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## **METALLURGICAL CORPORATION OF CHINA LTD. \***

### **中國冶金科工股份有限公司**

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

(Stock Code: 1618)

## **2019 ANNUAL RESULTS ANNOUNCEMENT**

### **OVERVIEW**

The highlights of Company's financial position as at 31 December 2019 and the operating results for 2019 are as follows:

- Operating revenue amounted to RMB338,638 million, representing a year-on-year increase of RMB49,103 million or 16.96% from RMB289,535 million in 2018.
- Net profit amounted to RMB7,577 million, representing a year-on-year increase of RMB6 million or 0.08% from RMB7,571 million in 2018.
- Net profit attributable to Shareholders of the Company amounted to RMB6,600 million, representing a year-on-year increase of RMB228 million or 3.58% from RMB6,372 million in 2018.
- Basic earnings per share amounted to RMB0.27, and the basic earnings per share in 2018 amounted to RMB0.26.
- As at 31 December 2019, total assets amounted to RMB458,506 million, representing an increase of RMB19,590 million or 4.46% from RMB438,916 million as at 31 December 2018.
- As at 31 December 2019, total Shareholders' equity amounted to RMB116,906 million, representing an increase of RMB14,237 million or 13.87% from RMB102,669 million as at 31 December 2018.
- Newly signed contracts amounted to RMB787,617 million, representing an increase of RMB121,873 million or 18.31% from RMB665,744 million in 2018.

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

## I. CHAIRMAN'S STATEMENT

### Dear Shareholders,

Life is but a melodious journey on a chromatic long march. In 2019, MCC adhered steadfastly to 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 ensured its steady growth in proper and clear directions while endeavouring to advance in its development. 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 RMB338.638 billion, representing a year-on-year growth of 16.96%. Total profit was RMB9.782 billion, increasing by 2.71% year on year, of which net profit attributable to Shareholders of the Company recorded RMB6.600 billion, increasing by 3.58% year on year; newly signed contracts amounted to RMB787.617 billion, representing a year-on-year increase of 18.31%. Market expansion has increased in terms of volume and quality, and key domestic and international metallurgical engineering projects were basically undertaken by MCC; the contract value of newly signed projects of more than RMB500 million amounted to RMB429.336 billion, representing a year-on-year increase of 16.51%; the value of newly-signed contracts within the five major megalopolises amounted to RMB424.314 billion, accounting for 61.06% of the value of newly-signed contracts of the domestic engineering sector. A great number of noteworthy results have been achieved in the engineering sector, of which 27 projects received the National Quality Project Award, and 10 projects received the Luban Award. The “Double Hundred Actions” pilot scheme and the mixed ownership reforms have achieved new progress. There were also new achievements in scientific and technological innovation, including 3 National Science and Technology Advancement Awards, and accreditation of 2 National Science and Technology Innovation Platforms, bringing the total number of National Science and Technology Platforms owned by MCC to 26. The applications of invention patents exceeded 50% for the first time, more than 2,800 effective patents were added, with over 29,700 effective patents in aggregation. MCC has continued to show a steady and steep upward development trend.

Looking back, we saw gratifying results; looking ahead, there is still a long way to go. In the context of a complex situation of significant rise of risks and challenges at home and abroad, the Company will adhere to the overall trend of seeking progress while maintaining stability, with “world first-class” as the general goal. It is the general guideline of the Company to secure high-quality and long-term prosperity and stability, and the Company will also adhere to problems-oriented, goals-oriented and results-oriented approaches to focusing on its business.

In terms of enhancing the influence and the core competitiveness in the industry, the Company will accelerate the formation of systematic strength and continuously enhance the core competitiveness of metallurgical construction. We will speed up the optimization of the national team organizational system

layout; firmly aim at the “world first target”, and highlight the development of the top-tier core businesses; speed up systematic integration and give full play to the advantages of the whole industrial chain integration. The Company will accelerate the enhancement of new momentum and continue to build the core competitiveness of fundamental infrastructure and emerging industries. We will also speed up the creation of a number of first-class enterprises, focus on building a number of first-class brands, and strive to create the unique advantages of multi-sector business integration.

In terms of speeding up the formation of market technologies and efficiency technologies, we will focus on the bottleneck of development and highlight the strategic use of key core technologies. We will strive to build a high-tech equipment industrial park, and shift from selling “intangible” technology to selling “tangible” products. We will store technology of the Company into a “coffer”, and carry it on the trains of products towards the “Belt and Road” and to all parts of the world. We will speed up reservation of core technologies and continue to lead the development of the Company. We will highlight market orientation and promote the transformation of scientific and technological achievements in an orderly manner. We will improve the reform structure and highlight collaborative innovation.

In terms of broadening the market development, we will adhere to reasonable combat radius and focus on the “four cores” for intensive and prudent cultivation. We will focus on the core industries to build absolute control over the metallurgical engineering market; focus on the core area to create the most reliable and stable source of orders; focus on the core customers to establish competitive advantages of meticulous service and precision marketing; focus on the core projects, and constantly enhance the brand influence of MCC. We will strengthen our confidence in “going out”, enhance our ability to “go in”, raise the level of “going up”, and effectively tackle the predicaments of overseas development.

In terms of overall strengthening of the construction of corporate system and improvement of governance capability, we will build an authoritative, pragmatic and efficient headquarters, with emphasis on what the “headquarters management” has to manage, how to manage, and in what manner does it manage. We will accelerate the formation of the management and control layout, in which “headquarters assumes full responsibility, mobilizes all parties to make solid and orderly progress”. We will build a system that is highly feasible, truly effective and efficient. We will pragmatically optimize the system supply, render the system to be more mature and standardized, constitute practical measures for the implementation of the system, and make the system more powerful; we will grasp the “key minority” and execute the governance in an orderly and proficient manner.

In terms of effective prevention and mitigation of major risks, we will place emphasis on precision pre-judgment and flexible adjustments, focus on shoring up the weaknesses and solidifying the strengths, and be aware of normalization and construction of mechanisms. In addition, we will be concerned about appropriating our undertakings, and keep an eye on what we are capable of. We will have a high degree of focus on investment risk, foreign operation risk, legal risk and securities compliance risk, as well as financial and capital risk, safety and environmental protection risk, etc.. We will firmly adhere to the bottom line of refraining from strategic, systematic and subversive risks.

In terms of enhancing the competitiveness and combat vitality of the team, we will continue to focus on cultivating distinguished young talents, ensuring that the vitality of the team and that the decent traditions of our business are handed down from one generation to another. We will also continue to focus on senior-level leaders and strive to enhance the competitiveness of talents. We will also continue to strengthen our endeavours in the mission, maintain perseverance, composure and courage.

We strike as the lingering wind, passing through the perilous creek. We will unswervingly focus on the main industries of MCC, cohesively strive for breakthroughs in key issues, and persistently forge the world's first metallurgical construction national team with the most excellent quality. We will adhere to the enterprise spirit to "make progress every day, and do not slacken the pace", continue to strive for the high quality and long-term prosperity and stability for a "better MCC", and make every effort to create more advanced and greater value for the country, for our shareholders, for the society and our employees!

*Chairman* **Guo Wenqing**

## **II. BUSINESS OVERVIEW**

### **(I) Explanation on the principle business, operating model and industry of the company during the Reporting Period**

#### ***1. Engineering Contracting Business***

##### *(1) Industry Overview*

In 2019, China's economic development remained overall steady and positive, with its GDP growing 6.1% year on year and economy running in a reasonable range. In the same year, under the continuous deepening impact of the cocktail of structural, systematic and cyclical issues, the pressure of economic downturn was intensified, and the national investment in fixed assets (excluding rural households) amounted to RMB55,147.8 billion, representing a year-on-year increase of 5.4%, with slightly slowdown of growth rate. The national infrastructure investments (excluding the industries for production and supply of electricity, heat, gas and water) rose at a slowed pace of 3.8% year on year. As such, the Chinese government enhanced its countercyclical regulation, including gradual launch of infrastructure-advantageous policies, such as speeding up the issuance of local special bonds, promoting key projects, making targeted cuts to required reserve ratios and interest rate and relaxing debt refinancing for construction companies. With more effective measures as well as the shifting of focus from deleveraging to improving weak links in infrastructure, the infrastructure industry is making steady progress.

In 2019, the iron and steel sector showed relatively steady development where the production rose and demand plateaued at a high level, which led to a year-on-year increase of 26% in the fixed asset investment of the ferrous metallurgy, smelting and

rolling processing industry for the year. As green development and intelligent manufacturing are the focused areas for future steel industry investment, iron and steel enterprises are attaching more importance to technological innovation and the development of high-end products, and strived to speed up structural adjustments, transformation and upgrade and environmental protection reforms. There are increasing new opportunities for transformation and upgrade, energy saving and environmental protection and operation service in the domestic iron and steel industry, and the whole sector has relatively strong market demand for green development, smart development and high-level operation service, which provided numerous opportunities for the Company to strive for achieving “further advancement, further optimization and further re-creation of the national team for metallurgical construction” in its traditional core business.

With further advancement of supply-side structural reform and the effective implementation of national strategic plans including the coordinated development of the Beijing, Tianjin, and Hebei Region, Xiong’an New Area, Yangtze River Economic Belt, “Guangdong-Hong Kong-Macao” Greater Bay Area, and the opening up of western land and sea passages, the construction of infrastructure and urbanization in China has further sped up. Emerging industries maintained strong momentum. Businesses related to these emerging industries, including featured theme project, sponge city, watershed treatment, soil remediation, prefabricated buildings, will embrace great potential for development.

In 2019, as growth in the global economy slowed down and trade protectionism continued to be intensified, the foreign trade circumstances became more complicated and severe. The development situation of externally contracted engineering and labour cooperation could be described as a blessing in disguise. The Chinese government successfully held the second “Belt and Road” international cooperation summit forum, providing new momentum for steady and far-reaching collaboration and high-quality development in the infrastructure initiative. Meanwhile, however, the world economy stayed weak, international investment enthusiasm diminished, the level of Sino-US trade friction fluctuated, tensions frequently emerged in certain regions, and the industry encountered increasing external risks.

According to statistics from the Ministry of Commerce and State Administration of Foreign Exchange, in 2019, China's overseas direct investment of the entire industry amounted to RMB807.95 billion, down 6% year on year (equivalent to US\$117.12 billion, down 9.8% year on year), among which, domestic investors conducted non-financial direct investment with an accumulated amount of RMB762.97 billion, down 4.3% year on year (equivalent to US\$110.6 billion, down 8.2% year on year), in 6,535 foreign enterprises based in 167 countries and regions in the world. According to statistics from the Ministry of Commerce, in 2019,

the total amount of turnover of completed overseas contracting projects amounted to RMB1,192.75 billion, increased by 6.6% year on year (equivalent to US\$172.9 billion, increased by 2.3% year on year); the value of newly signed contracts amounted to RMB1,795.33 billion, increased by 12.2% year on year (equivalent to US\$260.25 billion, increased by 7.6% year on year); the externally dispatched labours through external labour cooperation numbered 487,000, down 5,000 as compared with the corresponding period last year, of which, 211,000 were dispatched under contracting projects, and 276,000 were dispatched under labour corporation. Various labours staying overseas as at the end of 2019 numbered 0.992 million, down 4,000 as compared with the corresponding period last year.

(2) *Operating Results of the Business*

During the Reporting Period, the newly signed construction contracts of the Company amounted to RMB750.647 billion, representing a year-on-year increase of 19.40%, further creating a record high. Newly signed metallurgical engineering contracts amounted to RMB128.148 billion, accounted for 17.07% of the newly signed contracts, representing an decrease of 0.59 percentage point as compared with the same period of 2018. Newly signed non-steel engineering contracts amounted to RMB622.499 billion, accounted for 82.93% of the newly signed engineering contracts, representing an increase of 0.59 percentage point as compared with the same period of 2018. Newly signed overseas engineering contracts amounted to RMB40.624 billion.

**Overall operating results of the engineering contracting business in 2019**

*Unit: RMB'000*

	2019	% of the total	2018	Year-on-year increase/ decrease
Segment operating revenue	311,836,814	89.44%	258,330,923	20.71%
Gross margin (%)	10.14	-	10.52	Decreased by 0.38 percentage point
	<u>10.14</u>	<u>-</u>	<u>10.52</u>	<u>Decreased by 0.38 percentage point</u>

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

① **Metallurgical Engineering Construction Business**

As the largest and most capable metallurgical construction contractors and operating service providers of metallurgical

enterprises in the world, during the Reporting Period, the Company regarded being the national team of the world's top metallurgical construction as the target. By strictly following the pace of green development 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. The Company also accelerated the transformation and upgrade of traditional technology to form irreplaceable technology strength by focusing on sections such as green, intelligent and high-end operation services. In terms of market expansion, the Company paid attention to leveraging the advantages of the entire industry chain, grasped opportunities and took the initiative to implement central coordination and arrangement. While ensuring that large and medium-sized projects of major iron and steel companies kept up with pace, 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	2019		2018		2017	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Metallurgical engineering	<u>70,286,830</u>	<u>22.54</u>	<u>64,836,330</u>	<u>25.10</u>	<u>48,097,655</u>	<u>23.06</u>

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

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

No.	Name of Project	Contractual Amount (RMB100 million)
<b>Domestic Projects</b>		
1	EPC General Contracting Project of Coking System for Jiahua Chemical Industry Park of Tangshan Jiahua Coal Chemical Co., Ltd. (唐山佳華煤化工有限公司佳華公司化工園區項目煉焦系統EPC總承包工程項目)	19.6
2	Engineering General Contracting Project for Major and Ancillary Steel Making Facilities (Phase I) of Fangchenggang Steel Base in Guangxi Province (廣西省防城港鋼鐵基地項目(一期)一煉鋼主體設施及輔助設施工程總承包項目)	17.5
3	EPC General Contracting Project for Industrial Upgrading of HBIS Group Co., Ltd. and Production Capacity Transfer of HBIS Group Xuansteel Company (Long Product – Rebar, 3# Line and Medium Rebar Area) (河鋼產業升級及宣鋼產能轉移項目(長材工程—棒材、3#線、中棒區域)EPC總承包項目)	16.6
4	3,800mm Middle and Thick Plate Production Line Redevelopment Project for Yingkou Jinghua Iron and Steel Co., Ltd. in Liaoning Province (遼寧省營口京華鋼鐵有限公司3800mm中厚板生產線續建項目)	15.4
5	General Contracting Project of Steelmaking Engineering for Environmental Protection Product Upgrading of HBIS Shijiazhuang Iron & Steel Co., Ltd. (河鋼集團石家莊鋼鐵有限責任公司環保搬遷產品升級改造項目煉鋼工程總承包項目)	15.4
6	EPC General Contracting Project for Upgrade and Renovation of Coke Oven of Fujian Sangang Minguang Co., Ltd. (福建三鋼閩光股份有限公司焦爐升級改造EPC總承包項目)	13.0
7	New Steel-making (Phase 1) Project of Baosteel Desheng Luoyuan Stainless Steel Co., Ltd. in Luoyuan County, Fujian Province (福建省羅源縣寶鋼德盛不銹鋼有限公司新煉鋼(一步)項目)	11.2
8	EPC General Contracting Project for Production Capacity Replacement (Luoyuan Minguang) and Ancillary Project of H-shaped Steel Production Line with Annual Output of 1.3 Million Tons of San Gang Group of Fujian Luoyuan Minguang Iron & Steel Co., Ltd. (福建羅源閩光鋼鐵有限責任公司三鋼集團產能置換(羅源閩光部分)及配套項目年產130萬噸H型鋼生產線EPC總承包項目)	10.5
9	EPC General Contracting Project for Industrial Upgrading of HBIS Hegang and Production Capacity Transfer of Xuangang (long product-steel making and continuous casting) (河鋼產業升級及宣鋼產能轉移項目長材工程-煉鋼連鑄EPC總承包項目)	10.1

