures and associates (Continued)

(2) Summarized financial information of material joint ventures and associates

All amounts in RMB'000

	31 December 2020/amount recognized in the current year	31 December 2019/amount recognized in the prior year
<b>Joint ventures:</b>		
Total carrying amount	7,048,272	6,553,411
The Group's share of the following items		
– Net profit	(57,944)	(14,744)
– Other comprehensive income	(20)	(17)
– Total comprehensive income	(57,964)	(14,761)
<b>Associates:</b>		
Total carrying amount	18,628,683	15,280,955
The Group's share of the following items		
– Net profit	(119,643)	34,498
– Other comprehensive income	(34)	14
– Total comprehensive income	(119,677)	34,512

(3) In the reporting period, there are no significant restrictions on the realization of long-term equity investments, or on the remittance of cash arising from the investment income in joint ventures and associates.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### 1. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and other equity instruments, or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as the total borrowings (including short-term borrowings, long-term borrowings, bonds payable and lease liabilities) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet, plus net debt. The Group aims to maintain the gearing ratio at a reasonable level.

The gearing ratios of the Group as at 31 December 2020 and 31 December 2019 are as follows:

All amounts in RMB'000

	31 December 2020	31 December 2019
<b>Total borrowings:</b>		
Short-term borrowings (Note VII 26)	29,252,171	40,476,556
Long-term borrowings (inclusive of those due within one year) (Note VII 37)	36,428,995	34,974,534
Bonds payable (inclusive of those due within one year) (Note VII 38)	1,699,559	8,670,027
Lease liabilities (inclusive of those due within one year) (Note VII 39)	426,623	518,656
Less: Cash and cash equivalents (Note VII 69(3))	42,165,302	31,814,900
Net debt	25,642,046	52,824,873
Shareholders' equity	140,355,306	116,905,508
Total capital	165,997,352	169,730,381
The gearing ratio	15.45%	31.12%

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 2. Financial instruments and risk management

The Group's operating activities expose to a variety of financial risks: market risk (mainly including foreign exchange risk and interest rate risk), credit risk and liquidity risk. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner to address the uncertainty of financial market and to reduce the potential negative impact on the operating results of the Group.

#### (1) Market risk

##### (a) Foreign exchange risks

The functional currency of a majority of the entities within the Group is RMB and most of the transactions are settled in RMB. However, there are also foreign currencies denominated transactions. The Group's exposure to foreign exchange risk relates principally to United States Dollars ("USD"). To monitor the impact of exchange rate fluctuations, the Group continually assesses and monitors its exposure to foreign exchange risk. However, management continuously monitors foreign exchange exposure and will prudently consider hedging significant foreign exchange exposure should the need arises. The management is of the view that the reasonable fluctuation of the exchange rate in the near future will not have a significant impact on the operating results of the Group. The Group currently does not have a foreign exchange hedging policy.

Details of the Group's foreign currencies denominated financial assets and financial liabilities (amount translated into RMB) as at 31 December 2020 are set out in Note VII 71.

Mainly influenced by the exchange rate of RMB against USD for the variety of foreign currencies of financial assets and financial liabilities, as at 31 December 2020, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, the profit after tax of the Group would have been approximately RMB650,153,000 lower/higher (as at 31 December 2019: RMB90,169,000 lower/higher).

##### (b) Interest rate risk

(i) The interest bearing debts at fixed rates expose the Group to fair value interest-rate risk, relating to bank borrowings at fixed rates and bonds payable at fixed rates, etc. The differences between the fair value and the carrying amount of the above fixed rate financial instruments are set out in Note XI 8.

(ii) The interest bearing debts at floating rates expose the Group to cash flow interest-rate risk. The Group chooses the relative proportion of borrowing contracts with floating rates and those with fixed rates according to current market conditions. As at 31 December 2020, short-term borrowings of the Group were amounting to RMB29,252,171,000 (as at 31 December 2019: RMB40,476,556,000); Long-term interest bearing debts at floating rates due within one year were amounting to RMB4,131,426,000 (as at 31 December 2019: RMB2,492,248,000); long-term interest bearing debts at floating rates due over one year were amounting to RMB12,283,100,000 (as at 31 December 2019: RMB11,711,086,000); Long-term interest bearing debts at fixed rates due within one year were amounting to RMB7,765,642,000 (as at 31 December 2019: RMB12,489,300,000); long-term interest bearing debts at fixed rates due over one year were amounting to RMB14,375,009,000 (as at 31 December 2019: RMB17,470,583,000) (Notes VII 26, 35, 37, 38, 39, 40).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 2. Financial instruments and risk management (Continued)

#### (1) Market risk (Continued)

##### (b) Interest rate risk (Continued)

The treasury department of the headquarters of the Group continually monitors its level of interest rate. Any rise in interest rate would increase the cost of new borrowings and interest installments of existing loans with floating interest arrangement, and generate significant negative financial effects on the Group's overall financial performance. The management would make timely strategic adjustments according to latest market conditions; the adjustments of reducing interest rate risk may include but not limited to making interest rate swap arrangements. During the year of 2020 and 2019, the Group was not involved in any interest rate swap arrangements.

During the current year, if the respective interest rates on RMB-denominated floating-rate borrowings had been 100 basis points higher/lower with all other variables held constant, profit after income tax of the Group would have been RMB232,775,000 lower/higher (for the year ended 2019: approximately RMB332,449,000).

During the current year, if the interest rates on USD and other currency-denominated floating-rate borrowings had been 100 basis points higher/lower with all other variables held constant, profit after income tax of the Group would have been RMB61,502,000 lower/higher (for the year ended 2019: approximately RMB91,320,000).

#### (2) Credit risk

As at 31 December 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from: the carrying amount of the respective recognized bank deposits, bills receivable and accounts receivable, contract assets, other receivables and long-term receivables in the balance sheet of the Group.

To reduce credit risk, the Group has policies in place to ensure that services are rendered and products are sold to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers according to their financial conditions, the likelihood of obtaining guarantee from the third party, credit history and others such as the current market conditions. The Group regularly monitors its customers' credit history, and for customers with bad credit history, the Group shall issue reminder notices, shorten or cancel the credit period to make sure that the Group's overall credit risk is under control.

The credit risk on the bank deposits of the Group are limited because they are deposited with national banks and other large and medium listing banks.

In addition, external guarantees incurred by the Group may also result in financial losses. As at 31 December 2020, the Group's external guarantee refers to Note XIII 2(1) (b).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 2. Financial instruments and risk management (Continued)

#### (2) Credit risk (Continued)

Please refer to Note V 10 (2) in respect of the specific methods to assess whether the credit risk has been increased remarkably since initial recognition, the basis to determine whether a credit impairment has happened to the financial assets, the combination methods to divide the financial instruments in a combination as base assessment of anticipated credit risk, and the policies to write down the financial instruments directly. For the changes in the book value and provision for credit losses of bills receivable, refer to Note VII 4(4), changes in the book value and provision for credit losses of accounts receivables, refer to Note VII 5(3), changes in the book value and provision for credit losses of receivables at FVTOCI, refer to Note VII 6(2), changes in the book value and provision for credit losses of other receivables, refer to Note VII 8(4) (b), changes in the book value and provision for credit losses of long-term receivables, refer to Note VII 13(2), and for the changes in the book value and provision for credit losses of the contract assets, refer to Note VII 10(2).

The Group's risk exposure is distributed among multiple contract parties and multiple customers, so the Group has no significant credit concentration risk. As of 31 December 2020, the top five accounts receivable and other receivables of the Group's balances owed by the arrears is shown in Note VII 5(4) and Note VII 8(4)(d).

#### (3) Liquidity risk

Subsidiaries of the Group take responsibility of their own cash flow forecast. On the basis of summarizing cash flow forecasts from subsidiaries, the treasury department at the headquarters continuously monitors both short-term and long-term financing needs on the Group level in order to obtain adequate cash reserve and quoted securities. Meanwhile, the treasury department will constantly monitor and see any non-compliance of borrowings and obtain sufficient loan facilities from major financial institutions to meet both short-term and long-term financing needs.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 2. Financial instruments and risk management (Continued)

#### (3) Liquidity risk (Continued)

Analysis of the maturity profile of financial assets and financial liabilities of the Group based on the undiscounted remaining contractual obligations as at 31 December 2020 were as follows:

All amounts in RMB'000

Items	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
<b>Financial assets</b>					
Cash and bank balances	53,095,827	–	–	–	53,095,827
Derivative financial assets	46,412	–	–	–	46,412
Bills receivable	6,662,006	–	–	–	6,662,006
Accounts receivable	82,413,527	–	–	–	82,413,527
Receivables at FVTOCI	11,901,319	–	–	–	11,901,319
Other receivables	72,670,271	–	–	–	72,670,271
Non-current assets due within one year	1,811,704	–	–	–	1,811,704
Long-term receivables	31,650	13,061,738	10,869,739	4,077,232	28,040,359
<b>Total</b>	<b>228,632,716</b>	<b>13,061,738</b>	<b>10,869,739</b>	<b>4,077,232</b>	<b>256,641,425</b>
<b>Financial liabilities</b>					
Short-term borrowings	29,691,891	–	–	–	29,691,891
Derivative financial liabilities	–	–	–	–	–
Bills payable	30,472,634	–	–	–	30,472,634
Accounts payable	133,722,043	–	–	–	133,722,043
Other payables	26,710,566	–	–	–	26,710,566
Non-current liabilities due within one year	12,194,060	–	–	–	12,194,060
Long-term borrowings	1,198,534	10,790,658	11,070,143	5,933,344	28,992,679
Bonds payable	39,399	604,178	223,842	–	867,419
Lease liabilities	–	101,476	124,828	31,756	258,060
Long-term payables	–	1,221	451,601	430,670	883,492
<b>Total</b>	<b>234,029,127</b>	<b>11,497,533</b>	<b>11,870,414</b>	<b>6,395,770</b>	<b>263,792,844</b>

#### (4) Transfer of financial assets

Details are set out in Note VII 4(3), Note VII 5(5) and Note VII 6(3).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XI. FAIR VALUE DISCLOSURES

### 1. Fair value of the Group's financial assets and financial liabilities that are measured at fair value at the end of the year

All amounts in RMB'000

Items	Fair value at 31 December 2020			Total
	Level 1 of the fair value hierarchy	Level 2 of the fair value hierarchy	Level 3 of the fair value hierarchy	
<b>I. Measured at fair value on a recurring basis</b>				
(I) Financial assets at fair value through profit or loss	2,250,940	4,454,495	10,463	6,715,898
1. Financial assets held for trading	2,250,940	-	-	2,250,940
(1) Monetary fund	2,250,132	-	-	2,250,132
(2) Investment in equity instruments	808	-	-	808
2. Other non-current financial assets	-	4,408,083	10,463	4,418,546
(1) Investment in equity instruments	-	-	10,463	10,463
(2) Investment in unquoted fund product	-	4,408,083	-	4,408,083
3. Derivative financial assets	-	46,412	-	46,412
(II) Receivables at FVTOCI	-	11,759,582	-	11,759,582
(III) Investments in other equity instruments	266,483	-	1,698,181	1,964,664
<b>Total assets that are measured at fair value on a recurring basis</b>	<b>2,517,423</b>	<b>16,214,077</b>	<b>1,708,644</b>	<b>20,440,144</b>
(IV) Financial liabilities held for trading	-	-	-	-
1. Derivative financial liabilities	-	-	-	-
<b>Total liabilities that are measured at fair value on a recurring basis</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

Fair values of held-for-trading financial assets and non-tradable equity instruments of listed companies regarded as investments in other equity instruments are based on their closing prices of publicly traded market on the last trading day of the reporting period.

### 3. Qualitative and quantitative information of valuation techniques and key inputs on level 2 of the fair value hierarchy

	Valuation techniques	Key inputs
Other non-current financial assets - Investment in unquoted fund product	Discounted cash flow method	Average yield rate of similar products of the same term
Derivative financial instruments	Discounted cash flow method	The forward rate
Receivables at FVTOCI	Discounted cash flow method	Discounting rate of bank acceptance for the same period

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XI. FAIR VALUE DISCLOSURES (CONTINUED)

### 4. Qualitative and quantitative information of valuation techniques and key inputs on level 3 of the fair value hierarchy

	Valuation techniques	Key inputs
Other equity instrument investments – Investment in unquoted equity instruments	Cost method/Market method/Income method	Future cash flows, discount rate and key financial ratios of comparable listed companies from the same industry
Other non-current financial assets – Investment in equity instruments	Cost method/Market method/Income method	Future cash flows, discount rate and key financial ratios of comparable listed companies from the same industry

### 5. Reconciliation information of the opening balance and the closing balance on level 3 of the fair value hierarchy

All amounts in RMB'000

Item	31 December 2019	Additions for the period	Fair value changes for the current year	Disposal for the period	31 December 2020
Other equity instrument investments- Investment in unquoted fund product	1,490,497	109,121	119,317	(20,754)	1,698,181
Other non-current financial assets- Investment in equity instruments	51,315	2,995	(132)	(43,715)	10,463

### 6. There was no transfer between any levels of the fair value hierarchy in the reporting period.

### 7. There was no change in the valuation techniques in the reporting period.

### 8. Fair value of financial assets and financial liabilities that are measured at fair value on a non-recurring basis

Bills receivables, accounts receivables, other receivables, long-term receivables, non-current assets due within one year, short-term borrowings, bills payables, accounts payables, other payables, long-term borrowings, bonds payable, long-term payables and partial non-current liabilities due within one year included in the financial assets/liabilities are measured at fair value on a non-recurring basis.

Except for the items listed in the table below, the Group considers that the fair value of the financial assets and liabilities measured at amortized cost method are approximate to their carrying amounts.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XI. FAIR VALUE DISCLOSURES (CONTINUED)

### 8. Fair value of financial assets and financial liabilities that are measured at fair value on a non-recurring basis (Continued)

All amounts in RMB'000

	Fair value as at 31 December 2020				Total
	Carrying amount as at 31 December 2020	Level 1 of the fair value hierarchy	Level 2 of the fair value hierarchy	Level 3 of the fair value hierarchy	
Financial liabilities measured at amortized cost:	14,137,967	-	15,176,248	-	15,176,248
1. Long-term borrowings at fixed interest rate	13,347,967	-	14,347,727	-	14,347,727
2. Bonds payable at fixed interest rate	790,000	-	828,521	-	828,521

All amounts in RMB'000

	Fair value as at 31 December 2019				Total
	Carrying amount as at 31 December 2019	Level 1 of the fair value hierarchy	Level 2 of the fair value hierarchy	Level 3 of the fair value hierarchy	
Financial liabilities measured at amortized cost:	17,168,529	-	17,618,015	-	17,618,015
1. Long-term borrowings at fixed interest rate	15,508,529	-	15,905,183	-	15,905,183
2. Bonds payable at fixed interest rate	1,660,000	-	1,712,832	-	1,712,832

Quantitative information determined in accordance with the level 2:

	Valuation techniques	Key inputs
Long-term borrowings at fixed interest rate	Discounted cash flow method	Benchmark lending rate with corresponding maturity released by the People's Bank of China
Bonds payable at fixed interest rate	Discounted cash flow method	Benchmark lending rate with corresponding maturity released by the People's Bank of China

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XII. RELATED PARTIES AND TRANSACTIONS

### 1. Details of the parent company of the Company

All amounts in RMB'000

Name of company	Place of registration	Principal activities	Registered capital	Percentage of ownership interest in the Company (%)	Percentage of voting rights in the Company (%)
China Metallurgical Group Corporation	Beijing	Engineering contracting, property development, equipment manufacture, resource development and others	10,338,556	49.18	49.18

As stated in Note III, CMC together with its other subsidiaries other than the Company are the Group's related party.

Related party transactions between the Company and CMC together with its other subsidiaries other than the Company also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

SASAC is the ultimate controlling party of the Group.

### 2. Subsidiaries of the Company

Details of the subsidiaries of the Company are set out in Note IX 1.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 3. Joint ventures and associates of the Group

Details of the principal joint ventures and associates of the Group are set out in Note IX 2.

Joint ventures and associates entered into transactions with the Group during the period, or during the prior period with remaining closing balance were as follows:

<b>Name of joint ventures and associates</b>	<b>Relationship with the Group</b>
Guangzhou MCC Minghui Real Estate Co., Ltd.	Joint venture
Guangzhou MCC Mingjie Real Estate Co., Ltd.	Joint venture
Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	Joint venture
Hangzhou MCC Mingze Real Estate Development Co., Ltd.	Joint venture
Meizhou MCC Urban Construction and development Co., Ltd.	Joint venture
Nanjing MCC Zhenghuai Real Estate Co., Ltd.	Joint venture
Sanya MCC Minglan Development Co., Ltd.	Joint venture
Shijiazhuang MCC Mingsheng Real Estate Development Co., Ltd.	Joint venture
Sichuan Free Trade Pilot Zone Tongyu Park Operation Co., Ltd.	Joint venture
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Joint venture
Tianjin Mingjin MCC Real Estate Co., Ltd.	Joint venture
Tianjin MCC Mingrui Real Estate Co., Ltd.	Joint venture
Yibin Yejian Engineering Construction Co., Ltd.	Joint venture
MCC Baotou Mingyang Real Estate Development Co., Ltd.	Joint venture
Chongqing Xiema East & West Main Line Construction Engineering Management Co., Ltd.	Joint venture
Zuhai Hengqin Headquarters Building Development Co., Ltd.	Joint venture

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 3. Joint ventures and associates of the Group (Continued)

<b>Name of joint ventures and associates</b>	<b>Relationship with the Group</b>
Zhuozhou MCC Mingcheng Real Estate Development Co., Ltd.	Joint venture
Jiangxi Shangli Jiasheng City Construction Development Co., Ltd.	Joint venture
Bengbu China Metallurgical Dragon Real Estate Co., Ltd.	Associate
Baotou MCC Real Estate Co., Ltd.	Associate
Baoding Mingbao Real Estate Development Co., Ltd.	Associate
Bijie Xinye Municipal Engineering Co., Ltd.	Associate
Chengdu Huaye Huanglongxi Engineering Management Co., Ltd.	Associate
Chengdu Yexing Runda New Building Materials Co., Ltd.	Associate
Dancheng Zhongyi Ecological Environment Management Co., Ltd.	Associate
China 22 MCC Corporation Industrial Technology Service Co., Ltd.	Associate
22nd Metallurgical Times Real Estate (Tangshan) Co., Ltd.	Associate
Foshan Jianxin Infrastructure Construction Co., Ltd.	Associate
Gansu Public Traffic Tongding Expressway Management Co., Ltd.	Associate
Guangzhou Pipe Network Construction and Investment Co., Ltd.	Associate
Guiyang City Hongyuan Yongsheng Rail Transit Line II Project II Construction Management Co., Ltd.	Associate
Jiayang Tianshun Traffic Investment Co., Ltd.	Associate
Jiayang Zhongye Tianshun Construction Co., Ltd.	Associate
Kunming Chunsheng Urban Construction Co., Ltd.	Associate
Lanzhou Olympic Sports Center Construction and Development Co., Ltd.	Associate
Leshan City Legao Urban Construction Engineering Co., Ltd.	Associate
Liangshan MCC Education Construction and Investment Co., Ltd.	Associate
Luxi County Zhonggong Traffic Network Construction and Management Co., Ltd.	Associate
Luxi Huarui Construction Engineering Management Co., Ltd.	Associate
Lu County Zhongjian Development Municipal Infrastructure Engineering Investment Co., Ltd.	Associate
Luzhou MCC City Construction Development Co., Ltd.	Associate
Ma'anshan MCC High-tech Construction Co., Ltd.	Associate
Nanchong 17 MCC Jiangdongbiaomei Construction Investment Management Co., Ltd.	Associate
Nanchong Shunjian Urban Construction Management Co., Ltd.	Associate
Nanjing Pukou Xingbao Construction Development Co., Ltd.	Associate
Panzhuhua MCC Urban Construction Development Co., Ltd.	Associate
Peng'an Pengye Highway Development Co., Ltd.	Associate
Puyang Jinhe Construction Engineering Co., Ltd.	Associate
Qiqihar North MCC Real Estate Co., Ltd.	Associate
Quzhou Baoye Sports Construction and Operation Co., Ltd.	Associate
Ruijin Jianshi Infrastructure Investment Co., Ltd.	Associate
Shanghai Union Automobile Avenue Development and Construction Co., Ltd.	Associate
Shanghai Yuepu South Concrete Co., Ltd.	Associate
Shanghai MCC Xiangqi Investment Co., Ltd.	Associate
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	Associate

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 3. Joint ventures and associates of the Group (Continued)

Name of joint ventures and associates	Relationship with the Group
Sichuan Hangye Industrial Co., Ltd.	Associate
Si County MCC construction Investment Co., Ltd.	Associate
Suining Kaihong Construction Development Co., Ltd.	Associate
Tianjin MCC Heyuan Real Estate Co., Ltd.	Associate
Tianjin Tuanbo Urban Development Co., Ltd.	Associate
Wuzhou Guoye Investment and Development Co., Ltd.	Associate
Wuhan Zhong Yi Investment Construction Company Ltd.	Associate
Xi'an MCC Pipe Network Construction and Management Co., Ltd.	Associate
Xichang Anmin City Construction Investment Co., Ltd.	Associate
Yiyang MCC Science and Industry Infrastructure Development Co., Ltd	Associate
Yinchuan Mancheng Street Underground Comprehensive Pipe Network Construction and Management Co., Ltd.	Associate
Yuechi MCC Tiantai Construction Co., Ltd.	Associate
Yunnan Mangliang Expressway Investment and Development Co., Ltd.	Associate
Yunnan Yongmeng Expressway Construction and Development Co., Ltd.	Associate
Zhangpu Chengye Construction Investment Co., Ltd.	Associate
Zhengzhou Huituo Urban and Rural Construction Co., Ltd.	Associate
Zhongshan MCC Cuicheng Street Integrated Pipe Network Co., Ltd.	Associate
MCC Capital (Xiangtan) Heavy Industry Equipment Co., Ltd.	Associate
Chongqing Beimeng Project Management Limited Liability Company	Associate
Chongqing Yunkai Expressway Co., Ltd.	Associate
Zigong Yejian Construction Engineering Co., Ltd.	Associate

### 4. Other related parties of the Group

Other related parties entered into transactions with the Group during the period, or during the prior year with closing balance were as follows, such transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange:

Name of other related parties	Relationship with the Group
MCC Ruimu Ampere Technology Limited	Controlled by MCC group
<b>Information of subsidiaries of China Minmetals Corporation:</b>	
Beijing MCC Construction Taxi Co., Ltd.	Under common control of China Minmetals Corporation
Chengdu Shengkuang Real Estate Co., Ltd.	Under common control of China Minmetals Corporation
Hunan Huangshaping Lead-Zinc Mine	Under common control of China Minmetals Corporation
Jinchi Energy and Material Co., Ltd.	Under common control of China Minmetals Corporation
Shanghai MCC Hospital	Under common control of China Minmetals Corporation
Minmetals (Yingkou) Industrial Park Real Estate Development Co., Ltd.	Under common control of China Minmetals Corporation
The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	Under common control of China Minmetals Corporation

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 4. Other related parties of the Group (Continued)

<b>Name of other related parties</b>	<b>Relationship with the Group</b>
Minmetals Development Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Steel (Wuhan) Limited Company	Under common control of China Minmetals Corporation
Minmetals Steel Beijing Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Steel Chengdu Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Steel Guangzhou Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Steel Lanzhou Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Steel Shanghai Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Steel Tianjin Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Steel Xi'an Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Steel Chongqing Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals International Engineering Technology Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Nonferrous Metals Trade Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Nonferrous Metals Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Securities Co., Ltd.	Under common control of China Minmetals Corporation
Changsha Institute of Mining and Metallurgy Co., Ltd.	Under common control of China Minmetals Corporation
China National Foreign Trade Financial & Leasing Co., Ltd.	Under common control of China Minmetals Corporation
China Minmetals Corporation (Tangshan Caofeidian) Ore Holding Co., Ltd.	Under common control of China Minmetals Corporation
Zhuzhou Smelter Group Co., Ltd.	Under common control of China Minmetals Corporation
Zhuzhou Smelter Nonferrous Metals Industrial Co., Ltd.	Under common control of China Minmetals Corporation
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Under common control of China Minmetals Corporation
Anshan Minmetals Chentaigou Mining Co., Ltd.	Under common control of China Minmetals Corporation

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions

#### (1) Purchase or sales of goods, provision or receipt of services

##### (a) Purchase of goods and receipt of services

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
Transactions of companies under common control by CMC (Note):		<b>8,941,844</b>	6,397,032
Minmetals Steel Chengdu Co., Ltd.	Purchase of goods	<b>2,591,416</b>	2,007,248
Minmetals Steel Shanghai Co., Ltd.	Purchase of goods	<b>1,678,636</b>	1,256,522
Minmetals Nonferrous Metals Co., Ltd.	Purchase of goods	<b>1,083,547</b>	–
Minmetals Steel Lanzhou Co., Ltd.	Purchase of goods	<b>707,453</b>	266,387
Minmetals Steel Tianjin Co., Ltd.	Purchase of goods	<b>521,323</b>	585,228
Minmetals Steel Guangzhou Co., Ltd.	Purchase of goods	<b>444,601</b>	433,085
Minmetals Steel Beijing Co., Ltd.	Purchase of goods	<b>436,345</b>	311,834
Minmetals Steel (Wuhan) Limited Company	Purchase of goods	<b>433,203</b>	238,451
Zhuzhou Smelter Group Co., Ltd.	Receipt of services	<b>181,880</b>	–
Minmetals Steel Xi'an Co., Ltd.	Purchase of goods	<b>136,744</b>	180,780
Others	Purchase of goods and receipt of services	<b>726,696</b>	1,117,497
Transactions with joint ventures and associates:		<b>595,798</b>	688,700
China 22 MCC Corporation Industrial Technology Service Co., Ltd.	Receipt of services	<b>157,796</b>	167,050
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Receipt of services	<b>146,917</b>	167,954
Chengdu Yexing Runda New Building Materials Co., Ltd.	Purchase of goods and receipt of services	<b>56,214</b>	–
Shanghai Yuepu South Concrete Co., Ltd.	Purchase of goods	<b>39,740</b>	28,248
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	Purchase of goods and receipt of services	<b>38,880</b>	51,207
MCC Capital (Xiangtan) Heavy Industry Equipment Co., Ltd.	Purchase of goods and receipt of services	<b>37,478</b>	7,394
Others	Purchase of goods and receipt of services	<b>118,773</b>	266,847
Total	/	<b>9,537,642</b>	7,085,732

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (1) Purchase or sales of goods, provision or receipt of services (Continued)

##### (b) Sales of goods and provision of services

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
Transactions with companies under common control of CMGC (Note):		<b>436,891</b>	751,921
MCC Ruimu Ampere Technology Limited	Sale of goods and provision of services	<b>436,891</b>	751,921
Transactions with companies under common control of CMC (Note):		<b>2,255,478</b>	2,620,815
Minmetals Nonferrous Metals Co., Ltd.	Sale of goods and provision of services	<b>1,314,459</b>	–
Minmetals (Yingkou) Industrial Park Real Estate Development Co., Ltd.	Provision of services	<b>172,603</b>	206,608
China Minmetals Corporation (Tangshan Caofeidian) Ore Holding Co., Ltd.	Provision of services	<b>165,505</b>	308,112
Chengdu Shengkuang Real Estate Co., Ltd.	Provision of services	<b>119,685</b>	–
Others	Sale of goods and provision of services	<b>483,226</b>	2,106,095
Transactions with joint ventures and associates:		<b>49,986,608</b>	43,056,605
Xi'an MCC Pipe Network Construction and Management Co., Ltd.	Provision of services	<b>2,795,755</b>	916,594
Zigong Yejian Construction Engineering Co., Ltd.	Sale of goods and provision of services	<b>1,627,151</b>	–
Zhongshan MCC Cuicheng Street Integrated Pipe Network Co., Ltd.	Provision of services	<b>1,441,450</b>	584,899
Luzhou MCC City Construction Development Co., Ltd.	Provision of services	<b>1,233,362</b>	166,636
Panzhuhua MCC Urban Construction Development Co., Ltd.	Provision of services	<b>1,212,186</b>	376,509
Yunnan Yongmeng Expressway Construction and Development Co., Ltd.	Provision of services	<b>1,087,783</b>	–
Kunming Chunsheng Urban Construction Co., Ltd.	Provision of services	<b>1,070,327</b>	–
Jianyang Tianshun Traffic Investment Co., Ltd.	Provision of services	<b>981,452</b>	345,441
Yuechi MCC Tiantai Construction Co., Ltd.	Provision of services	<b>932,174</b>	357,637
Lanzhou Olympic Sports Center Construction and Development Co., Ltd.	Provision of services	<b>847,625</b>	–
Yunnan Mangliang Expressway Investment and Development Co., Ltd.	Provision of services	<b>825,338</b>	237,392
Guiyang City Hongyuan Yongsheng Rail Transit Line II Project II Construction Management Co., Ltd.	Provision of services	<b>810,485</b>	949,486
Ruijin Jianshi Infrastructure Investment Co., Ltd.	Provision of services	<b>723,035</b>	99,015

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

(1) Purchase or sales of goods, provision or receipt of services (Continued)

(b) Sales of goods and provision of services (Continued)