No.	Name of Project	Contractual Amount (RMB100 million)
10	General Contracting Project for Design, Supply and Construction of Steelmaking for Reorganization, Relocation, Renovation of Hebei Taihang Iron and Steel Group Co., Ltd. (河北太行鋼鐵集團有限公司重組搬遷改造項目煉鋼工程設計、供貨、施工總承包項目)	9.3
11	Construction Project (Section II) for Hot Rolling Engineering of No. 3 Blast Furnace System of Baosteel Zhanjiang Iron & Steel (寶鋼湛江鋼鐵三高爐系統項目熱軋工程2標施工項目)	9.0
12	Contracting Project of Design, and Supply, Construction and Installation of Public Auxiliary Equipment of ESP Endless Strip Steel and Deep Processing Plant for Reorganization, Relocation and Renovation of Hebei Taihang Iron and Steel Group Co., Ltd. (河北太行鋼鐵集團有限公司重組搬遷改造項目ESP無頭帶鋼及深加工工程工廠設計、公輔設備供貨、建安施工承包項目)	9.0
13	EPC General Contracting Supplemental Agreement on 5# and 6# Coke Oven Environmental Protection Relocation Project of Tangshan Ganglian Coking Co., Ltd. (唐山鋼聯焦化有限責任公司5#、6#焦爐環保搬遷工程EPC總承包補充協議)	9.0
14	EPC General Contracting Project for Production Capacity Replacement (Luoyuan Min Guang) and 1*120t Converter Steel-making Project of Ancillary Project for San Gang Group (三鋼集團產能置換(羅源閩光部分)及配套項目1*120t轉爐煉鋼工程EPC總承包項目)	8.8
15	General Contracting Project for Design, Supply and Construction of 2×300m <sup>2</sup> Sintering Machine for Reorganization, Relocation, Renovation of Hebei Taihang Iron and Steel Group Co., Ltd. (河北太行鋼鐵集團有限公司重組搬遷改造項目2×300m <sup>2</sup> 燒結機工程設計、供貨、施工總承包項目)	8.8
<b>Overseas Projects</b>		
1	The Metallurgical Project of Li Bai Metal Co., Ltd with an Annual Output of 300,000 Tons of Nickel Iron in Indonesia (印度尼西亞李白金屬有限公司年產30萬噸鎳鐵冶煉項目)	21.8
2	Nachu Graphite Mine Project in Tanzania (坦桑尼亞Nachu石墨礦項目)	19.1
3	The Project of 800,000 tons of Cleantype, Heat-recovery Coke Oven of Eastern Steel in Malaysia (馬來西亞東鋼80萬噸清潔型熱回收焦爐項目)	17.1

No.	Name of Project	Contractual Amount (RMB100 million)
4	OBI Nickel-Cobalt Project in Indonesia (印度尼西亞OBI鎳鈷項目)	12.6
5	Steel Rolling Project with Annual Output of 1,500,000 Tons for Indonesia New-Asia International Co., Ltd. (印尼新亞洲國際有限公司年產150萬噸軋鋼項目)	10.8

② Non-Steel Engineering Construction Business

**Fundamental Construction**

During the Reporting Period, the Company maintained its leading position in terms of marketing, and paid close attention to hot regions, key projects and strategic customers. The Company concentrated its efforts in five urban clusters, covering Beijing, Tianjin, Hebei, Yangtze River Delta, Pearl River Delta, the middle reaches of Yangtze River, Chengdu and Chongqing; penetrated national central cities, Xiong'an New District, Beijing's urban sub-centres, and hot spots along the "Belt and Road" routes; consolidated its political and commercial cooperation with the provincial and municipal governments, such as Guangdong, Hebei, Heilongjiang and Guizhou; strengthened win-win cooperation with provincial and municipal platform companies, including Shenzhen, Zhengzhou, Gansu and Yunnan; and enhanced exchanges with such large businesses as China Three Gorges Corporation, Beijing Enterprises Group Company Limited and Zhongguancun Development Group to guarantee stable sources of projects.

PPP model, a new investment model, is a concrete measure for comprehensive and deep reforms across the country. Launching PPP business is advantageous to the acquisition of large-scale and high-quality projects, the Company's entry into new markets and business fields, the enhancement of its negotiation capabilities, the gain of better project conditions, the increase of project profit rates and the consolidation and improvement of its market competitiveness and shares. During the Reporting Period, on the one hand, with reference to market conditions and regulatory requirements, the Company timely adjusted and implemented its approach of the PPP business, further tightened risk control, strengthened project access management, expanded the scale and improved the quality of individual projects and controlled the total number of projects; on the other hand, priority was put on the implementation of projects at hand. The Company continued to implement engineering projects under PPP model and

seized the strategic opportunity to strengthen market development, expand its business scale, raise its new contract amount, and drive its transformation and upgrade. For the entire year 2019, the Company won the bids for 24 new PPP projects and the total investment amount was RMB138.7 billion. In terms of industry distribution, the PPP projects mainly included municipal engineering, transportation, water conservancy construction, tourism, sports and technology.

During the Reporting Period, the number of newly signed domestic major engineering contracting contracts with an amount exceeding RMB500 million amounted to 346, with an aggregate contract amount of RMB414.525 billion, representing a year-on-year increase of 82 projects and RMB77.722 billion, respectively.

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	2019		2018		2017	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Housing construction engineering	147,049,726	47.16	107,540,465	41.63	93,677,430	44.90
Transportation infrastructure	67,393,860	21.61	54,016,566	20.91	43,856,822	21.02
Other engineering	27,106,398	8.69	31,937,562	12.36	22,980,953	11.02

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

During the Reporting Period, the key infrastructure projects entered into by the Company are as follows:

No.	Name of Project	Contractual Amount (RMB100 million)
<b>Domestic Projects</b>		
1	Construction Project of Living Environment Improvement in Zhanxi District, Tangshan City, Hebei Province (河北省唐山市站西片區人居環境整治建設工程項目)	78.0
2	General Contracting Project of PPP Project (Contract Phase II) for Kaizhou, Chongqing to Yunyang Expressway (Jiangkou – Yunyang – Longgang Section) (重慶開州至雲陽高速(江口-雲陽-龍缸段)PPP項目工程施工總承包(第二合同段)項目)	68.0

No.	Name of Project	Contractual Amount (RMB100 million)
3	General Contracting Construction of PPP Project for Construction of Yongde (Lianziqiao) – Gengma (Mengjian) Highway in Yunnan Province (雲南省永德(鏈子橋)至耿馬(勐簡)高速公路建設PPP項目施工總承包項目)	61.5
4	EPC Project for Eight Convenient Service Centers for Citizens at Nongye East Road and Ruyi East Road in Zhengdong New Area, Zhengzhou City, Henan Province (河南省鄭州市鄭東新區農業東路、如意東路等八個便民服務中心EPC項目)	50.0
5	Construction General Contracting (EPC) Project for Renovation (Phase II) of Shanty Towns in High-tech Zone, Xiaogan City, Hubei Province, in 2018 (湖北省孝感高新區2018年棚戶區改造項目(二期工程)工程總承包(EPC)項目)	45.7
6	Construction Project of Olympic Center Project in Lanzhou City, Gansu Province (甘肅省蘭州奧體中心工程施工項目)	45.1
7	General Contracting (EPC) Project for Comprehensive Renovation of High-tech Avenue (Third Ring Road – Outer Ring Road) in Wuhan City, Hubei Province (湖北省武漢市高新大道(三環線–外環線)綜合改造工程總承包(EPC)項目)	40.9
8	Municipal Road Construction Project (Section II) for Qinghu South Section of Meiguan Expressway in Shenzhen City (深圳市梅觀高速清湖南段市政道路工程施工二標段項目)	39.6
9	New Construction (G107RX-SG-2 Section) Project of First-class Highway of G107 Line (Xinyang City Section) in Henan Province (河南省G107線繞信陽市區段一級公路新建工程(G107RX-SG-2標段)項目)	38.5
10	Investment and Construction of Modern Logistics and Cross-border Trade Project in Comprehensive Bonded Zone in Chengdu City, Sichuan Province (四川省成都市綜保區現代物流和跨境貿易項目投資建設)	35.0
11	Construction Project for Renovation of Vulnerable Buildings in Chuiyangliu, Beijing (北京垂楊柳危改項目施工項目)	30.0
12	Construction Project of Tongluowan No. 1 in Laibin City, Guangxi Zhuang Autonomous Region (廣西壯族自治區來賓市銅鑼灣1號施工項目)	29.8
13	Shanhu Park Project of Phase III Ronghu Yihao in Zhecheng County, Shangqiu City, Henan Province (河南省商丘市柘城縣容湖壹號三期山湖公園項目)	29.4

No.	Name of Project	Contractual Amount (RMB100 million)
14	EPC General Contracting Project of Renovation Project of Shanty Town for the year 2018 (Sunshine City Xu'an) in Jining City, Shandong Province (山東省濟寧市2018年棚戶區改造項目(陽光城市濸岸) EPC總承包項目)	29.2
15	Weifang Tourism & Holiday Integrated Project (Integrated Commercial District) for Century Shengda Golden Peony Global Carnival in Weifang City, Shandong Province (山東省濸坊世紀盛達金牡丹環球嘉年華濸坊旅遊度假綜合項目(綜合商業區)工程)	29.0
<b>Overseas Project</b>		
1	Contracting Project of SKY VILLA in Cambodia (柬埔寨SKY VILLA工程承包項目)	6.3
2	General Contracting Project of Sindeli JKT LIVING STAR Apartment in Jakarta, Indonesia (新得利印尼雅加達JKT LIVING STAR公寓樓總承包項目)	5.9
3	General Contracting Project of Property Development on Bernam Street, Tanjong Pagar, Singapore (新加坡丹戎巴葛柏南街地產開發項目總承包項目)	5.6
4	The First Contracting Project for Section I of Central Expressway in Sri Lanka (斯里蘭卡中部高速公路第一標段第一合同承包項目)	5.6

### Emerging Industries

During the Reporting Period, in accordance with the requirements of the “forerunner in the emerging industries to re-accelerate, re-expand and re-innovate”, the Company exerted efforts on emerging industries, and made major breakthroughs in areas such as urban integrated subterranean pipeline corridor, featured theme engineering, sponge city, beautiful countryside and smart city, healthcare and senior care, and environment improvement through resource integration, technological advancement, marketing model adjustment to constantly increase its competitiveness in emerging markets. The Company strived to seize market opportunities by leveraging the advantages of its specialized technology in certain research institutes of specialized technologies, so as to provide customers with all-round and comprehensive services along the entire industry chain.

In the urban integrated subterranean pipeline corridor field, as the earliest constructor of the integrated subterranean pipeline corridor in the PRC, the Company is able to provide investment, consultation, planning, survey, design, construction, supervision and operating services, with professional comprehensive capability and overall strength in the whole process of the projects and entire industrial chain. During the Reporting Period, the Company won the bid for a batch of integrated pipeline corridor projects with great social influence in Xiong'an New Area, Tianjin, Shenzhen, Zhuhai, etc. As at the end of the Reporting Period, the Company won the bid for pipeline corridor PPP and EPC projects with an accumulated mileage of over one thousand kilometers, and continued to maintain its leading position in the domestic integrated piping system market.

The Company bore in mind the concept that “Lucid Waters and Lush Mountains are Invaluable Assets”, and devoted itself to the construction of ecological civilization. By relying on various design and research institutes of MCC, the Company focused on key development of markets such as general treatment of river basins, general treatment of black odor water, municipal wastewater treatment, waste-to-energy, soil and mine remediation, and built the waste treatment brand of China Metallurgical characterized by “One Low Three High”, namely “low cost, high standard, high technology and high quality”, thereby continuously expanding its market share.

In the area of special theme projects, the Company, 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.

In the healthcare and senior care field, the Company conformed to the development trend of the industry and the urging 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 won the bid for and newly signed several key projects, striving to boost the brand influence of “Healthcare and Senior Care +”.

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>Urban Integrated Subterranean Pipeline Corridor Projects</b>		
1	EPC General Contracting Project of Comprehensive Pipe Corridor and Supporting Structure of Guangzhou Knowledge City (廣州知識城綜合管廊及配套設施工程項目EPC總承包項目)	23.3
2	Main Construction for Comprehensive Development in Underground Area of Keyuan Avenue, Shenzhen City (深圳市科苑大道地下空間綜合開發主體工程項目)	16.6
3	Construction General Contracting for PPP Project of Beichen East Road, Integrated Piping System and Ancillary Engineering in Beichen District, Tianjin City (天津市北辰區北辰東道道路、綜合管廊及附屬工程PPP項目施工總承包項目)	14.9
4	General Contracting (Main Project of Part A) Project of No. 16 Line Co-constructed Pipe Corridor (Integrated Well No. 10 – Integrated Well No. 17) in Shenzhen City (深圳市16號線共建管廊(綜合井10-綜合井17)工程施工承包合同(A部分主體工程)項目)	12.6
5	General Contracting Project of Construction for PPP Project of Integrated Corridor in South Unit 03 of Donglihu Area, Dongli District, Tianjin City (天津市東麗區東麗湖地區03單元南區管廊道路綜合配套PPP項目施工總承包項目)	10.2
<b>Theme Park Projects</b>		
1	Construction Project for Major and Ancillary Facilities for the Theme Park in Evergrande Cultural and Tourism Town in Cangzhou, Hebei Province (河北省滄州恒大文化旅遊城主題樂園主體及配套建設項目)	20.0
2	Construction Project for Main Body and Supporting Facilities of Children's Paradise of Evergrande Cultural Tourism City in Shenyang City (瀋陽恒大文化旅遊城童世界樂園主體及配套建設項目)	20.0
3	Main Structure and Supporting Engineering of Evergrande Cultural & Tourism Theme Park in E'zhou City, Hubei Province (湖北省鄂州恒大文化旅遊主題樂園主體及配套建設工程施工項目)	20.0
4	Engineering General Contracting Project (After Capital Contribution) for the Culture Park Project of "Journey to the West" in Huai'an, Jiangsu Province (江蘇省淮安西遊記文化體驗園(增資後)工程總承包項目)	15.4

No.	Name of Project	Contractual Amount (RMB100 million)
5	Pile Foundation Project for the year 2019– 2020 of Jiangsu Company of Tongshijie Construction Group (童世界建設集團江蘇公司2019–2020年度樁基工程項目)	7.0
<b>Sponge City Project</b>		
1	Construction Project for Urban Infrastructure and Ancillary Facilities and Environmental Improvements in Boxing County of Binzhou, Shandong Province (山東省濱州市博興縣城區基礎設施配套及環境提升建設項目)	10.9
<b>Special Town Projects</b>		
1	(EPC) General Contracting Project of Health Care Small Town in Cihu High-tech Zone, Ma'anshan City, Anhui Province (安徽省馬鞍山市慈湖高新區健康小鎮工程(EPC)總承包項目)	29.5
2	Phase I Project of Yanqi Lake Town for International Tourism, Vacation and Research and Pastoral Complex in Shijiazhuang, Hebei Province (河北省石家莊燕棲湖國際旅遊度假研學小鎮及田園綜合體一期項目)	28.8
3	Engineering Construction Project of Bailulin Town Project in Hubei Province (湖北白鷺林小鎮項目建設工程施工項目)	28.0
4	EPC Projects for Jinji Lake and Surrounding Municipal Roads, Connecting Roads between New District and Old District, etc. of Shipai Xiqu Cultural Characteristic Town in Huaining County, Anhui Province (安徽省懷寧縣石牌戲曲文化特色小鎮—金雞湖及周邊市政道路、新區及老區連接道路等EPC項目)	7.6
<b>Water Environment Treatment Projects</b>		
1	EPC+O (Survey and Design, Procurement, Construction + Operation) Project for Black and Odorous (Substandard) Water Control and Improvement (Project III) in the Central Part of Zhongshan City, Guangdong Province (廣東省中山市中心組團黑臭(未達標)水體整治提升工程(項目三)EPC+O(勘察設計、採購、施工+運營)項目)	29.8
2	Phase I of Comprehensive Habitat Restoration Project (East and West Zones) and Phase II of Collaborative Project by Social Joint Venture (South Zone) (Shaxi Line to Chuan-Shan Road Section) for the Around-city Ecological Zone in Chengdu City, Sichuan Province (四川省成都市環城生態區生態修復綜合項目(東、西片區)一期、(南片區)二期社會合資合作方沙西線至川陝路標段合作項目)	14.3

No.	Name of Project	Contractual Amount (RMB100 million)
3	Design and Construction (EPC) General Contracting Project for Integration, Development and Construction of Ecological Restoration and Green Industry in Lushui City, Yunnan Province (雲南省瀘水市生態修復與綠色產業融合發展建設設計施工總承包(EPC)項目)	12.9
4	Design and Construction (EPC) General Contracting Project for Overall Improvement of Livelihood in Lushui City, Yunnan Province (雲南省瀘水市人居環境整體提升設計-施工總承包(EPC)項目)	12.7
5	Construction Project for Comprehensive Improvement in Water Ecology (Phase I) in High-end Business Zone of Baoliansi, Wenfeng Area, Anyang City, Henan Province (河南省安陽市文峰區寶蓮寺高端商務區水生態綜合整治一期工程施工項目)	11.7

## **2 Property Development Business**

### *(1) Industry Overview*

In early 2019, the central government reiterated the principle of “housing is for living but not speculation”, and clarified that it will not use the real estate as short-term measures for stimulating the economy, but fully implementing city-based policies and categorised guidance, particularly stabilising land and housing prices and market anticipations, maintaining continuity and stability of policies, and normalising market regulation. With gradually strengthening national regulation of funds in the real estate industry and tightening domestic and foreign financing policies, the restrictions imposed on financing channels increased. As the construction of the country’s supply-side fundamental system for properties has experienced breakthroughs, and the investment in construction site for collective construction has been confirmed at legal and taxation mechanism levels, land resources are expected to become more flexible. Meanwhile, the overall scale in the industry notably slowed down in growth from the previous two years, while the concentration of the industry continued to increase. Most housing scales remained steady growth, the thresholds increased for various types of housing, the situation remained favouring for sizable players, and the scale advantages of duplicate effect kept growing.

In 2019, the national investment in real estate development amounted to RMB13.219426 trillion, up 9% year on year. The construction area of real estate development enterprises was 8,938.2089 million sq.m., up 8% as compared with last year. The

completed area of real estate was 959.4153 million s.q.m., up 2.5% as compared with last year. The new construction area of real estate was 2,271.5358 million s.q.m., up 7.8% as compared with last year, among which new construction area for residential was 1,674.6343 million s.q.m., up 8.4% as compared with last year. The area for the sale of commercial housing reached 1,715.5787 million s.q.m., down 0.1% as compared with last year, whilst the sale volume of commercial housing amounted to RMB15.972512 trillion, up 6.1% as compared with last year. Land transaction premiums totalled RMB1.470928 trillion, down 9.5% as compared with last year. Land acquisition from property developers amounted to an aggregate area of 258.2229 million s.q.m., down 12.9% as compared with last year.

## (2) *Operating Results of the Business*

Weighted by the policies relating to “de-stocking” and “restrictions on property purchase and credit grant”, the Company adopted different policies that were tailored to characteristics of each category and of each city during the Reporting Period. MCC Real Estate, a subsidiary of the Company, 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. For the year 2019, through open tender, it acquired 4 land parcels with site area and permissible gross floor area of 372,600 sq.m. and 749,900 sq.m., respectively.

In 2019, MCC Real Estate ranked the 40th in the “Top 100 Real Estate Developers in China”, was awarded the “Top 10 in Profitability” and the “Top 10 in Stability”, and won the one and only national award for “Outstanding Enterprise in Urban Development and Operation in China”; it was also awarded the “Top 10 Enterprises in Green Development Competitiveness in 2019”, ranked the 14th in “National Enterprises with Competitiveness of Green Development” and was awarded “Outstanding Enterprise in China’s Urban Development and Operation”. Upon being awarded the “Integrated Value Operator” by Phoenix New Media Real Estate, MCC Real Estate Service Co., Ltd. has become one of the enterprises among the top 100 property service providers in China. It also won the awards of “Leading Brand Enterprises in Specialized Operation of Property Service in China” and “Annual Social Responsibility Enterprises of Property Services in China”. MCC Real Estate achieved a leap from real estate developers to urban development operators. The main credit rating of MCC Real Estate has been raised to the highest rating of Grade AAA by Lianhe Credit Rating.

During the Reporting Period, the amount invested by the Company in property development was RMB19.223 billion, representing a year-on-year decrease of 12.75%. The construction area was 11.6474 million sq.m., representing a year-on-year increase of 1.46%, among which new construction area accounted for 1.7383

million sq.m., representing a year-on-year decrease of 32.78%; completed area accounted for 1.6149 million sq.m., representing a year-on-year increase of 2.67%.

### **The overall operating results of the property development business in 2019**

*Unit: RMB'000*

	2019	% of the total	2018	Year-on-year increase/ decrease
Segment revenue	<b>19,961,558</b>	<b>5.73%</b>	22,870,252	-12.72%
Gross margin (%)	<b>25.95</b>	-	28.48	Decreased by 2.53 percentage points
	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>

*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 Various projects received market recognition: On 23 October, the Nanjing Zhongye • Shengshi Binjiang Jinxiu Jiangshan project was opened for sale, achieving 80% of sales on that day. On 26 October, the opening ceremony for the Qinhuangdao Zhongye • Dexian Huafu project took place, and were sold out immediately upon opening. On 30 December, the Nanjing Zhongye • Shengshi Binjiang Jinxiu Tianxi project was officially opened for sale, and as at the end of the Reporting Period, most of the upmarket residences were sold out.
- ② MCC Xinglong Xincheng • Hongshijun Project. On 2 November 2017, MCC Real Estate won the land use rights through bidding for parcels located at Hongshili Village and Nantumen Village of Xinglong County at RMB1.291 billion. The project is located in Xinglong County, Chengde City, Hebei Province, which has been elected as the “2017 100 Best Counties for Summer Resort in China” and “100 Best Small Towns for Deep Breaths in China”, with a total planning site area of 12,000 mu and total construction land of 3,000 mu. The planning site area, construction land area and floor area for phase I of the project are 4,000 mu, 1,847 mu and 1.76 million sq.m., respectively, with a planning plot ratio of 1.2. The project represents the transformation of MCC Real Estate from a single-mode real estate developer to an urban integrated operator. The project will, with no doubt, become the work of the time created by a stronger MCC brand. The project was launched for initial sale on 23 June

2018, with the first batch completed and delivered at the end of 2019. The remaining batches are currently in the progress of main structure construction and internal and external decoration.

- ③ Zhuhai Headquarters Building Phase II Project. In December 2010, Zhuhai Hengqin Headquarters Building Investment and Development Co., Ltd. (珠海橫琴總部大廈投資發展有限公司) won the bid for the state-owned land use right for the parcel of project at approximately RMB800 million in cash. In 2015, MCC Real Estate acquired 31% equity interest in the project company through equity transfer, and is responsible for the later-stage development of the project. The project is located in superior geographical position at Hengqin port in Hengqin Free Trade Area in Zhuhai City, the other side of the river from Macao. The project is planned to be a commercial and office complex, which is designed by Mr. Keith Griffiths, the founder partner of Aedas, the world-renowned architecture practice. Taking “double dragons in pursuit of a pearl” as the design concept, the project is created to be a future landmark building in Hengqin and even Southern China. The pile foundation of the project is currently under construction, and the preliminary formalities of the project have been completed. It is expected that the project will be launched for initial sale in the third quarter of 2021.

### **3. *Equipment Manufacturing Business***

#### *(1) Industry Overview*

In 2019, the operation trend of China’s steel industry was relatively stable, with green development and intelligent manufacturing as the main themes of the current iron and steel and metallurgy industry. With national economic transformation and continuous optimisation of its industry structure, the metallurgy equipment manufacturing industry, as an ancillary industry for the iron and steel sector, will mainly embody advanced technology, digital equipment, intelligent manufacturing and green processes as its future development trends.

Due to its structural advantages such as good mechanical properties and high levels of industrialisation and recyclability, steel is increasingly valued by governments and recognised in markets and is extensively applied to areas including high-rise structures, bridges, tracks and infrastructure; in recent years, as the Chinese government largely pushed for the industrialisation, standardisation and greening of the construction industry represented by fabricated steel structures, there will still be relatively much expansion room for our country’s steel structure sector.

(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.

**The overall operating results of  
the equipment manufacturing business in 2019**

*Unit: RMB'000*

	<b>2019</b>	<b>% of the total</b>	<b>2018</b>	Year-on-year increase/ decrease
Segment revenue	<b>7,232,276</b>	<b>2.07%</b>	6,988,417	3.49%
Gross margin (%)	<b>10.21</b>	-	12.02	Decreased by 1.81 percentage points

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

The overall profitability of the equipment manufacturing segment of the Company has constantly improved amid the generally stable operation of the domestic steel and iron industry. Moving forward, the equipment manufacturing segment of the Company should keep pace with the adjustment to the layout of iron and steel enterprises and the pace of industrial upgrade, adopt energy conservation and environmental protection, green manufacturing and smart manufacturing as breakthrough points, give full play to the role of the equipment manufacturing business of the Company, and implant the core technology developed by the national team into its core equipment products, continuing to build on the integration advantages of the entire industry chain, and providing the Company with continuous innovation capability, engineering conversion and application capacity.

The Company will further strengthen its strategic leadership of and control over the steel structure business, continue to better allocate the assets of its steel structure business, further leverage the advantages of the integrated whole industry chain covering research and development, design, manufacturing, installation, testing and maintenance of the steel structures business of the Company, and continue to build the core competitiveness of the "MCC Steel Structure" brand. This year, the Company will accelerate the construction of the metallurgical equipment industrial park, enabling it as the "Hard Support" of the national team, the "Incubator" of new products for metallurgical equipment and the "Carrier" for the "MCC Equipment" brand.

## 4. Resources Development Business

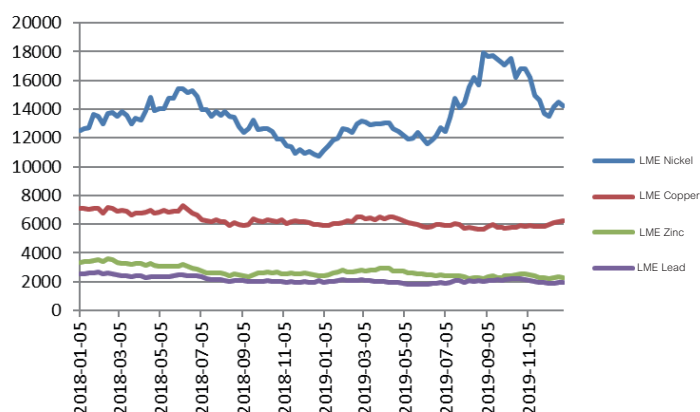
### (1) Industry Overview

In 2019, the pressure in the metal mining market mainly derived from macro turbulence. The intensifying trade wars amongst prominent countries and regions deepened the market's concerns regarding the global economy, leading to rapid reduction of risk appetite and downward pressure on all basic metal trade. However, some new changes and trends emerged in the metal mining market: firstly, as uncertainties increased, the status of mining became more prominent; secondly, since the growth of exploration slowed down, key minerals gained attention; thirdly, market price fluctuations might increase supply risks; and fourthly, challenges and opportunities coexisted in the improved operating circumstances for mining companies. Looking forward to 2020, the metal mining industry is expected to face increased external risks, slowed demand growth, limited supply-side increase, robust increase in production costs, growing development pressure and narrowing market price fluctuations; therefore, strengthening cost control will become the utmost importance to the Company's core competitiveness.

Particularly looking at the metal price trends in 2019, nickel, copper, zinc and lead widely fluctuated in prices. Among them, the price for nickel was affected by the policy of banning nickel exports imposed by the Indonesian government, making it surge from approximately US\$10,525/ton in January to over US\$18,000/ton in September, before falling back to approximately US\$14,000/ton towards the end of the year; the price for copper reached its highest for the year at US\$6,600/ton and the lowest at US\$5,500/ton, before rebounding to US\$6,200/ton by the end of the year; nudging as high as US\$2,958/ton and as low as US\$2,190/ton, the zinc price rallied to approximately US\$2,400/ton at the end of the year; with its highest and lowest price at US\$2,262.5/ton and US\$1,773.5/ton, the price of lead fluctuated around US\$1,900 at the end of the year.

**Price trend of LME nickel, copper, zinc and lead from 2018 to 2019**

*Unit: USD/ton*



Source: Wind

(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, 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. Producing nickel mines, lead-zinc mines and copper mines continue to remain profitable, all of which exceeded the annual profit target.

**The overall operating results of  
the resources development business in 2019**

*Unit: RMB'000*

	2019	% of the total	2018	Year-on-year increase/ decrease
Segment revenue	<b>5,184,624</b>	<b>1.49%</b>	5,282,909	-1.86%
Gross margin (%)	<b>25.23</b>	–	33.17	Decreased by 7.94 percentage points

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

During the Reporting Period, details of resource projects under development and operation of the Company 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 101.5%, and the project produced Ni-Co hydroxide that contained 33,091 tons of nickel and 2,915 tons of cobalt in aggregate, achieving overproduction for three consecutive years.

② Pakistan Duddar Lead-Zinc Mine Project

During the Reporting Period, the project achieved the target of mine production capacity of 500,000 tons/year ahead of schedule, producing 74,729 tons of zinc concentrate and 13,481 tons of lead concentrate in aggregate throughout the year, representing an increase of 38.5% and 67.8% as compared with the same period of last year, respectively.

③ Pakistan Saindak Copper-Gold Mine Project

During the Reporting Period, production and operation of the project has been running smoothly, with an aggregate production of crude copper of 13,049 tons.

④ Afghanistan Aynak Copper Mine Project

During the Reporting Period, the Company responded to the requirement of Afghanistan's government by completing and submitting a feasibility study report for the underground mining proposal of the project, which clarified the economic infeasibility of the proposal concerned. Based on the final decisions of the new session of the government of Afghanistan on relic protection and proposal of mining projects, the Company will steadily push ahead with relevant negotiations to safeguard its legal rights and interests.

⑤ Argentina Sierra Grande Iron Ore Mine Project

The Company has offered to sell its interests and creditors' rights in the project through China Beijing Equity Exchange, and is inviting intended acquirers to bid to complete the transfer.

## **(II) Analysis on core competitiveness during the Reporting Period**

Metallurgical engineering is the most comprehensive engineering industry that requires highest professionalism in the engineering and construction field. Being a founder of metallurgical industry in new China, MCC has accumulated over 70 years of technological experience, forming the core competitiveness for sustainable development, which are reflected in the following aspects: in respect of technologies, continuously elevating core technological capabilities and system integration abilities; in respect of management, constantly improving innovation ability and resource integration capability; in respect of corporate culture, forming corporate spirit and vision with high popularity.

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

## **III. FINANCIAL HIGHLIGHTS**

### **(I) Overview**

The highlights of Company's financial position as at 31 December 2019 and the operating results for 2019 are as follows:

- Operating revenue amounted to RMB338,638 million, representing a year-on-year increase of RMB49,103 million or 16.96% from RMB289,535 million in 2018.

- Net profit amounted to RMB7,577 million, representing a year-on-year increase of RMB6 million or 0.08% from RMB7,571 million in 2018.
- Net profit attributable to Shareholders of the Company amounted to RMB6,600 million, representing a year-on-year increase of RMB228 million or 3.58% from RMB6,372 million in 2018.
- Basic earnings per share amounted to RMB0.27, and the basic earnings per share in 2018 amounted to RMB0.26.
- As at 31 December 2019, total assets amounted to RMB458,506 million, representing an increase of RMB19,590 million or 4.46% from RMB438,916 million as at 31 December 2018.
- As at 31 December 2019, total Shareholders' equity amounted to RMB116,906 million, representing an increase of RMB14,237 million or 13.87% from RMB102,669 million as at 31 December 2018.
- Newly signed contracts amounted to RMB787,617 million, representing an increase of RMB121,873 million or 18.31% from RMB665,744 million in 2018.

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

## **(II) 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 RMB311,837 million, representing an increase of RMB53,506 million or 20.71% from RMB258,331 million in 2018.

### ***(2) Property Development Business***

Operating revenue amounted to RMB19,962 million, representing a decrease of RMB2,908 million or -12.72% from RMB22,870 million in 2018.

### ***(3) Equipment Manufacturing Business***

Operating revenue amounted to RMB7,232 million, representing an increase of RMB244 million or 3.49% from RMB6,988 million in 2018.

### ***(4) Resources Development Business***

Operating revenue amounted to RMB5,185 million, representing a decrease of RMB98 million or -1.86% from RMB5,283 million in 2018.

## (5) Other Businesses

Operating revenue amounted to RMB4,432 million, representing an increase of RMB765 million or 20.85% from RMB3,667 million in 2018.

*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.

### (III) Major financial data in 2019 on 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	63,106,772	95,910,607	69,067,577	110,552,653
Net profit attributable to Shareholders of the Company	1,766,899	1,389,983	877,920	2,564,910
Net profit attributable to Shareholders of the Company after deducting non-recurring profits and losses	1,682,490	1,279,799	761,799	2,088,172
Net cash flow generated from operating activities	-13,935,490	8,703,462	-5,402,642	28,212,603

## IV. POSSIBLE RISKS AND MEASURES ADOPTED BY THE COMPANY

### (I) Risks associated with macro-economy

The principal businesses engaged by the Company including engineering contracting and property development are closely related to various external factors, such as operation of the macro-economies of the State, fixed assets investments, competition in the construction industry and urbanization construction, etc. Currently, the world's economy is under a deep adjustment period after the international financial crisis. Affected by trade frictions, local geopolitical conflicts and other factors, the sources of instability and risk points have increased significantly, and the world's economic growth faces larger downward risk. There are still many favorable conditions and positive factors for domestic economic and social development. The basic trend of steady and long-term improvement has not changed, and at the same time, difficulties and challenges have obviously increased. The fixed assets investment at the upper end of the construction industry chain is constrained by a considerable number of stringent conditions such as local debt, and the situation of growth is not optimistic. Under the guidance of the "no speculation of residential properties" policy, the real estate industry will show the characteristics of "small adjustment to sales and new construction scale and medium- and low-speed growth of investment". The complexity and variability of external macro-economy will bring uncertainties to the business development of the Company.

The Company will manage reasonable expectations, adjust its operating strategies and leverage on its positive conditions for development in order to advance the high quality development of the enterprise.

## **(II) Risks associated with traditional metallurgical engineering business segment**

In recent years, the global iron and steel industry has entered into the third stage of deep adjustment. Higher requirements have been set on the iron and steel industry in speeding up the building of a powerful manufacturing country and strengthening the prevention and treatment of environmental pollution. The recovery of the iron and steel industry will motivate the iron and steel industry to speed up the pace of environmental protection transformation, structural adjustment and transformation and upgrading. Currently, the major contradictions faced by the iron and steel industry have been converted to the incompatibility between industrial structure and market competitive demands and the incompatibility between the level of green development and demands for ecological environment. Enterprises are faced with new opportunities and challenges due to the unbalanced and uncertain industry development trend.