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
Lu County Zhongjian Development Municipal Infrastructure Engineering Investment Co., Ltd.	Provision of services	698,316	22,301
Sichuan Free Trade Pilot Zone Tongyu Park Operation Co., Ltd.	Provision of services	690,429	–
Liangshan MCC Education Construction and Investment Co., Ltd.	Provision of services	670,000	230,838
Gansu Public Traffic Tongding Expressway Management Co., Ltd.	Provision of services	651,989	743,965
Jianyang Zhongye Tianshun Construction Co., Ltd.	Provision of services	638,027	–
Si County MCC construction Investment Co., Ltd.	Provision of services	622,089	580,092
Yiyang MCC Science and Industry Infrastructure Development Co., Ltd	Provision of services	607,952	250,462
Peng'an Pengye Highway Development Co., Ltd.	Provision of services	601,329	162,085
Gansu Public Traffic Dinglin Expressway Management Co., Ltd.	Provision of services	552,741	641,870
Ma'anshan MCC High-tech Construction Co., Ltd.	Provision of services	519,214	–
Others	Provision of services	28,146,399	36,391,383
Total	/	52,678,977	46,429,341

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (2) Lease

##### (a) As lessor

All amounts in RMB'000

Name of lessee	Type of leased assets	Leasing income recognized for the current year	Leasing income recognized for the prior year
Beijing MCC Construction Taxi Co., Ltd.	Buildings, structures	-	215
Shanghai MCC Hospital	Buildings, structures	363	131
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Buildings, structures	-	353
Anshan Minmetals Chentaigou Mining Co., Ltd.	Buildings, structures	754	-
Total	/	1,117	699

##### (b) As lessee

All amounts in RMB'000

Name of lessor	Type of leased assets	Lease liabilities at 31 December 2020	Increase of historical cost of right-of-use assets for the current year	Leasing expense recognized for the current year
China Metallurgical Group Corporation (Note)	Buildings, structures	52,491	-	56,781
Beijing Dongxing Metallurgical New Technology Development Co., Ltd. (Note)	Buildings, structures	8,170	-	9,103
Minmetals Hanxing Mining (Anhui) Property Management Co., Ltd.	Buildings, structures	-	-	292
Total	/	60,661	-	66,176

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (3) Guarantee

##### (a) Grant guarantee

All amounts in RMB'000

Guarantor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed at 31 December 2020
Zhuhai Hengqin Headquarters Building Development Co., Ltd.	128,533	2019-09-04	2024-09-04	No
Zhuhai Hengqin Headquarters Building Development Co., Ltd.	199,226	2019-09-04	2024-09-04	No

##### (b) Guarantees be granted

All amounts in RMB'000

Guarantor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed at 31 December 2020
China Metallurgical Group Corporation	1,957,470	2019-11-01	2022-10-31	No
China Metallurgical Group Corporation	1,282,164	2020-05-05	2023-05-05	No
China Metallurgical Group Corporation	326,245	2020-06-01	2021-05-31	No

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (4) Loans from/to related parties

All amounts in RMB'000

Related party	Amount	Inception date	Expiration date	Notes
Lending				
Hangzhou MCC Mingze Real Estate Development Co., Ltd.	1,899,070	2020-01-13	No fixed maturity date	General borrowings
MCC Baotou Mingyang Real Estate Development Co., Ltd.	1,740,250	2020-11-19	No fixed maturity date	General borrowings
Nanjing MCC Zhenghuai Real Estate Co., Ltd.	1,275,309	2020-10-31	No fixed maturity date	General borrowings
Tianjin MCC Mingrui Real Estate Co., Ltd.	1,168,000	2020-01-14	No fixed maturity date	General borrowings
Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	917,500	2020-01-13	No fixed maturity date	General borrowings
Zhuozhou MCC Mingcheng Real Estate Development Co., Ltd.	856,872	2020-10-12	No fixed maturity date	General borrowings
Zhejiang MCC Investment Co., Ltd.	503,927	2020-06-18	2021-03-21	General borrowings
Guangzhou MCC Mingjie Real Estate Co., Ltd.	450,000	2020-01-10	No fixed maturity date	General borrowings
Sanya MCC Minglan Development Co., Ltd.	371,385	2020-01-16	No fixed maturity date	General borrowings
22nd Metallurgical Times Real Estate (Tangshan) Co., Ltd.	366,852	2020-06-23	2021-12-31	General borrowings
Shijiazhuang MCC Mingsheng Real Estate Development Co., Ltd.	266,400	2020-01-02	No fixed maturity date	General borrowings
Zhuozhou MCC Mingda Real Estate Development Co., Ltd.	213,038	2020-10-12	No fixed maturity date	General borrowings
MCC Urban Investment People's Hospital Investment (Wuchuan) Co., Ltd.	185,000	2020-12-21	2021-03-21	General borrowings
E'zhou Xincheng Construction Engineering Co., Ltd.	150,000	2020-03-31	No fixed maturity date	General borrowings
Sichuan Free Trade Pilot Zone Tongyu Park Operation Co., Ltd.	103,370	2020-03-01	2021-03-31	General borrowings
Others	576,454	/	/	/
Total	11,043,427	/	/	/



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (4) Loans from/to related parties (Continued)

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

Certain of the loans from/to related parties mentioned above are interest bearing. The interest rates ranged from 3.915% to 10.00%.

#### (5) Compensation of key management personnel

Key management include director (executive director and non-executive director), supervisor, president, vice president, board secretary and chief accountant. Compensation as employee services paid or to be paid to key management personnel is as follows:

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Salaries, housing benefits, other allowances and benefits in kind	8,484	8,687
Pension scheme contributions	91	554
Discretionary bonus	5,777	5,557
Total	14,352	14,798

#### (a) Directors' and supervisors' remunerations

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Salaries, housing benefits, other allowances and benefits in kind	4,039	2,558
Pension scheme contributions	37	181
Discretionary bonus	2,718	1,508
Total	6,794	4,247

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (5) Compensation of key management personnel (Continued)

##### (a) Directors' and supervisors' remunerations (Continued)

Compensations for directors and supervisors respectively for the year ended 31 December 2020 were as follows:

All amounts in RMB'000

	Salaries, housing benefits, other allowances and benefits in kind	Pension scheme contributions	Discretionary bonus	Total
<b>Executive director:</b>				
Guo Wen Qing (i)	-	-	-	-
Zhang Zhao Xiang (Until 9 September 2020) (i)	-	-	-	-
Zhang Meng Xing (Starting from 15 October 2020) (ii)	976	8	666	1,650
<b>Independent non-executive director:</b>				
Zhou Ji Chang	273	-	-	273
Yu Hai Long (Until 12 November 2020)	274	-	-	274
Wu Jia Ning (Starting from 29 April 2020)	189	-	-	189
Chen Jia Qiang (Until 29 April 2020)	76	-	-	76
Ren Xu Dong (Until 12 November 2020)	247	-	-	247
<b>Employee representative director:</b>				
Lin Jin Zhen (Until 31 August 2020)	353	8	360	721
Yan Ai Zhong (Starting from 31 August 2020)	294	-	189	483
<b>Supervisor:</b>				
Yin Si Song (Starting from 15 October 2020)	133	-	135	268
Zhang Yan Di	400	8	450	858
Chu Zhi Qi	383	8	397	788
Cao Xiu Yun (Until 15 October 2020)	441	5	521	967
Total	4,039	37	2,718	6,794

(i) Guo Wenqing, Zhang Zhaoxiang started to work in CMC in July 2016, since when their personal relationship had been transferred to CMC, and they had not received any compensation in the Group in 2020.

(ii) Zhang Meng Xing started to work as director from 12 March 2019. The company's second Extraordinary Shareholders' Meeting in 2020 elected Mr. Zhang Mengxing as an executive director of the company's third Board of Directors. Since then, Mr. Zhang has served as the executive director and president of the company.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (5) Compensation of key management personnel (Continued)

##### (a) Directors' and supervisors' remunerations (Continued)

Compensations for directors and supervisors respectively for the year ended 31 December 2019 were as follows:

All amounts in RMB'000

	Salaries, housing benefits, other allowances and benefits in kind	Pension scheme contributions	Discretionary bonus	Total
<b>Executive Directors</b>				
Guo Wen Qing(i)	-	-	-	-
Zhang Zhao Xiang (i)	-	-	-	-
<b>Non-executive Director</b>				
Jing Tian Liang	21	-	-	21
<b>Independent Non-executive Directors</b>				
Yu Hai Long	148	-	-	148
Ren Xu Dong	140	-	-	140
Chen Jia Qiang	142	-	-	142
Zhou Ji Chang (Starting from 12 March 2019)	103	-	-	103
<b>Employee Representative Director</b>				
Lin Jin Zhen	528	50	530	1,108
<b>Supervisors</b>				
Yan Ai Zhong (Until 12 March 2019)	140	10	70	220
Peng Hai Qing (Until 12 March 2019) (i)	-	-	-	-
Shao Bo (Until 12 March 2019) (i)	-	-	-	-
Cao Xiu Yun (Starting From 12 March 2019)	703	40	193	936
Zhang Yan Di (Starting From 12 March 2019)	316	40	383	739
Chu Zhi Qi (Starting From 12 March 2019)	317	41	332	690
<b>Total</b>	<b>2,558</b>	<b>181</b>	<b>1,508</b>	<b>4,247</b>

(i) Guo Wenqing, Zhang Zhaoxiang started to work in CMC in July 2016, Peng Haiqing started to work in CMC in April 2017, Shao Bo started to work in CMC in April 2018, since when their personal relationship had been transferred to CMC, and they had not received any compensation in the Group in 2019.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED) (Continued)

### 5. Related party transactions (Continued)

#### (5) Compensation of key management personnel (Continued)

##### (b) Five highest paid individuals' remunerations

None of the Directors and Supervisors as disclosed in the note above was included in the five highest paid individuals of the Group. The five individuals whose remunerations were the highest in the Group during the year are as follows:

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Salaries, housing benefits, other allowances and benefits in kind	2,007	1,049
Pension scheme contributions	189	249
Discretionary bonus	8,368	8,663
Total	10,564	9,961

	Number of individuals for the current year	Number of individuals for the prior year
Nil to HK\$1,000,000	–	–
HK\$1,000,001 to HK\$1,500,000	–	–
HK\$1,500,001 to HK\$2,000,000	–	–
HK\$2,000,001 to HK\$2,500,000	4	5
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$3,000,001 to HK\$3,500,000	–	–
Total	5	5

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (6) Other related party transactions

All amounts in RMB'000

Related party transactions	Related parties	Amount for the current year	Amount for the prior year
Interest income	Hangzhou MCC Mingze Real Estate Development Co., Ltd.	141,002	194,591
Interest income	Guangzhou MCC Minghui Real Estate Co., Ltd.	127,295	234,702
Interest income	Guangzhou MCC Mingjie Real Estate Co., Ltd.	105,574	40,543
Interest income	Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	93,293	100,737
Interest income	Tianjin MCC Mingrui Real Estate Co., Ltd.	88,232	-
Interest income	Shijiazhuang MCC Mingsheng Real Estate Development Co., Ltd.	37,617	143,096
Interest income	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	28,300	28,114
Interest income	MCC Ruimu Amperex Technology Limited	25,799	25,914
Interest income	Tianjin Mingjin MCC Real Estate Co., Ltd.	22,080	19,054
Interest income	Sichuan Hangye Industrial Co., Ltd.	16,617	8,929
Interest income	Tianjin Tuanbo Urban Development Co., Ltd.	14,576	14,537
Interest income	Suining Kaihong Construction Development Co., Ltd.	14,037	-
Interest income	22nd Metallurgical Times Real Estate (Tangshan) Co., Ltd.	12,608	-
Interest income	Puyang Jinhe Construction Engineering Co., Ltd.	10,065	18,761
Interest income	Others	107,542	571,218
Total		844,637	1,400,196
Interest expense	China Metallurgical Group Corporation(Note)	50,384	103,305
Interest expense	Minmetals Securities Co., Ltd	44,232	24,972
Interest expense	Sichuan Developing Shuou Construction Engineering Co., Ltd.	28,934	-
Interest expense	Chengdu Qingye Tianshun Construction Co., Ltd.	21,680	-
Interest expense	China National Foreign Trade Financial & Leasing Co., Ltd. (Note)	22,744	30,956
Interest expense	China National Metal Products (HK) Corporation limited	1,891	-
Total		169,865	159,233

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 6. Amounts due from/due to related parties

#### (1) Receivables

All amounts in RMB'000

Items	Related parties	31 December 2020		31 December 2019	
		Book value	Provisions for credit losses	Book value	Provisions for credit losses
Accounts receivable	BERIS Engineering and Research Corporation Jiangsu Heavy Industry Co., Ltd.	572,959	572,959	-	-
Accounts receivable	Dancheng Zhongyi Ecological Environment Management Co., Ltd.	371,705	-	-	-
Accounts receivable	Luzhou MCC City Construction Development Co., Ltd.	227,272	-	-	-
Accounts receivable	Yinchuan Mancheng Street Underground Comprehensive Pipe Network Construction and Management Co., Ltd.	213,628	-	-	-
Accounts receivable	Bengbu China Metallurgical Dragon Real Estate Co., Ltd.	188,922	-	144,657	-
Accounts receivable	Xi'an MCC Pipe Network Construction and Management Co., Ltd.	184,870	500	201,075	-
Accounts receivable	Nanchong 17 MCC Jiangdongbiaomei Construction Investment Management Co., Ltd.	176,652	-	195,300	-
Accounts receivable	Zhengzhou Huituo Urban and Rural Construction Co., Ltd.	171,541	-	184	-
Accounts receivable	Jianyang Zhongye Tianshun Construction Co., Ltd.	170,157	-	76,684	-
Accounts receivable	Wuhan Zhong Yi Investment Construction Company Ltd.	169,696	-	21,708	-
Accounts receivable	Foshan Jianxin Infrastructure Construction Co., Ltd.	162,490	9,703	185,400	6,475
Accounts receivable	Zhuhai Hengqin Headquarters Building Development Co., Ltd.	149,316	5,136	-	-
Accounts receivable	Baotou MCC Real Estate Co., Ltd.	149,117	117,091	145,953	102,637
Accounts receivable	Luxi County Zhonggong Traffic Network Construction and Management Co., Ltd.	144,716	4,211	-	-
Accounts receivable	Zhangpu Chengye Construction Investment Co., Ltd.	105,263	9,632	59,856	1,538
Accounts receivable	Chengdu Huaye Huanglongxi Engineering Management Co., Ltd.	101,527	3,493	-	-
Accounts receivable	Jiangxi Shangli Jiaosheng City Construction Development Co., Ltd.	100,089	1,611	1,554	25
Accounts receivable	Others	3,309,191	107,869	5,918,299	209,030
Total		6,669,111	832,205	6,950,670	319,705

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 6. Amounts due from/due to related parties (Continued)