The Company persistently adheres to the guideline of “building up a national team for metallurgical construction” to propel the implementation of the top-level design plan and strategies by a national team of advisers and push forward the integration of internal resources and professional echelon division, in order to continuously increase the competitiveness and influence of the Company in the global iron and steel engineering technology sector. In recent years, while focusing on new production capacity, the Company has paid attention to the technological transformation of its existing production capacity and continuously enhanced its efforts on transformation from traditional metallurgical engineering field to fundamental construction area and emerging markets to expand its market share. The amount of newly signed contracted value of metallurgical engineering fell below 20% of the total amount of newly signed contracted value by the Company, which shows that the Company successfully completed business transformation and effectively defused the risk associated with metallurgical engineering market.

## **(III) Risks associated with the non-steel engineering segment**

Unlike the traditional metallurgical engineering market, the overall growth of investment in fixed assets slowed down and the competition in the non-steel engineering market is increasingly competitive. The state has successively introduced relevant policies to continuously increase its investment in municipal infrastructure construction. The total market volume of highways and railways will remain at a high level for a period of time. New municipal engineering projects such as urban rail transit, sewage and garbage treatment, subterranean piping system and sponge city are expected to maintain rapid growth. Optimization of industry investment structure, control of scale of real estate investment, reasonable layout of infrastructure investment, regulation of PPP projects are the main factors affecting the investment.

As “the main force for fundamental construction and the forerunner of the emerging industries”, the Company has actively responded to the risk of competition in the non-steel engineering markets with open mind and

advanced with time, and further adapted to the environmental changes. It has expanded the research and innovation of business models such as F+EPC and PPP model and constantly improved the design and operation of “macro environment, heavyweight clients and mega projects”. It devotes its efforts to developing the non-steel engineering markets such as premium property construction, highways, transport and municipal infrastructure, integrated subterranean piping systems, sponge city, smart city and beautiful countryside by relying on its traditional comparative advantages and core competitiveness in terms of technology, management and capital. It endeavors to build up an entire industrial chain capability for one-stop services, enhance its brand influence, vigorously expand and develop markets and continuously strengthen risk resistance capability and has achieved remarkable success.

#### **(IV) Risks associated with the property development business segment**

In 2019, the Central government reiterated the policy of “no speculation of residential properties”, and stated that residential properties would not be used as a means to stimulate short-term economic growth, while localized policies and classified guidance have been comprehensively implemented. In particular, it is necessary to implement the policy of maintaining stable land prices, stable property prices and stable expectations, and maintaining the continuity and stability of the policies. In 2019, the concentration of real estate industry continued to increase, the growth of most property enterprises maintained at a steady pace, and the threshold of property enterprises in each echelon was raised. The pattern of “stronger remains as strong” has not changed, and the superposition effect of scale advantage was continuously enlarged.

In the long run, in the context of the high-quality development of China’s economy and the real estate industry, the regulatory policies and overall financing environment of the real estate industry will continue to remain in a strict position, and the differentiation of the sales performance of enterprises will accelerate the reshuffling of the industry and the continuous improvement of market concentration. It is expected that the overall stability of the real estate industry and the trend of structural differentiation will not change. Improving operational efficiency and quality, as well as ensuring the safety of the capital chain are still important tasks for most of the property enterprises in the future.

The Company will further optimize its method for land acquisition, seize the favorable opportunity of consolidation of the current industry, and actively obtain scarce land at central locations of the core cities or construction land around the central cities through urban renewal, regional development, strategic cooperation, headquarters economy, etc.. Strategic land reserve will be increased to lower land acquisition costs. During the course of project development, project planning is carried out to enhance the quality of the project, so as to ensure the realization of expected revenue and effectively respond to business risks in real estate development.

#### **(V) Risks associated with financial segment**

The global financial environment remains complex, and the impact of Sino-US trade frictions continues. Unilateralism, protectionism and economic hegemonism threaten years of trade system and free trade principles, thus it becomes more difficult to predict the trend of exchange rate. Domestically, the government adheres to a stable monetary policy with appropriate flexibility of the overall capital structure, and continuously deepens the reform of financial system. LPR quotation has downturn possibility as the bond market improves.

The Company will continue to optimize the financing structure, prevent capital risks, pay close attention to the changes in exchange rates, strengthen the management and control of risk exposure on foreign exchange, effectively carry out foreign exchange hedging business merely for hedging purposes in a timely manner, resolutely refrain from speculative arbitrage, and save financial costs and increase utilization efficiency in capital with multi-measures.

#### **(VI) Risks associated with bulk commodity prices**

The market price of bulk commodities such as engineering raw materials and metal mineral resources related to the Company's business will be affected by the international and domestic macro-economic environment as well as the change in market needs, and may fluctuate in varying degrees and thus affect the production and operation costs, income and profits of the Company.

In response to the market price of bulk commodities, the Company strengthened the research and forecast on the trends and policies, and made adjustments to the arrangements for procurement and sales strategies. At the same time, the Company will increase its effort on process improvement to further improve output, and strengthen the costs control and management, further reduce energy consumption and take all possible measures to reduce the costs on production, operation and other costs.

#### **(VII) Risks associated with international operations**

The operating businesses of the Company in various countries and areas are subject to local factors in respect of politics, economy, society, laws, exchange rate and etc., which may subject overseas businesses of the Company to certain risks and may lead to the failure of projects to be completed on schedule or occurrence of disputes over claims and even forced suspension of contracts. These will affect the revenue and profits of overseas businesses of the Company.

The Company will supervise its subsidiaries and overseas institutions to conduct in-depth study on policies, regulations and humanistic environment of the places where the projects are based and build a good cooperative relationship with local governments and property owners, accelerate the pace of localization process, consistently implement risk examination of contracts on overseas construction projects before tendering, insist on the risk review of major overseas engineering projects before tendering and classified risk

management mechanism during the process, and optimize the emergency plans for the overseas construction projects to reduce the international operating risks.

#### **(VIII) Environmental and social risks**

Following the increasingly strict requirements for environmental protection management and increase in intensity of pollution control, the government requires enterprises to attach great importance to ecological civilization and environmental protection. The subsidiaries of MCC are engaged in businesses including resources development, equipment manufacturing, engineering and contracting, as well as property development. Numerous subsidiaries and respective projects result in higher standard of requirements on environmental protection management for the enterprises. The Company actively puts into practice the green development ideology that “Lucid Waters and Lush Mountains are Invaluable Assets”, persists on the relevant national laws and regulations of energy conservation and environmental protection, implements accountability system on enterprise bodies, continuously improves the energy conservation and environmental protection system, enhances daily supervision, and proactively initiates environmental pollution control. Enterprises under the construction category shall carry out in-depth environmental friendly construction, and push forward energy, land, water and resources conservation as well as environmental protection in full efforts; 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.

#### **(IX) Risks associated with data fraud or theft**

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

In order to guard state secrets and protect commercial secrets, MCC has formulated a set of relatively comprehensive rules and regulations on confidentiality, including the “Administrative Requirements on Guarding State Secrets” (《保守國家秘密管理規定》), the “Administrative Measures on Commercial Secrets” (《商業秘密管理辦法》), the “Implementing Rules for the Management of Personnel Involved in Secrets of MCC Headquarters” (《中國中冶總部涉密人員管理實施細則》), the “Implementing Rules for the Exchange of Confidential Information of MCC” (《中國中冶機要交換工作實施細則》) and the “Implementing Rules for the Management of Meetings Involving Confidential Information of MCC Headquarters” (《中國中冶總部涉密會議保密管理實施細則》).

The Company adopts various promotional and educational measures annually in order to raise awareness of information confidentiality of the employees, and urge the employees to be alert. The Company randomly assesses the information confidentiality of its subsidiaries every year, conducts interviews with members from the information confidentiality office of all subsidiaries, investigates and reviews relevant system and recorded documents, retrieves previous confidential documents and on-site investigation to conduct investigation on the employment of personnel in all units, establishment

of information confidentiality system, secret classification management, information system management and other aspects, as well as requires the units under investigation to submit rectification reports within a time limit.

**(X) Cyber risk and security**

Following the in-depth application of “Internet Plus” 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; the Company endeavors to expand overseas markets for enhancement in international influence. At the same time, the risk from cyberattacks to the information system has been increased. The occurrence of the risk events may cause adverse impacts on the production and operating activities of the Company.

Pursuant to the requirements by the competent authorities at a higher level, the Company persistently optimizes and improves the information network system, upgrades the capability of protection and emergency response, forms a professional team for security of network and information system, initiates protection by levels, major security checks and other relevant projects each year to develop a comprehensive safety and protection system. Thus, the Company will make the utmost effort to prevent risks associated with the internet and avoid the occurrence of security incidents.

**V. THE COMPANY’S DISCUSSION AND ANALYSIS ON THE FUTURE DEVELOPMENT OF THE COMPANY**

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

General contracting is the core business of the Company, and the construction industry is the pillar industry that the Company relies on. There has been a consensus in the industry regarding “stock competition” in the construction industry, and our judgement on the competitive landscape and future development of the industry is mainly as follows:

Firstly, the continued slowdown in growth; the total output value of the construction industry in 2018 amounted to RMB23.5 trillion, representing a year-on-year increase of 9.9%, and the growth rate of the total output value of the construction industry in 2019 will continue to decline. Secondly, the continued increment in the degree of concentration; the proportion of the amount of new contracts entered into by the eight largest construction central enterprises, including MCC, to the total amount of all new contracts entered into by the construction industry has continued to increase in recent years, and the concentration of the construction industry has also been rising. Thirdly, the intensified differentiation of enterprises; after long-term market competition, the enterprise ecological chain composed of ultra large engineering companies with integrated multi-value chain, engineering general contracting companies combining design and construction services, construction general contracting companies, professional contracting and labour companies has been assembled and solidified, while at each level, a number of outstanding enterprises with strong market competitiveness emerged, and enterprises within each level are highly competitive and cross-level competition became more intense.

With respect to the development of the construction industry in 2020 and in the future, we have the following judgement:

First, general contracting. By the end of 2019, the MOHURD (Ministry of Housing and Urban-Rural Development of the PRC) and the NDRC (National Development and Reform Commission) issued the “Administrative Measures for the General Contracting of Housing Buildings and Municipal Infrastructure Projects” (《房屋建築和市政基礎設施項目工程總承包管理辦法》), which is a major initiative by government authorities to accelerate the promotion of general contracting. These measures, for which opinions were publicly solicited twice for a period of two years, clarified a number of policies and regulations on the general contracting. With the implementation of these measures, an internationally accepted model for engineering and development will be increasingly adopted in a wider range.

Second, prefabricated buildings. In order to further implement the “Guiding Opinions on Vigorously Developing Prefabricated Buildings” (《關於大力發展裝配式建築的指導意見》) promulgated by the State Council, the MOHURD, following the “Vigorously Developing Prefabricated Buildings such as Steel Structures” in the work arrangement put forward in 2019, has then put forward the concrete deployment of “Vigorously Promoting the Pilot Construction of Steel Structure Prefabricated Housing” in the 2020 work arrangement, which was a significant opportunity for MCC. In the field of steel structure, we maintain a strong technological advantage and have the largest manufacturing capacity in the PRC. Under the guidance of “MCC’s Guiding Opinions on Accelerating the Layout of Prefabricated Buildings Industry” (《中國中冶關於加快裝配式建築產業佈局的指導意見》), prefabricated construction projects undertaken by relevant subsidiaries are progressing in an orderly manner. The development of prefabricated buildings will promote the overall upgrading of CMGC’s general contracting core businesses.

Third, intelligent construction. The National Working Conference of Housing and Urban-Rural Development (全國住房和城鄉建設工作會議) has clearly put forward in its work deployment for 2020: “speeding up the construction of ministerial, provincial and municipal CIM platform construction framework system”. The construction of CIM framework system indicates that the unified intelligent city infrastructure project in China has entered the implementation stage. Hence, it shows that the practical application of intelligent construction in China’s construction industry has begun to speed up. Only data delivery of construction projects and the basic data of urban buildings in CIM will become the revitalizing source, and achieve intelligent management. In the near future, digital delivery may become an important condition for the completion and delivery of engineering construction.

## **(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 new 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. And “Four Beams and Eight Columns” is the operating system and

product positioning under this new 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.

National team for metallurgical construction: The Company is committed to building the best national team for metallurgical construction comprising approximately 18,000 members according to the world-class 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 technology. The Company 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 top-notch core technologies, incessant reformational and innovation capabilities as well as irreplaceable whole-industry chain integration advantage in metallurgical construction, the Company strives to increase its share of the global metallurgical construction market from 60% to 80% in a short period of time, shoulders the state responsibility for leading China to a higher level of development of metallurgy and builds the best and the largest “national team” of metallurgical construction and operational services in the world.

Main force for fundamental construction: The Company is committed to seizing the “Belt and Road” policy, tapping the huge potential in infrastructure construction across the countries and regions along the Belt and Road, grasping 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.

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 by constructing urban integrated subterranean piping system, construction of large theme parks, sponge city, smart city, beautiful countryside, healthcare and senior care, environment and new energy (in particular sewage treatment and pipe network operation, reuse of recycled water, solid waste disposal, soil remediation, energy conservation and emission reduction as well as photovoltaic power generation) for capturing market share, arranging layout and pursuing large-scale development. 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, acquires core technologies, develops core products, 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, especially the idea, design and construction of sponge city, beautiful countryside, smart city and urban piping system, so as to support the successful transformation development of the Company.

“Long-term adherence to pursuing the path for the quality development with advanced technologies”: Consolidating and building up technological innovation is the primary driver for development of the Company. It covers all-round enterprise management including innovative corporate culture, personnel incentive mechanism, investment in scientific and technological research and development and business development strategies. For the purpose of building the national team for metallurgical construction, the Company has developed the metallurgical engineering technology innovation mechanism based on the MCC technological research institute as the main platform and 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 of and improvement on the quality of iron and steel industry. With the mission of building the main force for fundamental construction, the Company has replenished 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 promoting the implementation of 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, including an “MCC Technological Research Institute for Piping System”, “MCC Technological Research Institute for Sponge City”, “MCC Technological

Research Institute for Beautiful Countryside and Smart City”, “MCC Technological Research Institute for Theme Parks”, etc.. Based on its research on key and generic technologies, the Company proactively takes the lead in compiling relevant specifications and standards, establishing relevant technical systems and standard systems, acquires core technologies, develops core products, highlights professional advantages, emphasizes featured areas and hit products, and hence ensures MCC to occupy the market leadership with its state-of-the-art technology and become the leading enterprise of the related industry.

### (III) Operational plan

The Company expected to record an operating revenue of RMB305 billion in 2019, and actually recorded an operating revenue of RMB338.6 billion, surpassing the operating target.

In 2020, the Company plans to achieve an operating revenue of RMB357 billion.

## VI. MANAGEMENT DISCUSSION AND ANALYSIS

### (I) 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>338,637,609</b>	289,534,523	16.96
Operating costs	<b>299,247,115</b>	253,121,966	18.22
Selling expenses	<b>2,315,815</b>	2,108,541	9.83
Administrative expenses	<b>9,354,662</b>	8,569,093	9.17
Research and development expenses	<b>9,934,444</b>	7,182,666	38.31
Financial expenses	<b>2,498,264</b>	2,614,040	-4.43
Net cash flows from operating activities	<b>17,577,933</b>	14,049,970	25.11
Net cash flows from investing activities	<b>-9,835,377</b>	-11,737,447	N/A
Net cash flows from financing activities	<b>-9,150,117</b>	-5,930,183	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 operating results were subject to the combined impact of multiple factors, including the changes in international and domestic macro economies, the state financial and monetary policy, 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 so the Company's operating results would vary during different domestic economic cycles.

#### 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 manufacturing businesses were all influenced by the policies of the industry. In recent years, the adjustments to the business fields and the regional market strategies have been guided, to a certain extent, by the restructuring and upgrade of 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 supportive measure of "de-stocking" 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 the Company's financial position.

Both items 1) and 2) above were the major risk factors that impacted the Company's performance for 2019.

#### 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 high and new technology enterprises currently enjoyed by some of the Company's subsidiaries, as well as the resources tax, the property development tax, and other taxes 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 deposit benchmark interest rates and lending benchmark rates 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.

5) Changes in major raw materials prices

The Company's engineering contracting, resources 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 manufacturing business require 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 the one hand, subcontracting boosted the Company's capacity to undertake large-scale projects and to fulfill contracts flexibly. On the other hand, the management of subcontractors and the control of subcontracting costs may also affect the profitability of projects.