#### (1) Receivables (Continued)

All amounts in RMB'000

Items	Related parties	31 December 2020		31 December 2019	
		Book value	Provisions for credit losses	Book value	Provisions for credit losses
Other receivables	Hangzhou MCC Mingze Real Estate Development Co., Ltd.	4,339,592	-	2,746,400	-
Other receivables	Tianjin MCC Mingrui Real Estate Co., Ltd.	3,528,278	-	2,518,344	-
Other receivables	Guangzhou MCC Mingjie Real Estate Co., Ltd.	2,775,371	-	2,455,583	-
Other receivables	Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	2,533,778	-	1,601,755	181
Other receivables	Guangzhou MCC Minghui Real Estate Co., Ltd.	1,951,993	-	2,016,399	-
Other receivables	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	1,915,839	513,049	1,908,294	452,771
Other receivables	Shijiazhuang MCC Mingsheng Real Estate Development Co., Ltd.	1,889,174	-	-	-
Other receivables	MCC Baotou Mingyang Real Estate Development Co., Ltd.	1,702,330	-	-	-
Other receivables	Nanjing MCC Zhenghuai Real Estate Co., Ltd.	1,275,309	-	-	-
Other receivables	Qiqihar North MCC Real Estate Co., Ltd.	1,235,517	-	1,269,815	-
Other receivables	Wuhan Zhong Yi Investment Construction Company Ltd.	1,121,815	-	1,281,508	-
Other receivables	Others	10,748,706	1,779,850	16,645,838	1,315,237
Total		35,017,702	2,292,899	32,443,936	1,768,189
Prepayments	Minmetals Nonferrous Metals Co., Ltd.	182,853	-	-	-
Prepayments	Minmetals Steel Shanghai Co., Ltd.	67,684	-	-	-
Prepayments	Minmetals Steel Chongqing Co., Ltd.	38,311	-	-	-
Prepayments	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	21,022	-	34,738	-
Prepayments	Minmetals Steel Chengdu Co., Ltd.	13,406	-	33,446	-
Prepayments	Jinchí Energy and Material Co., Ltd.	9,452	-	9,452	-
Prepayments	Others	52,512	-	135,912	-
Total		385,240	-	213,548	-

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 6. Amounts due from/due to related parties (Continued)

#### (1) Receivables (Continued)

All amounts in RMB'000

Items	Related parties	31 December 2020		31 December 2019	
		Book value	Provisions for credit losses	Book value	Provisions for credit losses
Long-term receivables	Suining Kaihong Construction Development Co., Ltd.	401,503	-	346,733	-
Long-term receivables	MCC Ruimu Amperex Technology Limited	250,084	3,556	430,589	3,595
Long-term receivables	Changqing Beimeng Project Management Limited liability Company	175,290	-	175,290	-
Long-term receivables	Xuzhou MCC Chengdong Express Way Co., Ltd.	143,187	-	-	-
Long-term receivables	Nanjing Pukou Xingbao Construction Development Co., Ltd.	115,801	2,480	371,609	7,621
Long-term receivables	Others	175,068	751	11,594	187
Total		1,260,933	6,787	1,335,815	11,403

#### (2) Payables

All amounts in RMB'000

Items	Related parties	31 December	31 December
		2020	2019
Accounts payable	Minmetals Steel Lanzhou Co., Ltd.	96,844	63,596
Accounts payable	Minmetals Steel Chengdu Co., Ltd.	94,445	227,953
Accounts payable	Minmetals Steel Xi'an Co., Ltd.	74,949	92,589
Accounts payable	The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	90,005	136,073
Accounts payable	Minmetals Steel Guangzhou Co., Ltd.	51,295	65,234
Accounts payable	Minmetals Steel (Wuhan) Limited Company	48,279	41,087
Accounts payable	Minmetals Steel Shanghai Co., Ltd.	46,227	70,407
Accounts payable	Chengdu Yexing Runda New Building Materials Co., Ltd.	45,628	-
Accounts payable	Minmetals Nonferrous Metals Trade Co., Ltd.	42,916	48,366
Accounts payable	China 22 MCC Corporation Industrial Technology Service Co., Ltd.	42,190	21,062
Accounts payable	Others	397,680	506,721
Total		1,030,458	1,273,088

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 6. Amounts due from/due to related parties (Continued)

#### (2) Payables (Continued)

All amounts in RMB'000

Items	Related parties	31 December 2020	31 December 2019
Other payables	MCC Ruimu Amperex Technology Limited	178,508	64
Other payables	China Metallurgical Group Corporation	163,586	120,650
Other payables	Zhuzhou Smelter Nonferrous Metals Industrial Co., Ltd.	151,548	162,030
Other payables	Zhuhai Hengqin Headquarters Building Development Co., Ltd.	114,353	–
Other payables	Minmetals International Engineering Technology Co., Ltd.	106,735	–
Other payables	Minmetals Development Co., Ltd.	80,000	–
Other payables	Baotou MCC Real Estate Co., Ltd.	77,827	77,827
Other payables	Tianjin MCC Heyuan Real Estate Co., Ltd.	68,469	68,469
Other payables	Hunan Huangshaping Lead-Zinc Mine	66,868	71,493
Other payables	Wuzhou Guoye Investment and Development Co., Ltd.	52,080	–
Other payables	Chongqing Xiema East& West Main Line Construction Engineering Management Co., Ltd.	30,000	30,000
Other payables	Baoding Mingbao Real Estate Development Co., Ltd.	26,900	–
Other payables	Shanghai MCC Xiangqi Investment Co., Ltd.	24,483	23,453
Other payables	Shanghai Union Automobile Avenue Development and Construction Co., Ltd.	24,000	24,000
Other payables	Beijing Evertrust Business-boom Investment and Management Co., Ltd.	17,714	17,714
Other payables	Beijing Dongxing Metallurgical New-Tech & Development Co., Ltd.	16,905	27,470
Other payables	Meizhou MCC Urban Construction and development Co., Ltd.	14,384	470
Other payables	Others	79,116	551,330
Total		1,293,476	1,174,970

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 6. Amounts due from/due to related parties (Continued)

#### (2) Payables (Continued)

All amounts in RMB'000

Items	Related parties	31 December 2020	31 December 2019
Contract liabilities	Xichang Anmin City Construction Investment Co., Ltd.	431,719	431,991
Contract liabilities	Leshan City Legao Urban Construction Engineering Co., Ltd.	400,150	–
Contract liabilities	Yunnan Mangliang Expressway Investment and Development Co., Ltd.	323,847	–
Contract liabilities	Quzhou Baoye Sports Construction and Operation Co., Ltd.	252,715	66,847
Contract liabilities	Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	176,991	–
Contract liabilities	Guangzhou Pipe Network Construction and Investment Co., Ltd.	151,056	–
Contract liabilities	Chongqing Yunkai Expressway Co., Ltd.	143,895	–
Contract liabilities	Luxi Huarui Construction Engineering Management Co., Ltd.	135,023	–
Contract liabilities	Bijie Xinye Municipal Engineering Co., Ltd.	71,802	–
Contract liabilities	Nanjing Pukou Xingbao Construction Development Co., Ltd.	64,487	64,487
Contract liabilities	Nanjing Hexi New City District State-owned Assets Operating and Holding (Group) Co., Ltd.	63,971	–
Contract liabilities	Others	615,229	1,512,193
Total		2,830,885	2,075,518
Long-term borrowings	Minmetals Securities Co., Ltd.	579,500	661,839
Long-term borrowings	China National Foreign Trade Financial & Leasing Co., Ltd.	110,888	529,306
Total		690,388	1,191,145



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 6. Amounts due from/due to related parties (Continued)

#### (2) Payables (Continued)

Items	Related parties	31 December 2020	31 December 2019
Non-current liabilities due within one year	China National Foreign Trade Financial & Leasing Co., Ltd.	216,049	204,299
Non-current liabilities due within one year	Minmetals Securities Co., Ltd.	30,754	2,839
Non-current liabilities due within one year	China Metallurgical Group Corporation	–	378,980
Total		246,803	586,118
Long-term payables	China Metallurgical Group Corporation	444,550	–
Total		444,550	–

## XIII. COMMITMENTS AND CONTINGENCIES

### 1. Significant Commitments

#### (1) Capital commitments

As at the balance sheet date, the Group had capital commitments contracted but not recognized in the balance sheet were as follows:

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Buildings, structures and equipment	24,219,698	23,658,372
Intangible assets	4,287,019	4,287,019
Total	28,506,717	27,945,391

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XIII. COMMITMENTS AND CONTINGENCIES (CONTINUED)

### 2. Contingencies

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

##### (a) Pending litigation or arbitration

As at 31 December 2020, objects of pending litigation or arbitration in which the Group acted as defendant were amounting to RMB4,555,905,000 (as at 31 December 2019: RMB3,661,424,000).

The Group has been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. Provision will be made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits based on management's judgments and legal advice. No provision will be made for the above pending lawsuits if management determines the outflow of resources is not probable. As at 31 December 2020, management has made provision for pending lawsuits of RMB127,904,000, details of which are set out in Note VII 42.

##### (b) Financial guarantees given to banks

##### (i) Mortgage guarantees

All amounts in RMB'000

<b>Guarantor</b>	<b>Guaranteed amount</b>
Mortgage guarantees <i>(Note)</i>	10,523,583

*Note:* The Group's subsidiaries in property development sector would provide mortgage guarantees to the property purchasers as it is a common practice in property development industry. Under such arrangements, the period of the guarantees is from the date of the contracts being signed to the date of the legal title of the properties finally being transferred to the purchasers and the certificates could be used as collaterals. The Group considers that the risk related to such guarantees is minor.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XIII. COMMITMENTS AND CONTINGENCIES (CONTINUED)

### 2. Contingencies (Continued)

#### (1) Significant contingencies at the balance sheet date (Continued)

##### (b) Financial guarantees given to banks (Continued)

##### (ii) Loan Guarantees

All amounts in RMB'000

Guarantor	Guarantee	Guaranteed amount
China MCC 20 Group Co., Ltd.	Zhuhai Hengqin Headquarters Building Development Co., Ltd.	128,533
MCC Real Estate Group Co., Ltd.	Zhuhai Hengqin Headquarters Building Development Co., Ltd.	199,226

*Note:* In 2019, Zhuhai Hengqin Headquarters Building Development Co., Ltd. was a subsidiary of the group within the scope of consolidation. In 2020, other shareholders of Zhuhai Hengqin Headquarters Building Development Co., Ltd. revoked their concerted action agreement with the Group, and the Group lost control of them. Zhuhai Hengqin Headquarters Building Development Co., Ltd. became a joint venture of the Group. China Twenty Metallurgical Group Co., Ltd. provided guarantee for the loan of Zhuhai Hengqin Headquarters Building Development Co., Ltd. The actual guarantee amount was 128,533,000, the maximum guaranteed amount was 600,000,000, and the guarantee date was from 4 September 2019 to 4 September 2024; MCC Real Estate Group Co., Ltd. provided guarantee for the loan of Zhuhai Hengqin Headquarters Building Development Co., Ltd. The guarantee amount was 199,226,000, and the maximum guaranteed amount was 930,000,000. The guarantee date was 4 September 2019 to 4 September 2024. Zhuhai Hengqin Headquarters Building Development Co., Ltd. is in good financial condition, and the management expects that there is no major debt default risk.

##### (c) Others

In 2012, due to extreme adverse weather condition, including typhoon, the progress of the Sino Iron Project was behind the original planned schedule giving rise to the substantial project cost overrun. The management is of the view that the Group has implemented appropriate procedures to control project costs, shorten project delay and minimize the loss resulted from the project schedule delay. In respect of the compensation clause set out in the construction contract entered into between the Group and the customer regarding the loss to customer resulted from the project delay due to the contractor own reason, the Group has sufficient communications with CITIC Group who is the customer of the Sino Iron Project. Both the Group and CITIC Group believe that the project delay is due to various reasons. A consensus has been reached between the Group and CITIC Group that the second main process production line of the Sino Iron Project should be completed and available for trial run by 15 April 2013. Due to the technical issue of cyclo electric motors, the trial run of the second main process production line of the Sino Iron Project was further delayed. The cyclo electric motors were purchased by a subsidiary of CITIC Group from an overseas supplier. The Group is of the view that the Group has appropriately performed its duty and fulfilled its responsibility in constructing the second main process production line according to the consensus reached with CITIC Group before. The reason for the delay in trial run of the second main process production line of the Sino Iron Project is principally due to quality issue of cyclo electronic motors which were not purchased by the Group.

As of the date of approving these financial statements, the customer has not lodged any compensation claims against the Group in respect of the project delay. The Group has already taken measures in shortening the project delay and has sufficient communications with the customer of this project. The Group is of the view that the risk of being claimed by the customer of this project is remote. Therefore, no provision for loss is recognized in these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XIV. EVENTS AFTER THE BALANCE SHEET DATE

### 1. Appropriation of profit after the balance sheet date

According to the decision of the 26th meeting of the third term of the Board of Directors of the Company, the Company proposed to distribute cash dividend of RMB0.75 (tax inclusive) for every 10 shares held by the shareholders, which amounted to RMB1,554,271,000. The total number of shares of the Company was 20,723,620,000 as at 31 December 2020. The dividend distribution is subject to the approval by the shareholders at the upcoming annual Shareholders meeting.

## XV. OTHER SIGNIFICANT MATTERS

### 1. Segment information

#### (1) Accounting policies of the segment

The Group determines the operating segments based on the internal organizational structure, management requirements and internal reporting system. The reportable segments are determined based on operating segments.