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 MCC Real Estate in the Project of Xiaguan District of Nanjing, the recovery of payment for contract work from the government and its financing platforms and the investment and operation of the PPP project and the recovery of payment for 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, heavyweight clients and mega projects", through systematic reform and innovation, as well as scientific decision-making to stimulate the Company's vitality and creativity and achieved 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 northern China, 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.

(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	311,836,814	280,215,442	10.14	20.71	21.23	Decreased by 0.38 percentage point
Property development	19,961,558	14,780,917	25.95	-12.72	-9.63	Decreased by 2.53 percentage points
Resources development	5,184,624	3,876,340	25.23	-1.86	9.79	Decreased by 7.94 percentage points
Equipment manufacturing	7,232,276	6,493,846	10.21	3.49	5.61	Decreased by 1.81 percentage points
	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>

Unit: RMB'000

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	315,661,497	279,708,159	11.39	18.22	19.45	Decreased by 0.91 percentage point
Other countries/regions	22,976,112	19,538,956	14.96	2.03	3.06	Decreased by 0.85 percentage point
	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>

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

## 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 2019 and 2018 were 10.14% and 10.52%, respectively, with a year-on-year decrease of 0.38 percentage point. The decrease was mainly due to fierce competition of projects, decrease in gross profit from new projects and an increase in the price of subcontracting and materials.

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	2019		2018		2017	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Metallurgical engineering	70,286,830	22.54	64,836,330	25.10	48,097,655	23.06
Housing construction engineering	147,049,726	47.16	107,540,465	41.63	93,677,430	44.90
Transportation infrastructure	67,393,860	21.61	54,016,566	20.91	43,856,822	21.02
Other engineering	27,106,398	8.69	31,937,562	12.36	22,980,953	11.02
<b>Total engineering contracting</b>	<b>311,836,814</b>	<b>100.00</b>	<b>258,330,923</b>	<b>100.00</b>	<b>208,612,860</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 2019 and 2018, the total gross profit margins of the Company's property development business were 25.95% and 28.48%, respectively, with a year-on-year decrease of 2.53 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 2019 and 2018 the gross profit margin of the Company's equipment manufacturing business were 10.21% and 12.02%, respectively, representing an decrease of 1.81 percentage points as compared with the same period last year. The decrease was mainly due to factors such as increase in price of raw materials.

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 2019 and 2018, the gross profit margin of the Company's resources development business were 25.23% and 33.17%, respectively, representing a decrease of 7.94 percentage points as compared with the same period last year, which was mainly due to market fluctuations in prices such as polycrystalline silicon and nickel-cobalt.

2) Explanation on Major Business by Region

For the years of 2019 and 2018, the Company realized overseas operating revenue of RMB22,976,112,000 and RMB22,519,038,000 respectively. The revenue mainly came from the engineering contracting business including the Sri Lanka Highway Project, 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 cost analysis

By segment

Unit: RMB'000

Segment	Costs component	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	280,215,442	90.65	231,142,277	88.81	21.23
Property development	operating costs	14,780,917	4.78	16,356,370	6.28	-9.63
Resources development	operating costs	6,493,846	2.10	6,148,745	2.36	5.61
Equipment manufacturing	operating costs	3,876,340	1.25	3,530,708	1.36	9.79

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

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	2019		2018		2017	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Subcontracting expenses	155,379,127	55.45	125,851,962	54.44	98,842,819	53.32
Materials expenses	84,268,225	30.07	70,538,264	30.52	55,006,410	29.68
Labour costs	14,499,481	5.17	12,567,004	5.44	10,142,600	5.47
Machinery usage fees	5,230,932	1.87	4,648,370	2.01	2,959,236	1.60
Others	20,837,676	7.44	17,536,677	7.59	18,405,843	9.93
Total engineering costs	280,215,442	100.00	231,142,277	100.00	185,356,908	100.00

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.

(4) *Information of major customers and major suppliers*

The sales of top five major customers amounted to RMB17,297,430 thousand, accounting for 5.11% 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*

<b>Customer's name</b>	<b>Operating revenue</b>	<b>Proportion of the total operating revenue of the Company (%)</b>
Unit 1	7,402,176	2.19
Unit 2	3,263,144	0.96
Unit 3	2,941,655	0.87
Unit 4	1,859,618	0.55
Unit 5	1,830,836	0.54
Total	<u>17,297,429</u>	<u>5.11</u>

The procurement of top five major suppliers amounted to RMB5,295,850 thousand, accounting for 1.77% of the total annual procurement; in particular, the procurement from related parties under the procurement of top five major suppliers amounted to RMB3,849,000 thousand accounting for 1.29% of total annual procurement.

*Unit: RMB'000*

<b>Supplier's name</b>	<b>Procurement for the current period</b>	<b>Proportion of the total operating costs of the Company (%)</b>
Supplier 1	2,007,248	0.67
Supplier 2	1,256,522	0.42
Supplier 3	770,722	0.26
Supplier 4	676,128	0.22
Supplier 5	585,228	0.20
Total	<u>5,295,848</u>	<u>1.77</u>

## **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 2019 and 2018, the Company's selling expenses were RM2,315,815 thousand and RMB2,108,541 thousand respectively, representing a year-on-year increase of 9.83%, which was mainly due to the increase in related expenses as a result of intensified market development of the Company.

### *(2) Administrative expenses*

The Company's administrative expenses mainly include employee compensation costs, depreciation expenses and office expenses. In 2019 and 2018, the Company's administrative expenses were RMB9,354,662 thousand and RMB8,569,093 thousand respectively, representing a year-on-year increase of 9.17%, 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 2019 and 2018, the Company's financial expenses were RMB2,498,264 thousand and RMB2,614,040 thousand respectively, representing a year-on-year decrease of 4.43%, which was mainly due to the decrease in capital costs as a result of arrangements for interest-bearing liabilities of the Company.

### *(4) Research and development expenses*

The Company's research expenses include personnel labour costs, direct input costs, depreciation expenses and external research and development commission expenses. In 2019 and 2018, the Company's research and development expenses were RMB9,934,444 thousand and RMB7,182,666 thousand respectively, representing a year-on-year increase of 38.31%, which was mainly because the increase in R&D materials and increased R&D effort.

### 3. *Research and development expenditure*

#### *Table of research and development expenditure*

*Unit: RMB'000*

Research and development expenditure for the current period	9,934,444
Capitalized research and development expenditure for the current period	46,568
Total research and development expenditure	9,981,012
Proportion of total research and development expenditure to operating income (%)	<u>2.95</u>

### 4. *Cash flow*

The cash flows of the Company are as follows:

*Unit: RMB'000*

<b>Items</b>	<b>2019</b>	<b>2018</b>
Net cash flows from operating activities	<b>17,577,933</b>	14,049,970
Net cash flows from investing activities	<b>-9,835,377</b>	-11,737,447
Net cash flows from financing activities	<b>-9,150,117</b>	-5,930,183

#### *(1) Operating activities*

In 2019 and 2018, the Company's net cash flows generated from operating activities amounted to RMB17,577,933 thousand and RMB14,049,970 thousand respectively, representing a year-on-year increase of 25.11%. In 2019 and 2018, the cash inflow generated from operating activities mainly came from the cash receipts from the sale of goods and the rendering of service, accounting for 98.83% and 98.50% respectively with respect to the cash inflow generated from operating activities.

The Company's cash outflow generated from operating activities mainly consisted of cash payments for goods purchased and services received, cash payments to and on behalf of employees and payments of various types of taxes. In 2019 and 2018, the respective proportions of such cash outflow with respect to the cash outflow generated from operating activities accounted for 86.07%, 7.23%, 3.20% and 84.73%, 7.45%, 3.64% respectively.

(2) *Investing activities*

In 2019 and 2018, the Company's net cash flows generated from investing activities amounted to RMB-9,835,377 thousand and RMB-11,737,447 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 2019 and 2018, the respective investing of such cash inflow with respect to the cash inflow generated from investing activities accounted for 7.52%, 9.98%, 15.77% and 3.84%, 11.31%, 20.02% 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 2019 and 2018, such cash outflow accounted for 30.05%, 69.95% and 40.68%, 57.11% respectively with respect to the cash outflow generated from investing activities.

(3) *Financing activities*

In 2019 and 2018, the Company's net cash flows generated from financing activities amounted to RMB-9,150,117 thousand and RMB-5,930,183 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 89.66% and 94.82% respectively of the cash inflow generated from financing activities for the years 2019 and 2018. 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 90.76%, 6.50% and 85.55%, 7.11% respectively of the cash outflow from financing activities for the years 2019 and 2018.

## (II) 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 the total assets/liabilities (%)	Amount at the end of the previous period	Proportion of the amount at the end of the previous period with respect to the total assets/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>347,435,959</b>	<b>75.78</b>	339,420,571	77.33	2.36
Cash and bank balances	43,677,662	9.53	44,477,302	10.13	-1.80
Accounts receivable	66,026,606	14.40	66,958,297	15.26	-1.39
Inventories	60,636,905	13.22	57,608,321	13.13	5.26
Contract assets	72,800,575	15.88	66,719,549	15.20	9.11
<b>Non-current Assets</b>	<b>111,070,254</b>	<b>24.22</b>	99,495,272	22.67	11.63
Intangible assets	15,796,873	3.45	16,133,729	3.68	-2.09
<b>Total Assets</b>	<b>458,506,213</b>	<b>100.00</b>	438,915,843	100.00	4.46
<b>Current Liabilities</b>	<b>305,923,537</b>	<b>89.56</b>	296,985,847	88.32	3.01
Short-term borrowings	40,476,556	11.85	47,973,564	14.27	-15.63
Bills payable	31,487,132	9.22	27,751,007	8.25	13.46
Accounts payable	115,855,013	33.92	113,260,891	33.68	2.29
Contract liabilities	64,595,970	18.91	58,918,293	17.52	9.64
<b>Non-current Liabilities</b>	<b>35,677,168</b>	<b>10.44</b>	39,260,552	11.68	-9.13
Long-term borrowings	27,219,615	7.97	23,793,236	7.08	14.40
<b>Total Liabilities</b>	<b>341,600,705</b>	<b>100.00</b>	336,246,399	100.00	1.59

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

##### Cash and bank balances

As at 31 December 2019 and 31 December 2018, the balances of cash and bank balances of the Company were RMB43,677,662 thousand and RMB44,477,302 thousand, respectively, representing a year-on-year decrease of 1.80%.

As at 31 December 2019 and 31 December 2018, the restricted cash and bank balances of the Company were RMB11,862,762 thousand and RMB11,326,300 thousand respectively, which accounted for 27.16% and 25.47% of the cash and bank balances, respectively. The restricted cash and bank balances mainly included the cash deposits of acceptance bill, etc.

#### Accounts receivable

As at 31 December 2019 and 31 December 2018, the carrying value of the Company's accounts receivable were RMB66,026,606 thousand and RMB66,958,297 thousand respectively, representing a year-on-year decrease of 1.39%, which was mainly attributable to the Company's great emphasis on the safety and completeness of accounts receivable and adopts strong measures to clear up debts, collect each of the receivables timely based on terms and schedules as agreed in the contracts. Provision for bad debts has been made to receivables with potential risks in collectability pursuant to the accounting policies of the Company, but the efforts put to collect the receivables will not be affected.

#### 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 2019 and 31 December 2018, the Company's net inventories were RMB60,636,905 thousand and RMB57,608,321 thousand respectively. The net inventories increased by 5.26%, which was mainly due to the slight increase in property development products and development costs for the year.

#### 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 2019, the net contract assets of the Company amounted to RMB72,800,575 thousand and as at 31 December 2018, the net contract assets of the Company amounted to RMB66,719,549 thousand, representing a year-on-year increase of 9.11%, which was mainly due to the increase in contract assets of engineering contracting service contracts.

## Intangible assets

As at 31 December 2019 and 31 December 2018, the aggregated carrying value of the Company's intangible assets were RMB15,796,873 thousand and 16,133,729 thousand respectively, representing a year-on-year decrease of 2.09%. 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 2019 and 31 December 2018, the carrying amount of the Company's short-term borrowings were RMB40,476,556 thousand and RMB47,973,564 thousand respectively, with a year-on-year decrease of 15.63%. As at 31 December 2019 and 31 December 2018, the carrying amount of the Company's long-term borrowings were RMB27,219,615 thousand and RMB23,793,236 thousand respectively, with a year-on-year increase of 14.40%.

During the Reporting Period, the long-term loans and short-term loans repaid by the Company amounted to RMB13,493,006 thousand and RMB104,049,936 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 RMB33,739,713 thousand and RMB15,508,529 thousand, respectively.

### 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 2019 and 31 December 2018, the Company's carrying value of accounts payable were RMB115,855,013 thousand and RMB113,260,891 thousand respectively, representing a year-on-year increase of 2.29%.

### Contract liabilities

Contract liabilities mainly comprises contract liabilities related to engineering contracting services and sales contracts. As at 31 December 2019 and 31 December 2018, the Company's carrying value of contract liabilities amounted to RMB64,595,970 thousand and RMB58,918,293 thousand respectively, representing a year-on-year increase of 9.64%.

### (III) 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	Building decoration	Others	Total
Number of projects (Unit)	2,197	606	1,886	1,008	5,697
Total amount	7,754,367	8,135,112	8,102,216	1,939,686	25,931,381

Unit: RMB'000

Project location	Domestic	Overseas	Total
Number of projects (Unit)	5,565	132	5,697
Total amount	24,961,816	969,565	25,931,381

Note: The above data are before elimination of inter-segment transactions.

#### 2. Projects under construction during the Reporting Period

Unit: RMB'000

Sub-segment	Housing Construction	Infrastructure Construction	Building decoration	Others	Total
Number of projects (Unit)	3,403	2,292	3,994	1,379	11,068
Total amount	142,043,790	64,780,098	62,477,699	25,254,663	294,556,250

Unit: RMB'000

Project location	Domestic	Overseas	Total
Number of projects (Unit)	10,554	514	11,068
Total amount	278,223,326	16,332,924	294,556,250

Note: The above data are before elimination of inter-segment transactions.

#### 3. Overseas projects during the Reporting Period

Unit: RMB'000

Project location	Number of projects (Unit)	Total
Asia	460	14,263,032
Africa	72	1,277,756
South America	46	691,895

<b>Project location</b>	<b>Number of projects (Unit)</b>	<b>Total</b>
Europe	36	90,797
Oceania	22	865,682
North America	10	113,327
Total	646	17,302,489

#### **4. *Accumulated new projects during the Reporting Period***

During the Reporting Period, 1,993 engineering and construction contracts are of a single contract value of RMB50 million or above, with an aggregate contract value of RMB711.84 billion.

#### **5. *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 37, among which 2 subsidiaries held 4 special qualifications, 6 subsidiaries held 3 special qualifications, 4 subsidiaries held 2 special qualifications, and 5 subsidiaries held comprehensive qualifications for construction design.

In 2019, the Company has added two enterprises with 4 special qualifications and founded its first ever enterprise with 4 special qualifications.

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

In 2019, 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, is operated smoothly. Each of the levels stringently executes the national, industrial and local standards of quality. The Company implemented effective quality control on construction projects by various measures such as promoting 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. In 2019, 10 of the Company’s projects (including the projects it participated in the construction) won the China

Construction Engineering Luban Award (中國建設工程魯班獎), 27 Projects (including the projects it participated in the construction) won the National Quality Engineering Award (國家優質工程獎), and the Company won the first prize in the Competition for the Presentation of Results of the Central Enterprise Quality Management Group (中央企業質量管理小組成果發表賽一等獎) for the first time. 7 projects were awarded prizes at the 4th National Quality Innovation Competition, and 7 achievements were awarded the Excellence Quality and Technology Awards from China Association for Quality, while honorary titles such as “Meritorious Enterprise Celebrating the 70th Anniversary of the Founding of the People’s Republic of China” and “Outstanding Promotion Unit for the 40th Anniversary of Total Quality Management” were also awarded to the Company.

In 2019, the Company firmly established the people-centered development ideology, adhered to the “safety first, prevention-oriented, comprehensive management” safety production policy and resolutely carried out the safe production work arrangements from the Central Party Committee, the State Council, as well as the State ministries and commissions, further improving the management system and laying a solid foundation for the management of production safety. The safety production checklist was initially included in the list of key work of safety production throughout the year, and the responsible implementation for production safety was supervised. In accordance with the principle of “one level leading another, one level demonstrating to another (一級帶著一級幹，一級做給一級看)”, the Company strengthened safety training and education, strictly implemented the main responsibilities of safety training and education, enhanced safety inspections, strengthened the safety management and control on the project sites, and actively carried out special activities such as special period, area and tunnel project supervision for key industries and key projects; the Company has formulated safety production standardization appraisal rules, and comprehensively promoted the standardization of construction safety production at construction sites. 8 projects were awarded the honorary title of “National Standardized Construction Sites in Work Safety” (建設工程項目施工安全生產標準化工地). The concepts of national security development have been conscientiously implemented and the strategy of “improving safety through science and technology” has been promoted. 5 technological achievements were awarded 1 first prize and 4 third prizes from the Progress Award for Science and Technology for Safety of the China Association of Work Safety.

## **7. *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 RMB113.625 billion, representing a

decrease of 0.30% 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 RMB84.529 billion and RMB29.096 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 RMB55.348 billion and RMB58.277 billion, respectively.

(2) *Investment in Yingtan MCC-CIF Industrial Development Partnership (LP)*

As reviewed and approved by the Board of the Company, MCC, China Credit Trust Co., Ltd., MCC-CCB Investment Fund Management (Beijing) Company Limited (中冶建信投資基金管理(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.

**(IV) Analysis on investment**

*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	Gain or loss
							in securities investment held at the end of the period (%)	incurred in the Reporting Period (RMB)
1	Shares	601005	Chongqing Iron and Steel (重慶鋼鐵)	402,875	187,661	347,174	37	-16,889
2	Shares	600787	CMST Development Corp (中儲股份)	498,768	57,528	599,442	63	24,162
Total				901,643	/	946,616	100	7,273

## ***Equity interests in other listed companies held by the Company***

*Unit: RMB'000*

Stock code	Stock abbreviation	Initial investment cost	Percentage of shareholding	Percentage of shareholding	Carrying amount at the end of the period	Gain or loss incurred in the Reporting Period	Changes in owners' equity	
			at the beginning of the period (%)	at the end of the period (%)			during the Reporting Period	Account category
601328	Bank of Communications	93,402	0.04	0.04	238,928	11,339	-6,790	Investments in other equity instruments
000709	Hesteel	10,337	0.79	0.79	7,341	296	-740	Investments in other equity instruments
600665	Tande	1,122	0.02	0.02	586	23	41	Investments in other equity instruments
600117	Xining Special Steel	1,400	0.20	0.20	5,333	-	269	Investments in other equity instruments
000005	Fountain	420	0.04	0.04	1,153	-	153	Investments in other equity instruments
000939	Kaidi Ecological	2,502	1.10	1.10	21,166	-	-3,225	Investments in other equity instruments
601005	Chongqing Iron and Steel	206,752	1.46	1.46	106,482	-	-5,180	Investments in other equity instruments
600642	Shenergy	188	0.01	0.01	261	9	42	Investments in other equity instruments
<b>Total</b>		<b>316,123</b>	<b>/</b>	<b>/</b>	<b>381,250</b>	<b>11,667</b>	<b>-15,430</b>	<b>/</b>

## ***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		Source of shares
			(%)			during the Reporting Period (RMB)	Account category	
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	56,426	-	Investments in other equity instruments	By acquisition
Baosteel Group Finance Co., Ltd. (寶鋼集團財務有限責任公司)	17,097,680	-	-	-	17,445,467	23,422,027	Investments in other equity instruments	By acquisition
Wuhan Iron & Steel Group Financial Corporation Limited (武漢鋼鐵集團財務有限責任公司)	2,000,000	-	-	-	615,202	4,147,985	Investments in other equity instruments	By acquisition
<b>Total</b>	<b>76,793,680</b>	<b>-</b>	<b>/</b>	<b>57,696,000</b>	<b>18,117,095</b>	<b>27,570,012</b>	<b>/</b>	<b>/</b>

## VII. CONSOLIDATED AND THE COMPANY'S BALANCE SHEETS

### CONSOLIDATED BALANCE SHEET

31 December 2019

*All amounts in RMB'000*

Items	31 December 2019	31 December 2018
<b>Current Assets:</b>		
Cash and bank balances	43,677,662	44,477,302
Financial assets held for trading	2,162,432	1,124,150
Derivative financial assets	401	2,365
Bills receivable	7,918,027	18,363,632
Accounts receivable	66,026,606	66,958,297
Receivables at FVTOCI	7,855,940	2,072,511
Prepayments	24,705,845	20,285,773
Other receivables	57,290,123	56,385,242
Inventories	60,636,905	57,608,321
Contract assets	72,800,575	66,719,549
Non-current assets due within one year	2,078,913	3,498,610
Other current assets	2,282,530	1,924,819
	<u>347,435,959</u>	<u>339,420,571</u>
<b>Total Current Assets</b>		
<b>Non-current Assets:</b>		
Long-term receivables	24,326,794	21,620,682
Long-term equity investments	21,834,366	13,854,855
Investments in other equity instruments	1,871,747	1,867,964
Other non-current financial assets	4,171,068	4,214,624
Investment properties	5,763,796	5,392,133
Fixed assets	26,121,239	27,370,040
Construction in progress	4,426,518	3,379,971
Right-of-use assets	540,522	--
Intangible assets	15,796,873	16,133,729
Goodwill	161,523	163,179
Long-term prepayments	265,900	269,670
Deferred tax assets	5,618,595	5,152,432
Other non-current assets	171,313	75,993
	<u>111,070,254</u>	<u>99,495,272</u>
<b>Total Non-current Assets</b>		
<b>TOTAL ASSETS</b>	<u>458,506,213</u>	<u>438,915,843</u>

Items	31 December 2019	31 December 2018
<b>Current Liabilities:</b>		
Short-term borrowings	40,476,556	47,973,564
Derivative financial liabilities	4,230	496
Bills payable	31,487,132	27,751,007
Accounts payable	115,855,013	113,260,891
Receipts in advance	245,284	191,783
Contract liabilities	64,595,970	58,918,293
Employee benefits payable	2,037,994	1,958,161
Taxes payable	3,461,760	3,794,064
Other payables	26,219,786	23,553,227
Non-current liabilities due within one year	15,683,416	14,772,502
Other current liabilities	5,856,396	4,811,859
	<u>305,923,537</u>	<u>296,985,847</u>
<b>Total Current Liabilities</b>		
<b>Non-current Liabilities:</b>		
Long-term borrowings	27,219,615	23,793,236
Bonds payable	1,660,000	8,512,091
Lease liabilities	302,054	--
Long-term payables	892,993	1,180,520
Long-term employee benefits payable	3,115,993	3,496,853
Provisions	817,931	861,739
Deferred income	1,582,297	1,290,126
Deferred tax liabilities	71,685	111,387
Other non-current liabilities	14,600	14,600
	<u>35,677,168</u>	<u>39,260,552</u>
<b>Total Non-current Liabilities</b>		
<b>TOTAL LIABILITIES</b>		
	<u>341,600,705</u>	<u>336,246,399</u>
<b>Shareholders' Equity:</b>		
Share capital	20,723,619	20,723,619
Other equity instruments	25,924,290	15,924,290
Including: Perpetual bond	25,924,290	15,924,290
Capital reserve	22,476,448	22,492,676
Other comprehensive income	(59,618)	(212,142)
Special reserve	12,550	12,550
Surplus reserve	1,748,938	1,455,419
Retained earnings	27,123,498	23,546,950
Total shareholders' equity attributable to shareholders of the Company	97,949,725	83,943,362
Non-controlling interests	18,955,783	18,726,082
	<u>116,905,508</u>	<u>102,669,444</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
	<u>458,506,213</u>	<u>438,915,843</u>

**THE COMPANY'S BALANCE SHEET**  
31 December 2019

*All amounts in RMB'000*

<b>Items</b>	<b>31 December 2019</b>	31 December 2018
<b>Current Assets:</b>		
Cash and bank balances	2,467,897	2,523,125
Accounts receivable	98,899	318,972
Prepayments	1,219,616	421,651
Other receivables	43,712,605	37,484,465
Inventories	1,058	998
Contract assets	1,296,461	1,039,354
Non-current assets due within one year	1,866,177	1,357,037
	<hr/>	<hr/>
<b>Total Current Assets</b>	<b>50,662,713</b>	43,145,602
	<hr/> <hr/>	<hr/> <hr/>
<b>Non-current Assets:</b>		
Long-term receivables	487,590	1,723,980
Long-term equity investments	89,754,018	87,862,027
Other equity instrument investments	248	212
Fixed assets	11,746	12,755
Right-of-use assets	40,479	--
Intangible assets	6,906	8,777
	<hr/>	<hr/>
<b>Total Non-current Assets</b>	<b>90,300,987</b>	89,607,751
	<hr/> <hr/>	<hr/> <hr/>
<b>TOTAL ASSETS</b>	<b>140,963,700</b>	132,753,353
	<hr/> <hr/>	<hr/> <hr/>
<b>Current Liabilities:</b>		
Short-term borrowings	28,199,649	28,364,963
Accounts payable	1,554,946	941,091
Contract liabilities	2,220,884	1,068,383
Employee benefits payable	14,674	13,276
Taxes payable	54,801	57,306
Other payables	15,573,592	14,060,124
Non-current liabilities due within one year	442,732	2,074,231
	<hr/>	<hr/>
<b>Total Current Liabilities</b>	<b>48,061,278</b>	46,579,374
	<hr/> <hr/>	<hr/> <hr/>

Items	31 December 2019	31 December 2018
<b>Non-current Liabilities:</b>		
Long-term borrowings	2,750,000	5,875,000
Bonds payable	1,660,000	1,660,000
Lease liabilities	19,868	--
Long-term payables	–	300,000
Long-term employee benefits payable	16,893	17,915
Provisions	118,921	128,054
Deferred income	4,411	4,411
	<hr/>	<hr/>
<b>Total Non-current Liabilities</b>	<b>4,570,093</b>	<b>7,985,380</b>
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>52,631,371</b>	<b>54,564,754</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Shareholders' Equity:</b>		
Share capital	20,723,619	20,723,619
Other equity instruments	25,924,290	15,924,290
Including: Perpetual bond	25,924,290	15,924,290
Capital reserve	38,001,042	38,001,042
Other comprehensive income	984	609
Special reserve	12,550	12,550
Surplus reserve	1,748,938	1,455,419
Retained earnings	1,920,906	2,071,070
	<hr/>	<hr/>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>88,332,329</b>	<b>78,188,599</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>140,963,700</b>	<b>132,753,353</b>
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## VIII. CONSOLIDATED AND THE COMPANY'S INCOME STATEMENTS

### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

*All amounts in RMB'000*

Items	2019	2018
I. Total operating revenue	<b>338,637,609</b>	289,534,523
Including: Operating revenue	<b>338,637,609</b>	289,534,523
II. Total operating costs	<b>325,246,672</b>	276,008,889
Including: Operating costs	<b>299,247,115</b>	253,121,966
Taxes and levies	<b>1,896,372</b>	2,412,583
Selling expenses	<b>2,315,815</b>	2,108,541
Administrative expenses	<b>9,354,662</b>	8,569,093
Research and development expenses	<b>9,934,444</b>	7,182,666
Financial expenses	<b>2,498,264</b>	2,614,040
Including: Interest expenses	<b>4,149,873</b>	3,887,553
Interest income	<b>2,393,377</b>	2,063,982
Add: Other income	<b>241,945</b>	237,653
Investment (loss) income	<b>(987,178)</b>	(262,199)
Including: Losses from investments in associates and joint ventures	<b>14,461</b>	1,857
Losses from derecognition of financial assets at amortized cost	<b>(945,269)</b>	(334,841)
(Losses) gains from changes in fair values	<b>(12,810)</b>	28,999
Impairment losses of credit	<b>(2,418,539)</b>	(2,671,338)
Impairment losses of assets	<b>(939,749)</b>	(1,165,150)
Gains on disposal of assets	<b>67,810</b>	138,415
III. Operating profit	<b>9,342,416</b>	9,832,014
Add: Non-operating income	<b>523,777</b>	449,866
Less: Non-operating expenses	<b>84,035</b>	757,436
IV. Total profit	<b>9,782,158</b>	9,524,444
Less: Income tax expenses	<b>2,205,339</b>	1,953,837

<b>Items</b>	<b>2019</b>	2018
V. Net profit	<b>7,576,819</b>	7,570,607
(I) Net profit classified by operating continuity		
Net profit from continuing operations	<b>7,576,819</b>	7,570,607
Net profit from discontinued operations	–	–
(II) Net profit classified by ownership ascription		
Net profit attributable to shareholders of the Company	<b>6,576,819</b>	6,371,580
Profit or loss attributable to non-controlling interests	<b>977,107</b>	1,199,027
VI. Other comprehensive income, net of income tax	<b>222,207</b>	(64,288)
Other comprehensive income attributable to shareholders of the Company, net of income tax	<b>214,714</b>	(134,606)
(I) Items that will not be reclassified to profit or loss	<b>225,096</b>	(342,483)
1. Re-measurement of defined benefit obligations	<b>163,322</b>	(193,430)
2. Changes in fair values of investments in other equity instruments	<b>61,774</b>	(149,053)
(II) Items that may be reclassified to profit or loss	<b>(10,382)</b>	207,877
1. Other comprehensive income that can be reclassified to profit or loss under the equity method	<b>(5)</b>	(4)
2. Changes of fair value of receivables at FVTOCI	<b>(91,861)</b>	–
3. Exchange differences on translating financial statements in foreign currencies	<b>81,484</b>	207,881
Other comprehensive income attributable to non-controlling interests, net of income tax	<b>7,493</b>	70,318
VII. Total comprehensive income	<b>7,799,026</b>	7,506,319
Total comprehensive income attributable to shareholders of the Company	<b>6,814,426</b>	6,236,974
Total comprehensive income attributable to non-controlling interests	<b>984,600</b>	1,269,345
VIII. Earnings per share		
(I) Basic earnings per share ( <i>RMB/share</i> )	<b>0.27</b>	0.26
(II) Diluted earnings per share ( <i>RMB/share</i> )	<b>N/A</b>	N/A

## THE COMPANY'S INCOME STATEMENT

For the year ended 31 December 2019

All amounts in RMB'000

Items	2019	2018
I. Total operating revenue	4,177,307	5,031,043
Less: Operating costs	4,060,098	5,021,605
Taxes and levies	1,314	3,240
Administrative expenses	258,405	243,573
Financial expenses	387,463	766,445
Including: Interest expenses	1,973,377	1,756,918
Interest income	1,649,905	1,518,546
Add: Investment income	3,406,868	2,239,335
Including: Gain from investments in associates and joint ventures	35,941	12,108
Impairment losses of credit	86,306	(57,592)
(Losses) gains from disposal of assets	(32)	1,787
II. Operating profit	2,963,169	1,179,710
Add: Non-operating income	723	5
Less: Non-operating expenses	920	63
III. Total profit	2,962,972	1,179,652
Less: Income tax expenses	27,782	11,618
IV. Net profit	2,935,190	1,168,034
Net profit from continuing operations	2,935,190	1,168,034
Net profit from discontinued operations	–	–
V. Other comprehensive income, net of income tax	375	(109)
(I) Items that will not be reclassified to profit or loss	375	(109)
1. Changes in re-measurement of defined benefit obligations	339	(90)
2. Changes in fair values of investments in other equity instruments	36	(19)
VI. Total comprehensive income	<u>2,935,565</u>	<u>1,167,925</u>

## IX. CONSOLIDATED AND THE COMPANY'S CASH FLOWS STATEMENTS

### CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019

*All amounts in RMB'000*

Items	2019	2018
<b>I Cash Flows from Operating Activities:</b>		
Cash receipts from the sale of goods and the rendering of services	<b>345,757,256</b>	296,479,742
Receipts of tax refunds	<b>596,003</b>	1,029,955
Other cash receipts relating to operating activities	<b>3,503,233</b>	3,496,184
	<u>349,856,492</u>	<u>301,005,881</u>
Sub-total of cash inflows from operating activities	<b>349,856,492</b>	301,005,881
Cash payments for goods purchased and services received	<b>285,987,017</b>	243,128,693
Cash payments to and on behalf of employees	<b>24,033,117</b>	21,383,791
Payments of various types of taxes	<b>10,637,238</b>	10,438,345
Other cash payments relating to operating activities	<b>11,621,187</b>	12,005,082
	<u>332,278,559</u>	<u>286,955,911</u>
Sub-total of cash outflows from operating activities	<b>332,278,559</b>	286,955,911
<b>Net Cash Flows from Operating Activities</b>	<b>17,577,933</b>	14,049,970
<b>II Cash Flows from Investing Activities:</b>		
Cash receipts from disposals and recovery of investments	<b>288,755</b>	77,338
Cash receipts from investment income	<b>383,519</b>	228,007
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets	<b>605,682</b>	403,612
Net cash receipts from disposal of subsidiaries and other business units	<b>296,180</b>	40,679
Other cash receipts relating to investing activities	<b>2,267,182</b>	1,266,874
	<u>2,267,182</u>	<u>1,266,874</u>
Sub-total of cash inflows from investing activities	<b>3,841,318</b>	2,016,510