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

### 1. Segment information (Continued)

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

(a) Segment information for the year ended 31 December 2020 and as at 31 December 2020

All amounts in RMB'000

Items	Engineering contracting	Property development	Equipment manufacture	Resource development	Others	Unallocated amounts	Elimination between segments	Total
Operating revenue	363,965,127	24,114,286	11,056,954	4,383,658	3,702,253	-	(7,107,655)	400,114,623
Including: Revenue from external customers	359,072,735	23,362,271	10,821,329	4,374,376	2,483,912	-	-	400,114,623
Revenue between segments	4,892,392	752,015	235,625	9,282	1,218,341	-	(7,107,655)	-
Operating costs	326,948,449	19,132,860	9,518,033	3,145,663	2,931,727	-	(6,991,161)	354,685,571
Including: External costs	322,388,234	18,494,609	9,282,409	3,136,381	1,383,938	-	-	354,685,571
Costs between segments	4,560,215	638,251	235,624	9,282	1,547,789	-	(6,991,161)	-
Operating profit/(loss)	7,342,525	3,493,882	354,051	357,028	646,999	(281,682)	(99,783)	11,813,020
Including: Interest income	1,528,292	838,474	39,395	15,158	(121,814)	-	(561,031)	1,738,474
Interest expenses	2,435,609	640,594	126,408	306,901	(438,511)	-	(561,031)	2,509,970
Gains/(losses) on investments in associates and joint ventures	(378,401)	200,814	-	-	-	-	-	(177,587)
Non-operating income	411,009	26,350	18,601	15,422	3,622	-	-	475,004
Non-operating expenses	310,547	54,106	678	4,746	677	-	-	370,754
Total profit/(loss)	7,442,987	3,466,126	371,974	367,704	649,944	(281,682)	(99,783)	11,917,270
Income tax expense	1,413,544	962,269	8,249	21,060	129,791	-	-	2,534,913
Net profit/(net loss)	6,029,443	2,503,857	363,725	346,644	520,153	(281,682)	(99,783)	9,382,357
Assets	386,798,200	117,595,745	19,019,747	16,794,091	78,035,494	5,637,114	(117,487,428)	506,392,963
Including: Long-term equity investments in associates and joint ventures	20,628,156	4,991,282	-	65	57,452	-	-	25,676,955
Non-current assets	64,402,189	6,819,194	1,615,990	8,796,372	36,853,858	-	38,945,161	79,542,442
Liabilities	322,468,532	90,383,382	15,976,893	16,605,464	36,631,912	61,235	(116,089,762)	366,037,656
Depreciation and amortization expenses	1,933,270	195,663	277,731	253,229	154,794	-	-	2,814,687
Impairment losses of assets and impairment of credit losses	(3,365,948)	(58,859)	(79,915)	(127,234)	(48,051)	-	-	(3,680,007)
Increase in other non-current assets other than long-term equity investments	4,728,736	3,602	345,972	79,062	50,428	-	-	5,207,800



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

### 1. Segment information (Continued)

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

(b) Segment information for the year ended 31 December 2019 and as at 31 December 2019

All amounts in RMB'000

Items	Engineering contracting	Property development	Equipment manufacture	Resource development	Others	Unallocated amounts	Elimination between segments	Total
Operating revenue	311,836,814	19,961,558	7,232,276	5,184,624	4,431,952	-	(10,009,615)	338,637,609
Including: Revenue from external customers	305,394,770	18,906,755	6,359,811	5,183,417	2,792,866	-	-	338,637,609
Revenue between segments	6,442,044	1,054,803	872,465	1,207	1,639,086	-	(10,009,615)	-
Operating costs	280,215,442	14,780,917	6,493,846	3,876,340	3,760,421	-	(9,879,851)	299,247,115
Including: External costs	273,884,237	13,728,847	5,636,897	3,875,797	2,121,337	-	-	299,247,115
Costs between segments	6,331,205	1,052,070	856,949	543	1,639,084	-	(9,879,851)	-
Operating profit/(loss)	6,541,818	3,235,638	(855,186)	28,610	704,370	(258,405)	(54,429)	9,342,416
Including: Interest income	553,950	1,308,579	30,901	24,011	1,149,846	-	(673,910)	2,393,377
Interest expenses	2,039,913	1,457,947	39,772	492,644	793,507	-	(673,910)	4,149,873
Gains/(losses) on investments in associates and joint ventures	(118,061)	134,739	-	-	(2,217)	-	-	14,461
Non-operating income	334,195	21,788	97,254	64,257	6,283	-	-	523,777
Non-operating expenses	49,050	22,623	7,437	3,542	1,383	-	-	84,035
Total profit/(loss)	6,826,963	3,234,803	(765,369)	89,325	709,270	(258,405)	(54,429)	9,782,158
Income tax expense	1,141,375	791,430	59,976	67,123	145,435	-	-	2,205,339
Net profit/(net loss)	5,685,588	2,443,373	(825,345)	22,202	563,835	(258,405)	(54,429)	7,576,819
Assets	343,105,005	117,008,146	12,848,828	18,204,783	55,335,941	5,618,595	(93,615,085)	458,506,213
Including: Long-term equity investments in associates and joint ventures	16,985,361	4,837,780	-	70	11,155	-	-	21,834,366
Non-current assets	42,568,751	11,585,792	3,642,958	12,487,880	18,578,943	-	(13,782,274)	75,062,050
Liabilities	272,519,638	90,130,145	10,587,457	18,218,888	41,526,999	71,685	(91,454,107)	341,600,705
Depreciation and amortization expenses	1,881,141	155,008	266,513	910,831	170,750	-	-	3,384,243
Impairment losses of assets and impairment of credit losses	(2,533,814)	40,578	(784,598)	(57,561)	(22,893)	-	-	(3,358,288)
Increase in other non-current assets other than long-term equity investments	3,480,257	1,374,950	63,043	303,243	270,476	-	-	5,491,969

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

### 1. Segment information (Continued)

#### (3) Other notes

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

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
China	382,282,330	315,661,497
Other countries/regions	17,832,293	22,976,112
Total	400,114,623	338,637,609

All amounts in RMB'000

Items	31 December 2020	31 December 2019
China	68,823,388	64,316,350
Other countries/regions	10,719,054	10,765,700
Total	79,542,442	75,082,050

- (b) The dependency on major customers

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

### 2. Net current assets and total assets less current liabilities

#### (1) Net current assets

All amounts in RMB'000

	31 December 2020	31 December 2019
Current assets	389,253,555	347,435,959
Less: Current liabilities	331,791,251	305,923,537
Net current assets	57,462,304	41,512,422

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

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

#### (2) Total assets less current liabilities

All amounts in RMB'000

	31 December 2020	31 December 2019
Total Assets	506,392,963	458,506,213
Less: Current liabilities	331,791,251	305,923,537
Total assets less current liabilities	174,601,712	152,582,676

### 3. Earnings per share

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

All amounts in RMB'000

	Amount for the current year	Amount for the prior year
Net profit for the current year attributable to shareholders of the Company	7,862,185	6,599,712
Including: Net profit from continuing operations	7,862,185	6,599,712
Less: Net profit belonging to the perpetual bond holders	1,190,508	1,007,046
Net profit for the current year attributable to ordinary shareholders	6,671,677	5,592,666

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

All amounts in thousand shares

	Amount for the current year	Amount for the prior year
Number of ordinary shares outstanding at the beginning of the year	20,723,619	20,723,619
Add: Weighted average number of ordinary shares issued during the year	-	-
Less: Weighted average number of ordinary shares repurchased during the year	-	-
Number of ordinary shares outstanding at the end of the year	20,723,619	20,723,619

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

### 3. Earnings per share (Continued)

(3) Earnings per share

All amounts in RMB'000

	Amount for the current year	Amount for the prior year
Calculated based on net profit attributable to ordinary shareholders:		
Basic earnings per share	0.32	0.27
Diluted earnings per share	N/A	N/A
Calculated based on net profit from continuing operations attributable to ordinary shareholders:		
Basic earnings per share	0.32	0.27
Diluted earnings per share	N/A	N/A
Calculated based on net profit from discontinued operations attributable to ordinary shareholders:		
Basic earnings per share	N/A	N/A
Diluted earnings per share	N/A	N/A

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

### 1. Cash and bank balances

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Cash	1,371	478
Bank deposits	9,605,203	2,455,909
Other cash and bank balances	11,510	11,510
Total	9,618,084	2,467,897

As at 31 December 2020, restricted cash and bank balances were RMB11,510,000.(as at 31 December 2019: RMB11,510,000, which was frozen deposits).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 2. Accounts receivable

#### (1) Aging analysis of accounts receivable

All amounts in RMB'000

Aging	31 December 2020	31 December 2019
Within 1 year	209,894	80,605
1 to 2 years	-	-
2 to 3 years	-	-
3 to 4 years	-	-
4 to 5 years	-	-
Over 5 years	71,546	71,546
Total book value	281,440	152,151
Less: provisions for credit losses	53,252	53,252
Carrying amount	228,188	98,899

Settlement of trade receivables generated through engineering and construction services is made in accordance with terms specified in the contracts governing the relevant transactions. The aging of accounts receivable is calculated based on the date of issuing billing of construction service or date of revenue recognition.

#### (2) Provision for credit losses of accounts receivable

All amounts in RMB'000

Items	Lifetime expected credit losses (Non-credit-impaired)	Lifetime expected credit losses (Credit-impaired)	Total
Provisions for credit losses at 31 December 2019	-	53,252	53,252
Provisions for the current year	-	-	-
Provisions for credit losses at 31 December 2020	-	53,252	53,252
Book value of accounts receivable at 31 December 2020	228,188	53,252	281,440



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 2. Accounts receivable (Continued)

(3) *The top 5 largest accounts receivable collected by arrears at the end of the year*

*All amounts in RMB'000*

Name of entity	Relationship with the Company	31 December 2020	As a percentage of total accounts receivable (%)
Party 1	Third party	119,622	42.50
Party 2	Third party	89,964	31.97
Party 3	Third party	46,454	16.51
Party 4	Subsidiary	18,294	6.50
Party 5	Third party	6,798	2.42
Total	/	281,132	99.90

(4) As at 31 December 2020, the Company had no derecognized accounts receivable due to the transfer of substantially all the risks and rewards of ownership of the accounts receivable to the transferees whereas whose continuing involvement into transferred financial assets (as at 31 December 2019: nil).

### 3. Other receivables

(1) *Presentation of other receivables*

*All amounts in RMB'000*

Items	31 December 2020	31 December 2019
Interest receivables	4,846,876	3,385,576
Dividends receivable	2,503,938	2,281,350
Other receivables	36,185,459	38,045,679
Total	43,536,273	43,712,605

(2) *Interest receivables*

*All amounts in RMB'000*

Items	31 December 2020	31 December 2019
Subsidiaries of the Company	5,173,452	3,726,106
Less: provisions for credit losses	326,576	340,530
Total	4,846,876	3,385,576

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 3. Other receivables (Continued)

#### (3) Dividends receivable

- (a) Presentation of dividends receivable

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Subsidiaries of the Company	2,503,938	2,281,350
Total	2,503,938	2,281,350

- (b) At 31 December 2020, the closing balance of dividends receivable aged more than one year is RMB1,852,949,000. (as at 31 December 2019: RMB671,472,000).

#### (4) Other receivables

- (a) Aging analysis of other receivables

All amounts in RMB'000

Aging	31 December 2020	31 December 2019
Within 1 year	3,214,110	6,430,987
1 to 2 years	5,410,257	12,185,314
2 to 3 years	10,722,838	4,418,134
3 to 4 years	3,691,146	4,112,808
4 to 5 years	3,745,931	2,513,931
Over 5 years	15,638,512	14,679,371
Total book value	42,422,794	44,340,545
Less: Provisions for credit losses	6,237,335	6,294,866
Carrying amount	36,185,459	38,045,679

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 3. Other receivables (Continued)

#### (4) Other receivables (Continued)

##### (b) Provision of credit losses of other receivables

All amounts in RMB'000

Items	Phase 1 Future 12-month expected credit losses	Phase 2 Lifetime expected credit losses (Non-credit- impaired)	Phase 3 Lifetime expected credit losses (Credit- impaired)	Total
Provision for credit losses at 31 December 2019	-	-	6,294,866	6,294,866
Other changes	-	-	(57,531)	(57,531)
Provision for credit losses at 31 December 2020	-	-	6,237,335	6,237,335
Book value of other receivables at 31 December 2020	33,126,939	-	9,295,855	42,422,794

##### (c) Other receivables classified by nature

All amounts in RMB'000

Nature of other receivables	31 December 2020	31 December 2019
Subsidiaries of the Company	41,867,326	44,101,785
Guarantees and deposits	444,188	228,919
Others	111,280	9,841
Total	42,422,794	44,340,545

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 3. Other receivables (Continued)

#### (4) Other receivables (Continued)

(d) The top 5 largest other receivables at the end of the year

All amounts in RMB'000

Name of entity	Relationship with the Company	Nature of other receivables	31 December 2020	Aging	As a percentage of total other receivables (%)
Party 1	Subsidiary	Advances/internal loan	25,130,259	Within 7 years	59.24
Party 2	Subsidiary	Advances/internal loan	6,783,743	Within 9 years	15.99
Party 3	Subsidiary	Advances/internal loan	2,466,385	Within 10 years	5.81
Party 4	Subsidiary	Advances/internal loan	1,082,200	Within 6 years	2.55
Party 5	Subsidiary	Advances/internal loan	1,043,071	Within 3 years	2.46
Total	/	/	36,505,658		86.05

(e) As at 31 December 2020, the Company had no derecognized other receivables due to the transfer of substantially all the risks and rewards of ownership of the other receivables to the transferees whereas whose continuing involvement into transferred financial assets (as at 31 December 2019: nil).

### 4. Long-term receivables

#### (1) Long-term receivables

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Subsidiaries of the Company	2,232,679	2,498,259
Others	2,037	2,037
Total book value	2,234,716	2,500,296
Less: Provisions for credit losses of long-term receivables	150,489	146,529
Total net book value	2,084,227	2,353,767
Including: Long term receivables due within one year, net	2,037	1,866,177
Long term receivables due after one year, net	2,082,190	487,590

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 4. Long-term receivables (Continued)

#### (2) Provision for credit losses of long-term receivables

All amounts in RMB'000

Items	Phase 1 Future 12-month expected credit losses	Phase 2 Lifetime expected credit losses (Non-credit- impaired)	Phase 3 Lifetime expected credit losses (Credit- impaired)	Total
Provisions for credit losses at 31 December 2019	–	–	146,529	146,529
Provisions for the current year	–	–	3,960	3,960
Provisions for credit losses at 31 December 2020	–	–	150,489	150,489
Book value of long-term receivables at 31 December 2020	2,084,227	–	150,489	2,234,716

- (3) As at 31 December 2020, the Company had no derecognized long-term receivables due to the transfer of substantially all the risks and rewards of ownership of the long-term receivable to the transferees whereas whose continuing involvement into transferred financial assets (as at 31 December 2019: nil).