Items	2019	2018
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	4,109,974	5,595,208
Cash payments to acquire investments	9,566,721	7,855,463
Other cash payments relating to investing activities	–	303,286
	<u>13,676,695</u>	<u>13,753,957</u>
Sub-total of cash outflows from investing activities	<u>13,676,695</u>	<u>13,753,957</u>
<b>Net Cash Flows from Investing Activities</b>	<u>(9,835,377)</u>	<u>(11,737,447)</u>
<b>III Cash Flows from Financing Activities:</b>		
Cash receipts from capital contributions	13,254,229	6,378,367
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries	254,229	3,378,367
Cash receipts from issue of perpetual bond	13,000,000	3,000,000
Cash receipts from borrowings	114,990,724	116,770,275
	<u>128,244,953</u>	<u>123,148,642</u>
Sub-total of cash inflows from financing activities	<u>128,244,953</u>	<u>123,148,642</u>
Cash repayments of borrowings	124,701,867	110,431,072
Cash payments for distribution of dividends or profits or settlement of interest expenses	8,927,210	9,174,007
Including: Payments for distribution of dividends or profits to non-controlling interests of subsidiaries	429,326	614,516
Other cash payments relating to financing activities	3,765,993	9,473,746
	<u>137,395,070</u>	<u>129,078,825</u>
Sub-total of cash outflows from financing activities	<u>137,395,070</u>	<u>129,078,825</u>
<b>Net Cash Flows from Financing Activities</b>	<u>(9,150,117)</u>	<u>(5,930,183)</u>
<b>IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>71,459</b>	<b>304,528</b>
<b>V Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(1,336,102)</b>	<b>(3,313,132)</b>
Add: Opening balance of Cash and Cash equivalents	33,151,002	36,464,134
<b>VI Closing Balance of Cash and Cash Equivalents</b>	<b><u>31,814,900</u></b>	<b><u>33,151,002</u></b>

## THE COMPANY'S CASH FLOW STATEMENT

For the year ended 31 December 2019

*All amounts in RMB'000*

Items	2019	2018
<b>I Cash Flows from Operating Activities:</b>		
Cash receipts from the sale of goods and the rendering of services	5,493,008	5,020,517
Receipts of tax refunds	664	–
Other cash receipts relating to operating activities	425,813	244,563
	<u>5,919,485</u>	<u>5,265,080</u>
Sub-total of cash inflows from operating activities		
	<u>5,919,485</u>	<u>5,265,080</u>
Cash payments for goods purchased and services received	4,561,731	5,181,041
Cash payments to and on behalf of employees	161,164	153,606
Payments of various types of taxes	59,875	58,862
Other cash payments relating to operating activities	256,891	136,945
	<u>5,039,661</u>	<u>5,530,454</u>
Sub-total of cash outflows from operating activities		
	<u>5,039,661</u>	<u>5,530,454</u>
<b>Net Cash Flows from Operating Activities</b>	<b>879,824</b>	<b>(265,374)</b>
<b>II Cash Flows from Investing Activities:</b>		
Cash receipts from investment income	2,531,932	1,916,159
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets	104	4,557
	<u>2,532,036</u>	<u>1,920,716</u>
Sub-total of cash inflows from investing activities		
	<u>2,532,036</u>	<u>1,920,716</u>
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	2,653	5,843
Cash payments to acquire investments	1,538,394	2,316,313
Other cash payments relating to investing activities	4,255,822	4,504,563
	<u>5,796,869</u>	<u>6,826,719</u>
Sub-total of cash outflows from investing activities		
	<u>5,796,869</u>	<u>6,826,719</u>
<b>Net Cash Flows from Investing Activities</b>	<b>(3,264,833)</b>	<b>(4,906,003)</b>

Items	2019	2018
<b>III Cash Flows from Financing Activities:</b>		
Cash receipts from investments	13,000,000	3,000,000
Including: Cash receipts from issue of perpetual bond	13,000,000	3,000,000
Cash receipts from borrowings	<u>93,156,604</u>	<u>89,873,122</u>
Sub-total of cash inflows from financing activities	<u>106,156,604</u>	<u>92,873,122</u>
Cash repayments of borrowings	96,354,591	80,732,948
Cash payments for distribution of dividends or profits or settlement of interest expenses	4,459,526	4,106,302
Other cash payments relating to financing activities	<u>3,021,820</u>	<u>5,000,000</u>
Sub-total of cash outflows from financing activities	<u>103,835,937</u>	<u>89,839,250</u>
<b>Net Cash Flows from Financing Activities</b>	<u>2,320,667</u>	<u>3,033,872</u>
<b>IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>	8,919	1,250
<b>V Net Decrease in Cash and Cash Equivalents</b>	(55,423)	(2,136,255)
Add: Opening balance of Cash and Cash equivalents	2,511,810	4,648,065
<b>VI Closing Balance of Cash and Cash Equivalents</b>	<u><u>2,456,387</u></u>	<u><u>2,511,810</u></u>

## X. CONSOLIDATED AND THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

### CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

*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
I Closing balance of the preceding year	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	-	-	-	-	-	-	-	-	-
II Opening balance of the current year	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
III Changes for the year	-	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 contribution from owners	-	-	-	-	-	-	-	254,229	254,229
2. Capital contribution from 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	-	-	-	-	-	-	-	-	-
IV Closing balance of the current year	<u>20,723,619</u>	<u>25,924,290</u>	<u>22,476,448</u>	<u>(59,618)</u>	<u>12,550</u>	<u>1,748,938</u>	<u>27,123,498</u>	<u>18,955,783</u>	<u>116,905,508</u>

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

*All amounts in RMB'000*

		For the year ended 31 December 2018								
		Attributable to shareholders of the Company								
Items	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Non-controlling interests	Total shareholders' equity	
I	Closing balance of the preceding year	20,723,619	17,884,240	22,527,667	5,218	12,550	1,338,615	20,007,920	14,820,652	97,320,481
	Add: Changes in accounting policies	-	-	-	(95,032)	-	-	(143,226)	(33,626)	(271,884)
	Corrections of prior years' errors	-	-	-	-	-	-	-	-	-
	Others	-	-	-	-	-	-	-	-	-
II	Opening balance of the current year	20,723,619	17,884,240	22,527,667	(89,814)	12,550	1,338,615	19,864,694	14,787,026	97,048,597
III	Changes for the year	-	(1,959,950)	(34,991)	(122,328)	-	116,804	3,682,256	3,939,056	5,620,847
	(I) Total comprehensive income	-	-	-	(134,606)	-	-	6,371,580	1,269,345	7,506,319
	(II) Shareholders' contributions and reduction in capital	-	(1,959,950)	(34,991)	-	-	-	-	3,284,227	1,289,286
	1.Capital contributed by shareholders	-	-	-	-	-	-	-	81,977	81,977
	2.Capital contribution and reduction of holders of other equity instruments	-	(1,959,950)	(40,050)	-	-	-	-	3,296,390	1,296,390
	3.Others	-	-	5,059	-	-	-	-	(94,140)	(89,081)
	(III) Profit distribution	-	-	-	-	-	116,804	(2,677,046)	(614,516)	(3,174,758)
	1.Transfer to surplus reserve	-	-	-	-	-	116,804	(116,804)	-	-
	2.Distributions to shareholders	-	-	-	-	-	-	(2,560,242)	(614,516)	(3,174,758)
	3.Others	-	-	-	-	-	-	-	-	-
	(IV) Transfers within shareholders' equity	-	-	-	12,278	-	-	(12,278)	-	-
	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	-	-	-	12,278	-	-	(12,278)	-	-
	6.Others	-	-	-	-	-	-	-	-	-
	(V) Special reserve	-	-	-	-	-	-	-	-	-
	1.Transfer to special reserve in the current year	-	-	-	-	3,617,390	-	-	265,829	3,883,219
	2.Amount utilized in the current year	-	-	-	-	(3,617,390)	-	-	(265,829)	(3,883,219)
	(VI) Others	-	-	-	-	-	-	-	-	-
IV	Closing balance of the current year	<u>20,723,619</u>	<u>15,924,290</u>	<u>22,492,676</u>	<u>(212,142)</u>	<u>12,550</u>	<u>1,455,419</u>	<u>23,546,950</u>	<u>18,726,082</u>	<u>102,669,444</u>

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

*All amounts in RMB'000*

For the year ended 31 December 2019

Items	Share capital	Other equity	Capital reserve	Other	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
		(Perpetual bond)		comprehensive income				
I Closing balance of the preceding year	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	-	-	-	-	-	-	-	-
II Opening balance of the current year	20,723,619	15,924,290	38,001,042	609	12,550	1,455,419	2,071,070	78,188,599
III Changes for the year	-	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 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	-	-	-	-	-	-	-	-
IV Closing balance of the current year	<u>20,723,619</u>	<u>25,924,290</u>	<u>38,001,042</u>	<u>984</u>	<u>12,550</u>	<u>1,748,938</u>	<u>1,920,906</u>	<u>88,332,329</u>

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

*All amounts in RMB'000*

		For the year ended 31 December 2018						
Items	Share capital	Other equity	Capital reserve	Other	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
		instruments (Perpetual bond)		comprehensive income				
I Closing balance of the preceding year	20,723,619	17,884,240	38,041,092	718	12,550	1,338,615	3,580,082	81,580,916
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Corrections of prior years' errors	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
II Opening balance of the current year	20,723,619	17,884,240	38,041,092	718	12,550	1,338,615	3,580,082	81,580,916
III Changes for the year	-	(1,959,950)	(40,050)	(109)	-	116,804	(1,509,012)	(3,392,317)
(I) Total comprehensive income	-	-	-	(109)	-	-	1,168,034	1,167,925
(II) Shareholders' contributions and reduction in capital	-	(1,959,950)	(40,050)	-	-	-	-	(2,000,000)
1. Capital contributed by shareholders	-	-	-	-	-	-	-	-
2. Capital contribution and reduction of holders of other equity instruments	-	(1,959,950)	(40,050)	-	-	-	-	(2,000,000)
3. Others	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	116,804	(2,677,046)	(2,560,242)
1. Transfer to surplus reserve	-	-	-	-	-	116,804	(116,804)	-
2. Distributions to shareholders	-	-	-	-	-	-	(2,560,242)	(2,560,242)
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	-	-	-	-	-	-	-	-
IV Closing balance of the current year	<u>20,723,619</u>	<u>15,924,290</u>	<u>38,001,042</u>	<u>609</u>	<u>12,550</u>	<u>1,455,419</u>	<u>2,071,070</u>	<u>78,188,599</u>

## **XI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**

### **(I) 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.

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

The Group provide services and products as follows: provision of engineering, construction and other related contracting services for metallurgical and non-metallurgical projects (“engineering 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 on 31 March 2020.

## **(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

### ***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. *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 2019 and consolidated and the Company’s operating results and cash flows for the year then ended.

## **3. *Accounting period***

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

## **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.

### **(III) Changes in significant accounting policies**

#### **1. *Effect of New Standards for Revenue on the Group***

The Group adopted the Accounting Standards for Business Enterprises No.21 – Leases revised by the MoF in 2018 (hereinafter referred to as the “New Standard for Leases”) since 1 January 2019 (“date of initial application”).

For a contract that has existed as at the date of initial application, the Group does not reassess whether it is, or contains a lease. For a contract entered into or modified at or after the date of initial application, the Group assesses whether such contract is or contains a lease under the definition of the New Standard for Leases.

### *The Group acts as a lessor*

The Group does not need any transitional adjustment to its lease as a lessor, but does need to conduct accounting treatment in accordance with the New Standard for Leases from the date of initial application. The New Standard for Leases have no significant impact on the Group's leases as a lessor.

### *The Group acts as a lessee*

The Group adjusted amount of relevant financial statement items as at the date of initial application on the basis of the accumulative effects arising from initial application of the New Standard for Leases, without adjusting the information for comparative period.

For finance leases existed before the date of initial application, the right-of-use assets and lease liabilities are respectively measured by the Group based on the previous carrying amount of assets held under finance leases and finance lease payable at the date of initial application. For operating leases existed before the date of initial application, the lease liabilities are measured at the present value of the remaining lease payment, discounted using the lessee's incremental borrowing rate (4.35%-5.00%) at the date of initial application. The right-of-use asset is measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid lease payments as necessary.

For operating leases existed before the date of initial application, the Group can choose to use the following practical expedients on a lease-by-lease basis:

- operating leases with lease term ends within 12 months of the date of initial application are accounted for as short-term leases
- initial direct costs are excluded from the measurement of the right-of-use asset;
- for lease modifications before the date of initial application, the accounting treatment is made by the Group on the basis of the ultimate arrangements of such lease modifications.

The above practical expedients of operating leases before the date of the initial application have no significant effects on the Group's retained earnings at the date of initial application.

At the date of initial application, the Group has made the following adjustments upon application of the New Standard for Leases:

The Group recognized lease liabilities of RMB279,443,000 and right-of-use assets of RMB333,065,000 as at 1 January 2019.

Based on the above, the effects of the application of the New Standard for Leases on the relevant balance sheet items as at 1 January 2019 are as follows:

*All amounts in RMB'000*

Items	31 December 2018	Adjustments	1 January 2019
<b>Current assets:</b>			
Prepayments	<u>20,285,773</u>	<u>(11,156)</u>	<u>20,274,617</u>
<b>Non-current assets:</b>			
Fixed assets	27,370,040	(131,623)	27,238,417
Right-of-use assets	--	333,065	333,065
Long-term prepayments	<u>269,670</u>	<u>(26,737)</u>	<u>242,933</u>
<b>Current liabilities:</b>			
Non-current liabilities due within one year	<u>14,772,502</u>	<u>45,179</u>	<u>14,817,681</u>
<b>Non-current liabilities:</b>			
Lease liabilities	--	202,207	202,207
Long-term payables	<u>1,180,520</u>	<u>(83,837)</u>	<u>1,096,683</u>

Reconciliation of lease liabilities recognized at 1 January 2019 to the significant operating lease commitments in the financial statements for the year 2018:

*All amounts in RMB'000*

I. Operating lease commitments at 31 December 2018:	203,034
Lease liabilities measured by using incremental borrowing rate at the date of initial application	173,022
Less: recognition exemption – short-term leases	9,473
Lease liabilities recognized under New Standard for Leases that are related to previous operating leases	163,549
Add: finance lease payable at 31 December 2018	115,894
II. Lease liabilities at 1 January 2019	279,443
Including: Lease liabilities due within one year	77,236
Lease liabilities due over one year	202,207

## **2. *Effects of new standard for exchange of non-monetary assets on the Group***

On 9 May 2019, the revised CASBE No.7 – Exchanges of Non-monetary Assets (CaiKuai (2019) No.8, hereinafter referred to as the New Standard for Exchanges of Non-monetary Assets) was released by the Ministry of Finance with the effective date of 10 June 2019. For transfer of non-monetary assets incurred during the period from 1 January 2019 to the date of application of the Standards, adjustments are made in accordance with the New Standard for Exchanges of Non-monetary Assets. The New Standard for Exchanges of Non-monetary

Assets clarified: 1) the definition of exchange of non-monetary assets(revised); 2) the applicable scope of the standard; 3) the time point to recognize the asset received and to derecognize the asset surrendered and the accounting treatment of the inconsistency between the time point to recognize the asset received and to derecognize the asset surrendered;4) the detailed accounting treatment of exchange of non-monetary assets; and 5) the new requirements of disclosures. The adoption of the New Standard for Exchanges of Non-monetary Assets has no significant effects on the Group’s financial statements for the year.

### **3. *Effects of new Standard for debt restructuring on the Group***

On 16 May 2019, the revised CASBE No.12 Debt Restructuring (CaiKuai (2019) No.9, hereinafter referred to as the “New Standard for Debt Restructuring”) with the effective date of 17 June 2019. For debt restructuring incurred during the period from 1 January 2019 to the date of application of the Standards, adjustments are made in accordance with the New Standard for Debt Restructuring. The New Standard for Debt Restructuring clarified: 1) the definition of debt restructuring (revised); 2) the applicable scope of the standard; 3) the accounting treatment of debt restructuring; and 4) the simplified requirements of disclosures. The adoption of the New Standard for Debt Restructuring has no significant effects on the Group’s financial statements for the year.

### **4. *Effects of the revised format of financial statements on the Group***

The Group adopted the Notice of the Revised Format of 2019 Financial Statements for General Business Enterprise (CaiKuai (2019) No. 6, hereinafter referred to as the “CaiKuai No.6 Document”) released by the MoF on 30 April 2019. CaiKuai No.6 Document revised the presenting items in the balance sheet, income statement, cash flow statement and statement of changes in owners’ equity, divided the line item of “bills and accounts receivable” into “bills receivable” and “accounts receivable”, divided the line item of “bills and accounts payable” into “bills payable” and “accounts payable”, added line items of “receivables at FVTOCI”, specified or revised the presenting contents of “other receivables”, “non-current assets due within 1 year”, “other payables”, “deferred income”, “other equity instruments”, “research and development expenses”, “interest income” under “financial expenses”, “other income”, “non-operating income”, “non-operating expenses”, “capital contributions from holders of other equity instruments”, stipulated the reporting requirements of provision of loss for items such as financial guarantee contracts, added line item of “income from derecognition of financial assets at amortized cost” under the line item of “investment income”, adjusted the presenting location of some accounts in the income statement and clarified the presenting item of government grants in the cash flow statement. The Group has restated the above changes in presenting accounts of comparative data of the previous year.