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 5. Long-term equity investments

All amounts in RMB'000

Items	31 December 2020			31 December 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Subsidiaries	94,347,445	175,034	94,172,411	89,537,408	175,034	89,362,374
Joint ventures and associates	473,446	113,146	360,300	504,790	113,146	391,644
<b>Total</b>	<b>94,820,891</b>	<b>288,180</b>	<b>94,532,711</b>	<b>90,042,198</b>	<b>288,180</b>	<b>89,754,018</b>

#### (1) Subsidiaries

All amounts in RMB'000

Name of investee	31 December 2019	Increase	Decrease	31 December 2020	Provision for impairment losses for the current year	Impairment provision at 31 December 2020	Carrying amount at 31 December 2020
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	1,898,546	-	-	1,898,546	-	-	1,898,546
Northern Engineering & Technology Corporation, MCC	826,271	-	-	826,271	-	-	826,271
China MCC 3 Group Co., Ltd.	1,219,670	-	-	1,219,670	-	-	1,219,670
Shen Kan Engineering & Technology Corporation, MCC	344,972	-	-	344,972	-	-	344,972
MCC Overseas Ltd.	475,644	-	-	475,644	-	-	475,644
MCC Communication Construction Group Co., Ltd.	9,056,533	-	-	9,056,533	-	-	9,056,533
MCC International Incorporation Ltd.	110,804	-	-	110,804	-	-	110,804
Ramu NiCo Management (MCC) Ltd.	3	-	-	3	-	-	3
MCC Finance Corporation Ltd.	1,583,970	-	-	1,583,970	-	-	1,583,970
MCC Tongsin Resources Ltd.	3,502,378	17,639	-	3,520,017	-	-	3,520,017
MCC-JJJ Mining Development Company Limited	2,849,805	-	-	2,849,805	-	-	2,849,805
MCC Capital Engineering & Research Incorporation Limited	7,170,194	-	-	7,170,194	-	-	7,170,194
MCC Real Estate Group Co., Ltd.	5,814,517	-	-	5,814,517	-	-	5,814,517
China 13th Metallurgical Construction Corporation	372,399	-	-	372,399	-	-	372,399
MCC TianGong Group Corporation Limited.	2,261,984	-	-	2,261,984	-	-	2,261,984
China 22MCC Group Co., Ltd.	3,487,199	-	-	3,487,199	-	-	3,487,199
China ENFI Engineering Co., Ltd.	4,310,884	-	-	4,310,884	-	-	4,310,884
China Second Metallurgical Group Corporation Limited	1,262,835	-	-	1,262,835	-	-	1,262,835
Central Research Institute of Building and Construction Co., Ltd.	2,743,939	315,110	-	3,059,049	-	-	3,059,049
China Huaye Group Co., Ltd.	2,412,037	-	-	2,412,037	-	-	2,412,037

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 5. Long-term equity investments (Continued)

#### (1) Subsidiaries (Continued)

Name of investee	31 December	Increase	Decrease	31 December	Provision for	Impairment	Carrying
	2019			2020	impairment losses for the current year	provision at 31 December 2020	amount at 31 December 2020
Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	777,923	-	-	777,923	-	-	777,923
CISDI Group Co., Ltd.	4,368,886	-	-	4,368,886	-	-	4,368,886
China MCC 5 Group Co., Ltd.	3,050,967	-	-	3,050,967	-	-	3,050,967
China Metallurgical Construction Engineering Group Co., Ltd.	2,085,910	-	-	2,085,910	-	-	2,085,910
China MCC 19 Group Co., Ltd.	2,974,357	-	-	2,974,357	-	-	2,974,357
MCC Baosteel Technology Services Co., Ltd.	1,091,924	-	-	1,091,924	-	-	1,091,924
China MCC 20 Group Co., Ltd.	1,680,279	-	-	1,680,279	-	-	1,680,279
Shanghai Baoye Group Co., Ltd.	6,710,953	-	-	6,710,953	-	-	6,710,953
Huatian Engineering & Technology Corporation, MCC	2,156,648	-	-	2,156,648	-	-	2,156,648
China MCC 17 Group Co., Ltd.	1,755,361	-	-	1,755,361	-	-	1,755,361
China MCC International Economic and Trade Co., Ltd.	69,392	-	-	69,392	-	-	69,392
WISDRI Engineering & Research Incorporation Limited	5,393,412	-	-	5,393,412	-	-	5,393,412
China First Metallurgical Group Co., Ltd.	1,845,761	-	-	1,845,761	-	-	1,845,761
Zhong Ye Chang Tian International Engineering Co., Ltd.	991,130	-	-	991,130	-	-	991,130
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	233,777	-	-	233,777	-	-	233,777
MCC-SFRE Heavy Industry Equipment Co., Ltd.	1,110,635	-	-	1,110,635	-	-	1,110,635
MCC Mining (Western Australia) Pty Ltd.	126,807	-	-	126,807	-	126,807	-
MCC Australia Holding Pty Ltd.	48,227	-	-	48,227	-	48,227	-
MCC Holding (Hong Kong) Corporation Limited	6,485	-	-	6,485	-	-	6,485
MCC Financial Leasing Co., Ltd.	127,500	-	-	127,500	-	-	127,500
MCC Inner Mongolia Construction Investment Co., Ltd.	20,000	-	-	20,000	-	-	20,000
MCC South China Construction Investment Co., Ltd.	51,000	-	-	51,000	-	-	51,000
MCC Rail Transit Co., Ltd.	91,490	-	-	91,490	-	-	91,490
MCC Zhongyuan Construction Investment Co., Ltd.	20,000	-	-	20,000	-	-	20,000
MCC Integrated Pipe Network Technology & Development Co., Ltd.	50,000	-	-	50,000	-	-	50,000
MCC Urban Investment Holding Co., Ltd.	150,000	-	-	150,000	-	-	150,000
China Metallurgical (Hainan) Investment Development Co., Ltd.	24,000	-	-	24,000	-	-	24,000
MCC Road&Bridge Construction Co., Ltd.	-	286,887	-	286,887	-	-	286,887
MCC Ecological Environmental Protection Group Co., Ltd.	-	50,000	-	50,000	-	-	50,000

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 5. Long-term equity investments (Continued)

#### (1) Subsidiaries (Continued)

Name of investee	31 December			31 December 2020	Provision for impairment losses for the current year	Impairment provision at 31 December 2020	Carrying amount at 31 December 2020
	2019	Increase	Decrease				
MCC (Yunnan) Engineering Investment and Construction Co., Ltd.	-	60,000	-	60,000	-	-	60,000
Tianjin United Huixin Investment Partnership (Limited Partnership)	-	1,000,000	-	1,000,000	-	-	1,000,000
Tianjin United Huitong Investment Partnership (Limited Partnership)	-	1,500,000	-	1,500,000	-	-	1,500,000
Tianjin Hongxin Investment Partnership (Limited Partnership)	-	1,500,000	-	1,500,000	-	-	1,500,000
Indirect holding subsidiaries	820,000	80,401	-	900,401	-	-	900,401
Total	89,537,408	4,810,037	-	94,347,445	-	175,034	94,172,411

#### (2) Joint ventures and associates

All amounts in RMB'000

Name of joint ventures and associates	Carrying amount at 31 December 2019	Movements during the current year							Carrying amount at 31 December 2020	Provision for impairment at 31 December 2020
		Increasing investments	Decreasing investments	Share of (losses)/ profits	Other comprehensive income	Other equity movements	Declaration of cash dividends	Provision for impairment for the current year		
Beijing Jingxi Travel Industry Investment Fund (limited partnership)	104,657	-	-	6,465	31	-	9,276	-	101,877	-
MCC-Huafa Integrated Pipe Network Co., Ltd.	100,501	-	-	1,298	-	-	-	-	101,799	-
MCC Jianxin Investment Fund Management Co., Ltd.	58,898	-	-	5,361	-	-	-	-	64,259	-
Shenzhen MCC Utility Tunnel Construction and Investment Co., Ltd.	11,046	-	-	71	-	-	-	-	11,117	-
Yingtian MCC Xinyin industry development partnership (limited partnership)	116,542	-	-	(29,264)	-	-	6,030	-	81,248	-
MCC Xiangxi Mining Industry Co., Ltd.	-	-	-	-	-	-	-	-	-	113,146
Total	391,644	-	-	(16,069)	31	-	15,306	-	360,300	113,146

In the reporting period, there are no significant restrictions on withdrawing the above long-term equity investments.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 6. Short-term borrowings

(1) *Categories of short-term borrowings*

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Credit loans:		
RMB	20,932,888	28,199,649
USD	16,660,404	23,591,243
Others	4,097,637	4,381,054
	174,847	227,352
Total	20,932,888	28,199,649

(2) As at 31 December 2020, there were no significant short-term borrowings overdue but not yet paid (as at 31 December 2019: nil).

(3) As at 31 December 2020, the weighted average interest rate of short-term borrowings was 3.18% per annum (as at 31 December 2019: 3.98% per annum).

### 7. Other payables

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Amounts due to subsidiaries	17,706,374	14,252,400
External dividends payable	401,733	1,023,324
Others	377,325	297,868
Total	18,485,432	15,573,592

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 8. Non-current liabilities due within one year

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Long-term borrowings due within one year (Note XVI 9)	1,934,483	9,069
Long-term employee benefits payable due within one year	3,754	2,159
Long-term payables due within one year	283,348	378,980
Bonds payable due within one year	909,559	31,143
Lease liabilities due within one year	21,378	21,381
Total	3,152,522	442,732

### 9. Long-term borrowings

All amounts in RMB'000

Items	31 December 2020	31 December 2019
Credit loans:	3,934,483	2,759,069
RMB	3,934,483	2,759,069
USD	–	–
Total	3,934,483	2,759,069
Less: Long-term borrowings due within one year (Note XVI 8):	1,934,483	9,069
Long-term borrowings due over one year	2,000,000	2,750,000

As at 31 December 2020, the weighted average interest rate of long-term borrowings was 4.08% per annum (as at 31 December 2019: 4.39% per annum).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 10. Presentation of operating revenue and operating costs

#### (1) Operating revenue and operating costs

All amounts in RMB'000

Items	Amount for the current year		Amount for the prior year	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Principal business	2,255,746	2,223,458	4,122,234	4,059,713
Other business	104,237	614	55,073	385
Total	2,359,983	2,224,072	4,177,307	4,060,098

#### (2) Breakdown of operating revenue

##### (a) Classified by industries:

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Engineering contracting	2,252,202	3,693,020
Others	3,544	429,214
Total	2,255,746	4,122,234

##### (b) Classified by geographic locations:

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
China	3,544	429,214
Other countries/regions	2,252,202	3,693,020
Total	2,255,746	4,122,234



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 10. Presentation of operating revenue and operating costs (Continued)

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

All amounts in RMB'000

Items	Relationship with the Company	Operating revenue	As a percentage of total operating revenue of the Company (%)
Party 1	Third party	406,247	17.21
Party 2	Third party	406,192	17.21
Party 3	Third party	387,481	16.42
Party 4	Third party	301,542	12.78
Party 5	Third party	298,145	12.63
Total	/	1,799,607	76.25

(4) The project contracting services provided by the Company usually constitute a single performance obligation as a whole and are performance obligations performed within a certain period of time. As of 31 December 2020, some of the Company's project contracting service contracts are still in the process of implementation. The trading price allocated to non-implemented (or partly non-implemented) performance obligations is related to the performance progress of each project contracting service contract. It will be recognized as revenue within the future performance period of each project contracting service contract according to the performance progress.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 11. Investment income

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Investment incomes under cost method	2,835,060	3,370,927
Investment (losses) incomes under equity method	(16,069)	35,941
Total	2,818,991	3,406,868

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

### 12. Impairment losses of credit

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Credit losses	67,525	86,306
Including: Credit losses of accounts receivable	–	118,382
Credit losses of other receivables	71,485	(30,297)
Credit losses of long-term receivables	(3,960)	(1,779)
Total	67,525	86,306

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 13. Supplementary information to the cash flow statement

(1) *Supplementary information to the cash flow statements*

All amounts in RMB'000

Supplementary information	Amount for the current year	Amount for the prior year
<b>1.Reconciliation of net profit to cash flows from operating activities:</b>		
Net profit	2,678,304	2,935,190
Add: Credit loss provision	(67,525)	(86,306)
Depreciation of fixed assets and right-of-use assets	23,378	23,273
Amortization of intangible assets	1,499	1,897
Losses (gains) from disposal of fixed assets, intangible assets and other long-term assets	24	32
Losses on written-off of fixed assets	23	920
Losses on changes of fair value	(38,524)	-
Financial expenses	95,846	369,209
Gains arising from investments	(2,818,991)	(3,406,868)
(Increase) decrease in inventories	41	(60)
Increase in contract assets	(351,598)	(257,107)
Decrease in receivables from operating activities	668,672	1,345,650
(Decrease) increase in payables from operating activities	(134,003)	(46,006)
Net cash flows from operating activities	57,146	879,824
<b>2.Net changes in cash and cash equivalents:</b>		
31 December 2020 of cash	9,606,574	2,456,387
Less: 31 December 2019 of cash	2,456,387	2,511,810
Net increase in cash and cash equivalents	7,150,187	(55,423)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 13. Supplementary information to the cash flow statement (Continued)

(2) *Cash and cash equivalents*

All amounts in RMB'000

Items	31 December 2020	31 December 2019
I. Cash	<b>9,606,574</b>	2,456,387
Including: Cash on hand	<b>1,371</b>	478
Bank deposits without restriction	<b>9,605,203</b>	2,455,909
Other cash and bank balances without restriction	—	—
II. Cash equivalents	—	—
Including: Investments in debt securities due within three months	—	—
III. Cash and cash equivalents on 31 December 2020	<b>9,606,574</b>	2,456,387

### 14. Related party relationships and transactions

- (1) The basic information of the parent of the Company, CMC and the ultimate controlling party, see Note XII 1.
- (2) The basic information of the subsidiaries, see Note IX 1.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (3) Associates and joint ventures

Associates and joint ventures	Place of operation	Place of registration	Nature of business	Proportion of ownership interest held by the Company (%)		Accounting method
				Direct	Indirect	
Beijing Jingxi Travel Industry Investment Fund (limited partnership) <i>(Note)</i>	Beijing	Beijing	Investment in culture, tourism and related projects	9.08	-	Equity method
MCC-Huafa Integrated Pipe Network Co., Ltd.	Guangdong Province	Guangdong Province	Planning, design and construction of comprehensive pipe rack project	50.00	-	Equity method
MCC Jianxin Investment Fund Management Co., Ltd.	Beijing	Beijing	Investment management and consultation of non-securities business	50.00	-	Equity method
Shenzhen MCC Utility Tunnel Construction and Investment Co., Ltd.	Guangdong Province	Guangdong Province	Investment and financing of comprehensive pipe rack and pipe network projects	40.00	-	Equity method
Yingtian MCC Xinyin industry development partnership (limited partnership)	Jiangxi province	Jiangxi province	Investment management, asset management	48.89	-	Equity method
MCC Xiangxi Mining Industry Co., Ltd.	Hunan Province	Hunan Province	Processing and sales of mineral products	50.00	-	Equity method

*Note:* It has significant influence on the investee as it can participate in the financial and operating decision-making process of the investee.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (4) Related party transactions

##### (a) Sales and purchase of goods, provision and receipt of services

##### (i) Purchase of goods/receipt of services

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
Minmetals Steel Chengdu Co., Ltd.	Purchase of goods	171,747	132,032
Total		171,747	132,032
China MCC 17 Group Co., Ltd.	Receipt of services	502,940	986,026
China MCC 20 Group Co., Ltd.	Receipt of services	437,120	628,546
MCC International Incorporation Ltd.	Receipt of services	183,668	102,680
China Metallurgical Construction Engineering Group Co., Ltd.	Receipt of services	107,413	401,010
China MCC 5 Group Co., Ltd.	Receipt of services	62,763	337,193
China MCC 3 Group Co., Ltd.	Receipt of services	5,995	10,967
China MCC 19 Group Co., Ltd.	Receipt of services	2,050	9,067
Headquarter of Central Research Institute of Building and Construction Co., Ltd.	Receipt of services	189	-
China ENFI Engineering Co., Ltd.	Receipt of services	189	283
MCC Capital Engineering & Research Incorporation Limited	Receipt of services	745	470
CISDI Group Co., Ltd.	Receipt of services	898	1,821
MCC TianGong Group Corporation Limited	Receipt of services	303	-
Shanghai Baoye Group Co., Ltd.	Receipt of services	-	10,362
WISDRI Engineering & Research Incorporation Limited	Receipt of services	-	1,318
China Huaye Group Co., Ltd.		-	269
Total	/	1,304,273	2,490,012



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (4) Related party transactions (Continued)

(a) Sales and purchase of goods, provision and receipt of services (Continued)

(ii) Sales of goods/provision of services

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
MCC Communication Construction Group Co., Ltd.	Sale of goods	3,544	277,737
China MCC 5 Group Co., Ltd.	Sale of goods	-	79,646
MCC TianGong Group Corporation Limited	Sale of goods	-	65,897
China MCC 19 Group Co., Ltd.	Sale of goods	-	485
China Metallurgical Construction Engineering Group Co., Ltd.	Sale of goods	-	-
<b>Total</b>	<b>/</b>	<b>3,544</b>	<b>423,765</b>
MCC Real Estate Group Co., Ltd.	Provision of services	28,302	-
China MCC 19 Group Co., Ltd.	Provision of services	18,496	10,896
China Metallurgical Construction Engineering Group Co., Ltd.	Provision of services	18,196	7,743
China 22MCC Group Co., Ltd.	Provision of services	15,064	-
China MCC 5 Group Co., Ltd.	Provision of services	14,085	14,085
China MCC 17 Group Co., Ltd.	Provision of services	12,189	12,189
MCC Communication Construction Group Co., Ltd.	Provision of services	7,494	9,321
Shanghai Baoye Group Co., Ltd.	Provision of services	6,166	-
China Huaye Group Co., Ltd.	Provision of services	6,057	6,057
China MCC3 Group Co., Ltd.	Provision of services	6,038	-
MCC Integrated Pipe Network Technology & Development Co., Ltd.	Provision of services	232	-
MCC Ruimu Ampere Technology Limited	Provision of services	220	-
<b>Total</b>	<b>/</b>	<b>132,539</b>	<b>60,291</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (4) Related party transactions (Continued)

##### (b) Loans from/to related parties

All amounts in RMB'000

Related parties	Amount for the current year	Amount for the prior year
<b>Borrowing</b>		
MCC Finance Corporation Ltd.	12,400,000	8,000,000
Shanghai Baoye Group Co., Ltd.	3,250,000	518,117
MCC Capital Engineering & Research Incorporation Limited	2,200,000	1,683,692
China Metallurgical Group Corporation	1,500,000	3,300,000
WISDRI Engineering & Research Incorporation Limited	1,100,000	523,405
MCC Communication Construction Group Co., Ltd.	900,000	964,000
China MCC 20 Group Co., Ltd.	900,000	406,767
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	600,000	-
MCC Baosteel Technology Services Co., Ltd.	500,000	-
Central Research Institute of Building and Construction Co., Ltd.	500,000	292,273
China MCC 19 Group Co., Ltd.	500,000	-
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	450,000	-
ZHONGYE Chang Tian International Engineering Co., Ltd.	300,000	-
China First Metallurgical Group Co., Ltd.	200,000	-
CISDI Group Co., Ltd.	200,000	-
Northern Engineering & Technology Corporation, MCC	50,000	-
China 22MCC Group Co., Ltd.	-	20,368
China Huaye Group Co., Ltd.	-	408,590
MCC Holding (Hong Kong) Corporation Limited	-	377,695
China MCC 17 Group Co., Ltd.	-	2,034
Total	<b>25,550,000</b>	16,496,941

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (4) Related party transactions (Continued)

##### (b) Loans from/to related parties (Continued)

All amounts in RMB'000

Related parties	Amount for the current year	Amount for the prior year
<b>Lending</b>		
China MCC 17 Group Co., Ltd.	658,000	1,700,000
China First Metallurgical Group Co., Ltd.	393,000	-
China MCC 3 Group Co., Ltd.	311,000	707,035
MCC Real Estate Group Co., Ltd.	300,000	9,200,000
Shanghai Baoye Group Co., Ltd.	280,000	300,000
China 22MCC Group Co., Ltd.	213,000	1,100,000
MCC TianGong Group Corporation Limited	100,000	800,000
WISDRI Engineering & Research Incorporation Limited	60,080	-
China Huaye Group Co., Ltd.	46,000	-
China Second Metallurgical Group Corporation Limited	37,000	-
China ENFI Engineering Co., Ltd.	25,810	-
Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	11,670	-
MCC Capital Engineering & Research Incorporation Limited	5,490	-
MCC-SFRE Heavy Industry Equipment Co., Ltd.	5,470	-
MCC Communication Construction Group Co., Ltd.	-	1,550,000
China MCC 5 Group Co., Ltd.	-	801,917
Shen Kan Engineering & Technology Corporation, MCC	-	800,000
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	-	800,000
China MCC 20 Group Co., Ltd.	-	200,000
MCC Australia Holding Pty Ltd.	-	96,268
MCC Overseas Ltd.	-	10,251
MCC Mining (Western Australia) Pty Ltd.	-	9,822
Total	<b>2,446,520</b>	18,075,293

The interest rates of certain loans from/to related parties mentioned above ranged from 0% to 5.70%.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (4) Related party transactions (Continued)

##### (c) Leases with related parties

The Company as the lessee:

All amounts in RMB'000

Related parties	Category of assets under leases	Lease expenses recognized for the current year	Lease expenses recognized for the prior year
China Metallurgical Group Corporation	Buildings and structures	21,174	20,149
China MCC 20 Group Co., Ltd.	Buildings and structures	255	–
Total	/	21,429	20,149

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (4) Related party transactions (Continued)

##### (d) Guarantees with related parties

##### (i) Provide guarantees

All amounts in RMB'000

Guaranteed party	Guaranteed item	Guaranteed amount	Guaranteed period	Whether execution of guarantee has been completed	Inception date of guarantee	Expiration date of guarantee
MCC Holding (Hong Kong) Corporation Limited	Loan	4,326,009	3 years	No	2020-01-13	2023-01-13
MCC Holding (Hong Kong) Corporation Limited	Perpetual bond	3,262,450	/	No	2018-05-02	/
MCC Holding (Hong Kong) Corporation Limited	Loan	2,864,431	3 years	No	2020-03-12	2023-03-12
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	Loan	2,278,000	24 years	No	2008-01-08	2032-01-07
Tianjin MCC Mingtai Property Co., Ltd.	Loan	1,020,000	3 years	No	2019-01-31	2022-01-31
MCC Real Estate Group Co., Ltd.	Loan	1,000,000	3 years	No	2019-02-26	2022-02-25
MCC Real Estate Group Co., Ltd.	Loan	1,000,000	3 years	No	2018-12-24	2021-12-23
Hebei MCC Mingrun Real Estate Development Co., Ltd.	Loan	800,000	3 years	No	2019-12-30	2022-12-30
MCC Real Estate Group Co., Ltd.		800,000	3 years		2020-12-30	2023-12-30
Beijing Zhongshun Jinda Trading Co., Ltd.	Loan	700,000	3 years	No	2020-03-24	2023-03-24
Tianjin MCC Mingtai Property Co., Ltd.	Loan	460,000	3 years	No	2019-03-15	2022-03-15
MCC Holding (Hong Kong) Corporation Limited	Loan	326,245	1 years	No	2020-07-03	2021-06-28
MCC Malaysia Overseas Ltd.	Loan	229,605	3 years	No	2018-08-07	2021-07-20
MCC Holding (Hong Kong) Corporation Limited	Loan	195,747	1 years	No	2020-07-21	2021-07-16
MCC Malaysia Overseas Ltd.	Loan	127,733	4 years	No	2017-12-20	2021-07-12
MCC Real Estate Group Co., Ltd.	Loan	100,000	3 years	No	2020-12-31	2023-12-31
MCC Malaysia Overseas Ltd.	Loan	61,021	3 years	No	2018-12-27	2021-12-26
Total	/	19,551,241	/	/	/	/

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (4) Related party transactions (Continued)

##### (e) Other related party transactions

##### (i) Interest income

All amounts in RMB'000

Related parties	Amount for the current year	Amount for the prior year
MCC Real Estate Group Co., Ltd.	1,241,062	1,141,867
China 22MCC Group Co., Ltd.	104,362	140,531
MCC Communication Construction Group Co., Ltd.	39,953	76,542
MCC Overseas Ltd.	39,299	39,191
Central Research Institute of Building and Construction Co., Ltd.	28,947	37,228
China MCC 3 Group Co., Ltd.	24,367	30,288
MCC-JJJ Mining Development Company Limited	19,402	24,128
China Huaye Group Co., Ltd.	16,056	21,615
China MCC International Economic and Trade Co., Ltd.	13,591	13,554
China MCC 20 Group Co., Ltd.	12,728	22,583
Shanghai Baoye Group Co., Ltd.	7,334	14,110
China MCC 19 Group Co., Ltd.	6,561	10,264
MCC TianGong Group Corporation Limited	5,588	18,889
China First Metallurgical Group Co., Ltd.	5,168	2,303
China MCC 17 Group Co., Ltd.	5,123	266
CISDI Group Co., Ltd.	4,422	4,615
MCC Finance Corporation Ltd.	3,522	3,907
China ENFI Engineering Co., Ltd.	967	2,013
China Second Metallurgical Group Corporation Limited	654	4,407
Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	437	5,620
MCC-SFRE Heavy Industry Equipment Co., Ltd.	205	263
Shen Kan Engineering & Technology Corporation, MCC	-	2,084
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	-	87
China MCC 5 Group Co., Ltd.	-	87
Total	<b>1,579,748</b>	1,616,442



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (4) Related party transactions (Continued)

##### (e) Other related party transactions (Continued)

##### (ii) Interest expenses

All amounts in RMB'000

Related parties	Amount for the current year	Amount for the prior year
MCC Finance Corporation Ltd.	273,913	156,745
Tianjin United Huitong Investment Partnership (Limited Partnership)	139,866	-
Tianjin United Huixin Investment Partnership (Limited Partnership)	114,008	-
China Metallurgical Group Corporation	47,083	103,305
MCC Capital Engineering & Research Incorporation Limited	32,350	11,352
Tianjin Hongxin Investment Partnership (Limited Partnership)	29,474	-
WISDRI Engineering & Research Incorporation Limited	14,620	5,750
MCC Holding (Hong Kong) Corporation Limited	12,926	16,965
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	4,571	-
MCC Baosteel Technology Services Co., Ltd.	4,064	-
China MCC 17 Group Co., Ltd.	3,257	4,203
Shanghai Baoye Group Co., Ltd.	2,795	16,633
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	2,546	-
ZHONGYE Chang Tian International Engineering Co., Ltd.	2,423	-
CISDI Group Co., Ltd.	1,094	-
Northern Engineering & Technology Corporation, MCC	244	-
Total	<b>685,234</b>	314,953

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (5) Payables and receivables of related party

##### (a) Receivables

All amounts in RMB'000

Items	Related parties	31 December 2020		31 December 2019	
		Book value	Provisions for credit losses	Book value	Provisions for credit losses
Cash and bank balances	MCC Finance Corporation Ltd.	434,051	-	168,225	-
Total		434,051	-	168,225	-
Accounts receivable	China MCC International Economic and Trade Co., Ltd.	18,294	-	18,294	-
Total		18,294	-	18,294	-
Other receivables	MCC Real Estate Group Co., Ltd.	25,130,259	-	24,830,259	-
Other receivables	MCC Mining (Western Australia) Pty Ltd.	6,783,743	3,719,055	6,812,154	3,719,055
Other receivables	MCC Australia Holding Pty Ltd.	2,466,385	2,466,385	2,523,916	2,523,916
Other receivables	MCC-SFRE Heavy Industry Equipment Co., Ltd.	1,082,200	-	1,082,200	-
Other receivables	MCC Communication Construction Group Co., Ltd.	1,043,071	-	2,331,857	-
Other receivables	China 22MCC Group Co., Ltd.	887,033	-	1,586,735	-
Other receivables	MCC Overseas Ltd.	807,044	-	856,171	-
Other receivables	China MCC 3 Group Co., Ltd.	738,441	-	859,655	-
Other receivables	Central Research Institute of Building and Construction Co., Ltd.	500,000	-	500,000	-
Other receivables	MCC-JJJ Mining Development Company Limited	469,934	-	469,934	-
Other receivables	Shanghai Baoye Group Co., Ltd.	361,591	-	81,591	-
Other receivables	MCC Holding (Hong Kong) Corporation Limited	354,871	-	120,853	-
Other receivables	China Huaye Group Co., Ltd.	256,089	-	322,343	-
Other receivables	China MCC International Economic and Trade Co., Ltd.	240,831	-	240,832	-
Other receivables	China First Metallurgical Group Co., Ltd.	146,772	-	146,626	-
Other receivables	MCC International Incorporation Ltd.	108,419	-	147,455	-
Other receivables	China MCC 17 Group Co., Ltd.	107,707	-	98,094	-
Other receivables	CISDI Group Co., Ltd.	100,000	-	300,000	-
Other receivables	China MCC 20 Group Co., Ltd.	93,130	-	515,321	-
Other receivables	MCC Tongsin Resources Ltd.	66,194	-	66,194	-
Other receivables	China MCC 19 Group Co., Ltd.	41,421	-	45,649	-
Other receivables	MCC Baosteel Technology Services Co., Ltd.	32,477	-	32,477	-
Other receivables	China Metallurgical Construction Engineering Group Co., Ltd.	23,135	-	52,012	-
Other receivables	MCC Capital Engineering & Research Incorporation Limited	20,033	-	20,033	-
Other receivables	Huatian Engineering & Technology Corporation, MCC	5,604	-	5,450	-

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (5) Payables and receivables of related party (Continued)

##### (a) Receivables (Continued)

All amounts in RMB'000

Items	Related parties	31 December 2020		31 December 2019	
		Book value	Provisions for credit losses	Book value	Provisions for credit losses
Other receivables	Shen Kan Engineering & Technology Corporation, MCC	600	-	600	-
Other receivables	Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	310	-	310	-
Other receivables	Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	32	-	32	-
Other receivables	MCC TianGong Group Corporation Limited	-	-	53,032	-
<b>Total</b>		<b>41,867,326</b>	<b>6,185,440</b>	<b>44,101,785</b>	<b>6,242,971</b>
Other receivables-interest receivable	MCC Real Estate Group Co., Ltd.	2,378,409	-	1,137,347	-
Other receivables-interest receivable	China 22MCC Group Co., Ltd.	906,932	-	807,019	-
Other receivables-interest receivable	MCC Mining (Western Australia) Pty Ltd.	383,257	-	386,015	-
Other receivables-interest receivable	MCC Communication Construction Group Co., Ltd.	326,829	-	287,298	-
Other receivables-interest receivable	MCC Australia Holding Pty Ltd.	326,576	326,576	340,530	340,530
Other receivables-interest receivable	China Huaye Group Co., Ltd.	278,839	-	272,575	-
Other receivables-interest receivable	MCC-JJJ Mining Development Company Limited	126,318	-	106,916	-
Other receivables-interest receivable	MCC Overseas Ltd.	107,763	-	73,131	-
Other receivables-interest receivable	China MCC International Economic and Trade Co., Ltd.	91,782	-	78,189	-
Other receivables-interest receivable	MCC-SFRE Heavy Industry Equipment Co., Ltd.	86,131	-	86,131	-
Other receivables-interest receivable	MCC Tongsin Resources Ltd.	69,518	-	74,276	-
Other receivables-interest receivable	Central Research Institute of Building and Construction Co., Ltd.	59,084	-	37,679	-
Other receivables-interest receivable	China MCC 3 Group Co., Ltd.	15,246	-	12,862	-
Other receivables-interest receivable	CISDI Group Co., Ltd.	11,613	-	7,191	-
Other receivables-interest receivable	Shanghai Baoye Group Co., Ltd.	4,827	-	4,827	-
Other receivables-interest receivable	MCC Finance Corporation Ltd.	182	-	358	-
Other receivables-interest receivable	China MCC 20 Group Co., Ltd.	146	-	12,855	-

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (5) Payables and receivables of related party (Continued)

##### (a) Receivables (Continued)

All amounts in RMB'000

Items	Related parties	31 December 2020		31 December 2019	
		Book value	Provisions for credit losses	Book value	Provisions for credit losses
Other receivables-interest receivable	MCC Capital Engineering & Research Incorporation Limited	-	-	907	-
<b>Total</b>		<b>5,173,452</b>	<b>326,576</b>	3,726,106	340,530
Other receivables-dividends receivable	MCC Real Estate Group Co., Ltd.	1,234,659	-	818,489	-
Other receivables-dividends receivable	China 22MCC Group Co., Ltd.	326,016	-	342,035	-
Other receivables-dividends receivable	MCC TianGong Group Corporation Limited	293,392	-	193,593	-
Other receivables-dividends receivable	CISDI Group Co., Ltd.	213,567	-	293,567	-
Other receivables-dividends receivable	MCC Capital Engineering & Research Incorporation Limited	158,583	-	126,502	-
Other receivables-dividends receivable	MCC Communication Construction Group Co., Ltd.	158,520	-	158,520	-
Other receivables-dividends receivable	Shanghai Baoye Group Co., Ltd.	92,167	-	92,167	-
Other receivables-dividends receivable	MCC Overseas Ltd.	19,814	-	19,814	-
Other receivables-dividends receivable	MCC-SFRE Heavy Industry Equipment Co., Ltd.	5,797	-	5,797	-
Other receivables-dividends receivable	China MCC 19 Group Co., Ltd.	1,423	-	-	-
Other receivables-dividends receivable	China MCC 17 Group Co., Ltd.	-	-	160,246	-
Other receivables-dividends receivable	ZHONGYE Chang Tian International Engineering Co., Ltd.	-	-	70,620	-
<b>Total</b>		<b>2,503,938</b>	<b>-</b>	2,281,350	-

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (5) Payables and receivables of related party (Continued)

##### (a) Receivables (Continued)

All amounts in RMB'000

Items	Related parties	31 December 2020		31 December 2019	
		Book value	Provisions for credit losses	Book value	Provisions for credit losses
Prepayments	China MCC 20 Group Co., Ltd.	376,118	-	-	-
Prepayments	MCC International Incorporation Ltd.	17,439	-	22,679	-
Prepayments	China MCC 3 Group Co., Ltd.	15,358	-	17,621	-
Prepayments	China MCC 19 Group Co., Ltd.	13,809	-	17,955	-
Prepayments	China MCC International Economic and Trade Co., Ltd.	5,120	-	5,120	-
Prepayments	Shanghai Baoye Group Co., Ltd.	4,693	-	4,693	-
Total		432,537	-	68,068	-
Long-term receivables	China 22MCC Group Co., Ltd.	1,275,000	-	-	-
Long-term receivables	China MCC 3 Group Co., Ltd.	618,670	-	135,000	-
Long-term receivables	MCC Mining (Western Australia) Pty Ltd.	150,489	150,489	146,529	146,529
Long-term receivables	China MCC International Economic and Trade Co., Ltd.	80,000	-	-	-
Long-term receivables	WISDRI Engineering & Research Incorporation Limited	60,080	-	-	-
Long-term receivables	China ENFI Engineering Co., Ltd.	25,810	-	25,810	-
Long-term receivables	Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	11,670	-	11,670	-
Long-term receivables	MCC Capital Engineering & Research Incorporation Limited	5,490	-	-	-
Long-term receivables	MCC-SFRE Heavy Industry Equipment Co., Ltd.	5,470	-	-	-
Long-term receivables	Central Research Institute of Building and Construction Co., Ltd.	-	-	315,110	-
Total		2,232,679	150,489	634,119	146,529
Non-current assets due within one year	China 22MCC Group Co., Ltd.	-	-	1,275,000	-
Non-current assets due within one year	China MCC 3 Group Co., Ltd.	-	-	503,670	-
Non-current assets due within one year	China MCC International Economic and Trade Co., Ltd.	-	-	80,000	-
Non-current assets due within one year	MCC-SFRE Heavy Industry Equipment Co., Ltd.	-	-	5,470	-
Total		-	-	1,864,140	-

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (5) Payables and receivables of related party (Continued)

##### (b) Payables

All amounts in RMB'000

Items	Related parties	31 December 2020	31 December 2019
Short-term borrowings	MCC Finance Corporation Ltd.	12,000,000	8,000,000
Total		12,000,000	8,000,000
Accounts payable	China MCC 5 Group Co., Ltd.	271,741	345,226
Accounts payable	China MCC 20 Group Co., Ltd.	141,816	144,719
Accounts payable	China Metallurgical Construction Engineering Group Co., Ltd.	138,759	192,880
Accounts payable	China MCC 17 Group Co., Ltd.	131,435	34,747
Accounts payable	China 22MCC Group Co., Ltd.	50,036	50,036
Accounts payable	Northern Engineering & Technology Corporation, MCC	44,253	44,253
Accounts payable	Shanghai Baoye Group Co., Ltd.	37,997	38,107
Accounts payable	MCC International Incorporation Ltd.	32,279	5,843
Accounts payable	Minmetals Steel Chengdu Co., Ltd.	17,922	-
Accounts payable	MCC Overseas Ltd.	11,141	11,141
Accounts payable	China MCC 3 Group Co., Ltd.	5,871	1,178
Accounts payable	ZHONGYE Chang Tian International Engineering Co., Ltd.	5,832	5,832
Accounts payable	China MCC 19 Group Co., Ltd.	2,522	978
Total		891,604	874,940
Other payables	Shanghai Baoye Group Co., Ltd.	3,098,505	286,529
Other payables	MCC Capital Engineering & Research Incorporation Limited	2,443,404	2,119,556
Other payables	MCC Holding (Hong Kong) Corporation Limited	2,301,430	2,380,491
Other payables	WISDRI Engineering & Research Incorporation Limited	1,328,401	593,141
Other payables	China MCC 20 Group Co., Ltd.	1,288,322	1,911,169
Other payables	MCC Communication Construction Group Co., Ltd.	961,410	1,151,410
Other payables	China MCC 19 Group Co., Ltd.	713,545	593,798
Other payables	ACRE Coking & Refractory Engineering Consulting Corporation, MCC	625,781	780,010
Other payables	Central Research Institute of Building and Construction Co., Ltd.	542,507	656,034
Other payables	MCC Baosteel Technology Services Co., Ltd.	513,696	16,757
Other payables	China MCC 5 Group Co., Ltd.	477,029	469,134
Other payables	Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	467,812	18,082
Other payables	CISDI Group Co., Ltd.	376,641	399,662
Other payables	ZHONGYE Chang Tian International Engineering Co., Ltd.	370,914	88,485
Other payables	China First Metallurgical Group Co., Ltd.	270,894	33,617
Other payables	MCC International Incorporation Ltd.	261,680	229,164
Other payables	MCC TianGong Group Corporation Limited	219,139	21,726
Other payables	China MCC 17 Group Co., Ltd.	212,633	183,029
Other payables	China 22MCC Group Co., Ltd.	197,258	216,183



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (5) Payables and receivables of related party (Continued)

##### (b) Payables (Continued)

All amounts in RMB'000

Items	Related parties	31 December 2020	31 December 2019
Other payables	China MCC 3 Group Co., Ltd.	182,317	202,439
Other payables	China 13th Metallurgical Construction Corporation	162,288	202,859
Other payables	China Second Metallurgical Group Corporation Limited	145,020	292,259
Other payables	China Metallurgical Construction Engineering Group Co., Ltd.	107,910	143,677
Other payables	China Huaye Group Co., Ltd.	102,269	686,426
Other payables	Northern Engineering & Technology Corporation, MCC	78,461	78,461
Other payables	Shen Kan Engineering & Technology Corporation, MCC	64,306	77,836
Other payables	China ENFI Engineering Co., Ltd.	45,344	56,681
Other payables	Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	37,297	37,297
Other payables	MCC Mining (Western Australia) Pty Ltd.	34,572	33,662
Other payables	MCC Overseas Ltd.	23,552	40,851
Other payables	MCC Inner Mongolia Construction Investment Co., Ltd.	21,687	-
Other payables	MCC Australia Holding Pty Ltd.	20,569	20,027
Other payables	MCC Tongsin Resources Ltd.	9,236	9,236
Other payables	MCC-SFRE Heavy Industry Equipment Co., Ltd.	377	377
Other payables	Huatian Engineering & Technology Corporation, MCC	165	165
Other payables	Ramu NiCo Management (MCC) Ltd.	3	3
Other payables	MCC Financial Leasing Co., Ltd.	-	215,000
Other payables	MCC Finance Corporation Ltd.	-	7,167
Total		17,706,374	14,252,400
Non-current liabilities due within one year	Tianjin United Huitong Investment Partnership (Limited Partnership)	139,866	-
Non-current liabilities due within one year	Tianjin United Huixin Investment Partnership (Limited Partnership)	114,008	-
Non-current liabilities due within one year	Tianjin Hongxin Investment Partnership (Limited Partnership)	29,474	-
Non-current liabilities due within one year	China Metallurgical Group Corporation	-	378,980
Total		283,348	378,980
Long-term payables	Tianjin United Huitong Investment Partnership (Limited Partnership)	7,500,000	-
Long-term payables	Tianjin Hongxin Investment Partnership (Limited Partnership)	7,500,000	-
Long-term payables	Tianjin United Huixin Investment Partnership (Limited Partnership)	5,000,000	-
Long-term payables	China Metallurgical Group Corporation	444,550	-
Total		20,444,550	-

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

## XVII. SUPPLEMENTARY INFORMATION

### 1. Breakdown of non-recurring profit or loss

All amounts in RMB'000

Items	Amount for the current year
Government grants recognized in profit or loss (except for the government grants that are closely related to the business of the Company and received in accordance with the uniform state's regulations.)	817,764
Other non-operating income or expenses other than the above items	(59,935)
Profit or loss on disposal of non-current assets	232,899
Profit or loss arising from changes in fair value of trading financial assets, derivative financial instruments and other financial assets and investment income on disposal of trading financial assets except for those relating to the hedging transactions under the company's normal operating business	106,863
Profit or loss on disposal of long-term equity investments	9,511
Impact on income tax	(271,339)
Impact on non-controlling interests	(145,370)
Total	690,393

### 2. Return on net assets and earnings per share ("EPS")

Profit during the reporting period	Weighted average rate of return on net assets (%)	EPS (RMB)	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	8.93	0.32	N/A
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	8.01	0.29	N/A

## OTHER FINANCIAL DATA

Unit: RMB'000

Items	2020	2019	2018	2017	2016
Operating revenue	<b>400,114,623</b>	338,637,609	289,534,523	243,999,864	219,557,579
Operating costs	<b>354,685,571</b>	299,247,115	253,121,966	212,052,305	191,369,837
Taxes and levies	<b>1,967,862</b>	1,896,372	2,412,583	2,109,021	3,288,123
Selling expenses	<b>2,441,204</b>	2,315,815	2,108,541	1,961,287	1,665,258
Administrative expenses	<b>11,011,320</b>	9,354,662	8,569,093	7,681,869	7,115,377
R&D expenses	<b>12,326,903</b>	9,934,444	7,182,666	5,336,045	3,309,797
Financial expenses	<b>1,767,398</b>	2,498,264	2,614,040	3,020,031	2,228,707
Impairment losses of assets	<b>593,338</b>	939,749	1,165,150	3,908,628	4,023,057
Impairment losses of credit	<b>3,086,669</b>	2,418,539	2,671,338	–	–
Investment income	<b>(1,139,662)</b>	(987,178)	(262,199)	548,870	440,053
Gains on disposal of assets	<b>232,899</b>	67,810	138,415	99,013	84,968
Other income	<b>451,602</b>	241,945	237,653	200,336	–
Operating profit	<b>11,813,020</b>	9,342,416	9,832,014	8,779,119	7,079,229
Non-operating income	<b>475,004</b>	523,777	449,866	438,636	1,172,389
Non-operating expenses	<b>370,754</b>	84,035	757,436	243,069	603,847
Total profit	<b>11,917,270</b>	9,782,158	9,524,444	8,974,686	7,647,771
Income tax	<b>2,534,913</b>	2,205,339	1,953,837	2,262,832	1,678,124
Net profit	<b>9,382,357</b>	7,576,819	7,570,607	6,711,854	5,969,647
Net profit attributable to shareholders of the Company	<b>7,862,185</b>	6,599,712	6,371,580	6,061,488	5,375,858
Profit or loss attributable to non-controlling interests	<b>1,520,172</b>	977,107	1,199,027	650,366	593,789
Basic earnings per share	<b>0.32</b>	0.27	0.26	0.26	0.25
Diluted earnings per share	<b>Not Applicable</b>	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Items	As at the end of 2020	As at the end of 2019	As at the end of 2018	As at the end of 2017	As at the end of 2016
Total assets	<b>506,392,963</b>	458,506,213	438,915,843	414,565,174	377,491,604
Total liabilities	<b>366,037,656</b>	341,600,705	336,246,399	317,244,693	294,383,901
Shareholders' equity	<b>140,355,307</b>	116,905,508	102,669,444	97,320,481	83,107,703

# DOCUMENTS FOR INSPECTION

---

Documents for Inspection	Financial statements signed and sealed by the legal representative, the person-in-charge of accounting and the head of the accounting firm
Documents for Inspection	The original auditor's report sealed with the corporate seal of the accounting firm and signed and sealed by the certified public accountant
Documents for Inspection	Originals of all documents and announcements of the Company publicly disclosed in the newspapers designated by the CSRC during the Reporting Period
Documents for Inspection	2020 Annual Report and 2020 Annual Results Announcement published on the Hong Kong Stock Exchange

---

Chairman: **Guo wenqing**

Date of Approval from the Board: 29 March 2021

## AMENDMENT ON INFORMATION

Applicable  Not Applicable



Address: MCC Tower, No. 28 Shuguang Xili,  
Chaoyang District, Beijing, China

Website: [www.mccchina.com](http://www.mccchina.com)

Tel: + 86-10-5986 8666

Fax: + 86-10-5986 8999

Postal Code: 100028

E-mail: [ir@mccchina.com](mailto:ir@mccchina.com)