## (IV) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash and bank balances

*All amounts in RMB'000*

Items	31 December	31 December
	2019	2018
Cash	18,581	18,910
Bank deposits	30,757,024	31,202,801
Other cash and bank balances	12,902,057	13,255,591
Total	<u>43,677,662</u>	<u>44,477,302</u>
Including: Total amount of deposits abroad	<u>2,725,729</u>	<u>2,969,905</u>

### 2. Bills receivable

*All amounts in RMB'000*

Items	31 December 2019			31 December 2018		
	Book value	Provisions for credit losses	Carrying amount	Book value	Provisions for credit losses	Carrying amount
Bank acceptance bills	3,212,570	-	3,212,570	9,961,284	-	9,961,284
Commercial acceptance bills	4,714,827	9,370	4,705,457	8,420,268	17,920	8,402,348
Total	7,927,397	9,370	7,918,027	18,381,552	17,920	18,363,632

### 3. Accounts receivable

*All amounts in RMB'000*

Aging	31 December	31 December
	2019	2018
Within 1 year	44,923,491	43,027,773
1 to 2 years	10,692,579	13,172,158
2 to 3 years	6,652,379	6,222,088
3 to 4 years	3,780,365	5,325,406
4 to 5 years	3,772,682	4,525,459
Over 5 years	9,705,858	8,095,841
Total book value	79,527,354	80,368,725
Less: provisions for credit losses	13,500,748	13,410,428
Carrying amount	<u>66,026,606</u>	<u>66,958,297</u>

#### 4. Prepayments

All amounts in RMB'000

Aging	31 December 2019		31 December 2018	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	18,579,762	75.20	14,971,889	73.80
1 to 2 years	2,971,328	12.03	1,355,775	6.68
2 to 3 years	802,316	3.25	1,317,531	6.50
Over 3 years	2,352,439	9.52	2,640,578	13.02
Total	<u>24,705,845</u>	<u>100.00</u>	<u>20,285,773</u>	<u>100.00</u>

#### 5. Other receivables

##### (1) Other receivables analyzed by category

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Interest receivables	5,996	5,579
Dividends receivable	275,647	150,105
Other receivables	<u>57,008,480</u>	<u>56,229,558</u>
Total	<u>57,290,123</u>	<u>56,385,242</u>

##### (2) Other receivables

##### (a) Aging analysis of other receivables

All amounts in RMB'000

Aging	31 December 2019	31 December 2018
Within 1 year	36,936,544	40,539,613
1 to 2 years	9,808,190	8,401,596
2 to 3 years	5,621,348	3,662,883
3 to 4 years	2,710,241	4,714,761
4 to 5 years	4,349,244	1,808,413
Over 5 years	3,214,013	2,043,503
Total book value	62,639,580	61,170,769
Less: provisions for credit losses	5,631,100	4,941,211
Carrying amount	<u>57,008,480</u>	<u>56,229,558</u>

(b) Other receivables categorized by nature

*All amounts in RMB'000*

Nature of other receivables	31 December 2019	31 December 2018
Guarantee deposits	25,000,477	25,107,121
Loan receivables from related parties	29,261,585	28,877,721
Advance to employees	329,481	356,862
Receivables on disposal of investments	2,704,572	2,704,572
Others	5,343,465	4,124,493
Total	<u>62,639,580</u>	<u>61,170,769</u>

6. Inventories

(1) Categories of inventories

*All amounts in RMB'000*

Items	31 December 2019			31 December 2018		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Raw materials	3,604,571	62,704	3,541,867	3,782,710	55,485	3,727,225
Materials procurement	336,880	-	336,880	141,134	-	141,134
Outsourced processing materials	12,792	-	12,792	11,292	-	11,292
Work in progress	2,933,033	396,628	2,536,405	2,971,363	34,203	2,937,160
Finished goods	2,799,706	180,121	2,619,585	2,956,557	159,959	2,796,598
Other materials	650,460	6,641	643,819	653,412	6,678	646,734
Performance costs of contract	46,177	-	46,177	82,823	96	82,727
Gross amount due from contract customers	33,024,903	39,564	32,985,339	34,911,011	103,041	34,807,970
Properties under development	18,326,849	412,808	17,914,041	12,881,648	424,167	12,457,481
Completed properties held for sale	<u>61,735,371</u>	<u>1,098,466</u>	<u>60,636,905</u>	<u>58,391,950</u>	<u>783,629</u>	<u>57,608,321</u>

(2) *Provision for impairment*

*All amounts in RMB'000*

Items	Balance at31 December 2018	Increase		Decrease			Balance at 31 December 2019
		Provision	Others	Reversals	Write-offs	Others	
Raw materials	55,485	12,582	-	-	5,363	-	<b>62,704</b>
Work in progress	34,203	365,984	-	-	3,559	-	<b>396,628</b>
Finished goods	159,959	69,842	-	-	49,680	-	<b>180,121</b>
Other materials	6,678	-	-	37	-	-	<b>6,641</b>
Performance costs of contract	96	-	-	96	-	-	-
Properties under development	103,041	-	-	46,829	-	16,648	<b>39,564</b>
Completed properties held for sale	<u>424,167</u>	<u>18,026</u>	<u>16,648</u>	<u>24,937</u>	<u>21,096</u>	<u>-</u>	<b><u>412,808</u></b>
Total	<u>783,629</u>	<u>466,434</u>	<u>16,648</u>	<u>71,899</u>	<u>79,698</u>	<u>16,648</u>	<b><u>1,098,466</u></b>

7. *Contract assets*

(1) *Presentation of contract assets*

*All amounts in RMB'000*

Items	31 December 2019			31 December 2018		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Contract assets interrelated with engineering contracting services	<b>71,573,380</b>	<b>3,388,866</b>	<b>68,184,514</b>	64,706,417	2,545,766	62,160,651
Contract assets interrelated with quality guarantee deposit	<b>4,908,801</b>	<b>292,740</b>	<b>4,616,061</b>	4,884,672	325,774	4,558,898
Total	<b>76,482,181</b>	<b>3,681,606</b>	<b>72,800,575</b>	69,591,089	2,871,540	66,719,549

(2) *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.

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 2019.

On 31 December 2019, the contract assets of the project mentioned above amounted to RMB3,732,339,000. 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.

## 8. Long-term receivables

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Long-term receivables on project	25,271,138	22,052,258
Loans to related parties	1,209,488	2,460,338
Receivables on disposal of equity investments	333,485	333,485
Others	<u>1,512,710</u>	<u>1,415,068</u>
Total carrying amount	<u>28,326,821</u>	<u>26,261,149</u>
Less: provisions for credit losses of long- term receivables	1,921,114	1,141,857
Total book value	<u>26,405,707</u>	<u>25,119,292</u>
Including: Long-term receivables due within 1 year, net	2,078,913	3,498,610
Long-term receivables due over 1 year, net	<u>24,326,794</u>	<u>21,620,682</u>

## 9. Bills payable

All amounts in RMB'000

	31 December 2019	31 December 2018
Bank acceptance bills	28,204,347	25,251,870
Commercial acceptance bills	<u>3,282,785</u>	<u>2,499,137</u>
Total	<u>31,487,132</u>	<u>27,751,007</u>

## 10. Accounts payable

### (1) Presentation of accounts payable

All amounts in RMB'000

Items	31	31
	December	December
	2019	2018
Project fees	75,708,557	77,608,913
Purchases	31,788,744	28,487,082
Design fees	706,121	287,087
Labor fees	6,010,918	5,478,789
Retention money	728,681	633,018
Others	911,992	766,002
Total	<u>115,855,013</u>	<u>113,260,891</u>

### (2) Aging analysis of accounts payable

All amounts in RMB'000

Aging	31	31
	December	December
	2019	2018
Within 1 year	84,943,833	80,480,768
1 to 2 years	14,616,943	16,570,927
2 to 3 years	6,977,758	6,194,146
Over 3 years	9,316,479	10,015,050
Total	<u>115,855,013</u>	<u>113,260,891</u>

## 11. Contract liabilities

All amounts in RMB'000

Items	31	31
	December	December
	2019	2018
Contract liabilities relating to engineering contracting service contracts	48,644,973	40,795,568
Contract liabilities relating to sales contracts	14,491,599	16,591,164
Contract liabilities relating to other customers' contracts	1,459,398	1,531,561
Total	<u>64,595,970</u>	<u>58,918,293</u>

## 12. Other payables

### (1) Other payables disclosed by nature

*All amounts in RMB'000*

Categories	31 December 2019	31 December 2018
Interest payable	17,986	164,662
Dividends payable	1,627,020	1,233,385
Other payables	<u>24,574,780</u>	<u>22,155,180</u>
Total	<u><u>26,219,786</u></u>	<u><u>23,553,227</u></u>

### (2) Dividends payable

*All amounts in RMB'000*

Items	31 December 2019	31 December 2018
Dividend declared on perpetual bonds classified as equity instrument	1,023,324	687,630
Other dividends	603,696	545,755
Total	<u>1,627,020</u>	<u>1,233,385</u>

### (3) Other payables

*All amounts in RMB'000*

Items	31 December 2019	31 December 2018
Guarantees and deposits	17,492,598	14,900,075
Rents	169,662	287,684
Utilities	196,790	132,333
Repair and maintenance expenses	366,510	368,680
Others	<u>6,349,220</u>	<u>6,466,408</u>
Total	<u><u>24,574,780</u></u>	<u><u>22,155,180</u></u>

### 13. 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	337,588,847	298,705,458	288,286,154	252,375,726
Other business	<u>1,048,762</u>	<u>541,657</u>	<u>1,248,369</u>	<u>746,240</u>
Total	<u><u>338,637,609</u></u>	<u><u>299,247,115</u></u>	<u><u>289,534,523</u></u>	<u><u>253,121,966</u></u>

### 14. Taxes and levies

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
City construction and maintenance tax	298,360	287,816
Education surcharges	141,875	137,744
Land appreciation tax	610,445	1,081,251
Property tax	222,222	209,044
Land use tax	130,722	139,721
Stamp duty	176,858	160,349
Others	<u>315,890</u>	<u>396,658</u>
Total	<u><u>1,896,372</u></u>	<u><u>2,412,583</u></u>

### 15. Selling expenses

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Packing charges	5,889	6,501
Employee benefits	1,014,774	879,688
Depreciation of fixed assets	17,510	18,167
Travelling expenses	215,069	201,863
Office expenses	172,432	146,491
Transportation expenses	266,244	255,247
Advertising and sales service expenses	413,857	393,651
Other expenses	<u>210,040</u>	<u>206,933</u>
Total	<u><u>2,315,815</u></u>	<u><u>2,108,541</u></u>

## 16. Administrative expenses

*All amounts in RMB'000*

Items	Amount for the current year	Amount for the prior year
Employee benefits	<b>6,090,502</b>	5,432,431
Depreciation of fixed assets	<b>486,717</b>	478,245
Travelling expenses	<b>397,443</b>	374,557
Office expenses	<b>725,537</b>	701,589
Lease rentals	<b>133,046</b>	190,094
Repairs and maintenance expenses	<b>127,606</b>	164,383
Amortization of intangible assets	<b>166,666</b>	167,148
Professional service fees	<b>328,822</b>	319,625
Others	<b>898,323</b>	741,021
Total	<b><u>9,354,662</u></b>	<b><u>8,569,093</u></b>

## 17. 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	<b>6,370,730</b>	4,255,315
Employee benefits	<b>2,835,670</b>	2,337,613
Depreciation of fixed assets	<b>123,618</b>	96,696
Amortization of intangible assets	<b>18,646</b>	17,027
Others	<b>585,780</b>	476,015
Total	<b><u>9,934,444</u></b>	<b><u>7,182,666</u></b>

## 18. Financial expenses

*All amounts in RMB'000*

<b>Items</b>	<b>Amount for the current year</b>	<b>Amount for the prior year</b>
Interest expenses	5,587,485	5,462,535
Less: Capitalized interests	1,437,612	1,574,982
Less: Interest income	2,393,377	2,063,982
Exchange losses	34,729	201,205
Bank charges	456,653	382,057
Interest expenses of lease liabilities	18,103	--
Others	232,283	207,207
	<u>2,498,264</u>	<u>2,614,040</u>
Total	<u>2,498,264</u>	<u>2,614,040</u>

## 19. Impairment losses of credit

*All amounts in RMB'000*

<b>Items</b>	<b>Amount for the current year</b>	<b>Amount for the prior year</b>
Credit losses of bills receivable	8,550	(17,920)
Credit losses of accounts receivable	(598,022)	(657,806)
Credit losses of other receivables	(959,297)	(859,231)
Impairment losses of contract assets	(825,583)	(954,257)
Credit losses of long-term receivables	(44,187)	(182,124)
	<u>(2,418,539)</u>	<u>(2,671,338)</u>
Total	<u>(2,418,539)</u>	<u>(2,671,338)</u>

## 20. Impairment losses of assets

*All amounts in RMB'000*

<b>Items</b>	<b>Amount for the current year</b>	<b>Amount for the prior year</b>
I. Impairment of inventories	<b>(394,535)</b>	(276,513)
II. Impairment of long-term equity investments	<b>(98,855)</b>	(154,830)
III. Impairment of investment properties	–	(21,471)
IV. Impairment of fixed assets	<b>(374,222)</b>	(352,353)
V. Impairment of construction in progress	<b>(70,481)</b>	(4,212)
VI. Impairment of intangible assets	–	(352,179)
VII. Impairment of goodwill	<b>(1,656)</b>	(266)
VIII. Others	–	(3,326)
Total	<b><u>(939,749)</u></b>	<b><u>(1,165,150)</u></b>

## 21. Investment losses

*All amounts in RMB'000*

<b>Items</b>	<b>Amount for the current year</b>	<b>Amount for the prior year</b>
Gains (Losses) from long-term equity investments under equity method	<b>19,754</b>	(12,371)
Investment income on disposal of long-term equity investments	<b>107,797</b>	132,388
Investment income on disposal of financial assets held-for-trading	<b>56,549</b>	22,935
Investment income from disposal of other non-current financial assets	<b>29,754</b>	–
Investment income from disposal of derivative financial instruments	<b>5,007</b>	–
Investment loss from disposal of receivables at FVTOCI	<b>(424,221)</b>	(303,338)
Investment income from holding investment in other equity instrument	<b>63,648</b>	128,359
Investment income from holding other non- current financial assets	<b>97,450</b>	101,947
Losses from derecognition of financial assets at amortized cost	<b>(945,269)</b>	(334,841)
Others	<b>2,353</b>	2,722
Total	<b><u>(987,178)</u></b>	<b><u>(262,199)</u></b>

## 22. 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	24,523	75,294	24,523
Government grants irrelevant to routine activities	212,022	158,159	212,022
Unpayable balances	142,918	70,163	142,918
Others	144,314	146,250	144,314
Total	<u>523,777</u>	<u>449,866</u>	<u>523,777</u>

## 23. 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	23,854	64,486	23,854
Compensation and default payments	26,748	53,129	26,748
The separation and hand-over cost of "Special payables for water/power/gas supply and property"	–	559,367	–
Others	33,433	80,454	33,433
Total	<u>84,035</u>	<u>757,436</u>	<u>84,035</u>

## 24. 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	2,689,518	2,526,598
Deferred tax expenses	<u>(484,179)</u>	<u>(572,761)</u>
Total	<u><u>2,205,339</u></u>	<u><u>1,953,837</u></u>

### (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	9,782,158	9,524,444
Income tax expenses calculated at the statutory/applicable tax rate (25%)	2,445,540	2,381,111
Effect of difference between applicable tax rate and statutory tax rate	(528,915)	(526,572)
Income not subject to tax	(138,820)	(301,015)
Expenses not deductible for tax purposes	244,814	165,836
Utilization of tax losses and other temporary differences for which no deferred income tax assets were recognized previously	(201,196)	(230,944)
Tax losses and other temporary differences for which no deferred income tax assets were recognized	685,684	905,432
Others	(301,768)	(440,011)
Income tax expense	<u>2,205,339</u>	<u>1,953,837</u>

(3) 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.

## 25. Other comprehensive income

<i>All amounts in RMB'000</i>		
Items	<b>Amount for the current year</b>	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	<b>157,846</b>	(217,676)
Less: Income tax effects on changes in re-measurement of defined benefit obligations	<u>(2,924)</u>	<u>(14,661)</u>
Sub-total	<u><b>160,770</b></u>	<u>(203,015)</u>
2. Fair value changes of investments in other equity instruments	<b>59,731</b>	(161,096)
Less: Income tax effects arising from fair value changes of investments in other equity instruments	<u>(7,984)</u>	<u>(44,049)</u>
Sub-total	<u><b>67,715</b></u>	<u>(117,047)</u>
(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	<b>(3)</b>	5
Less: Effect of income tax incurred by other comprehensive income under equity method	<u>—</u>	<u>—</u>
Sub-total	<u><b>(3)</b></u>	<u>5</u>
2. Changes in fair value of receivables at FVTOCI	<b>(106,284)</b>	—
Less: Effect of changes in fair value of receivables at FVTOCI on income tax	<u>(7,217)</u>	<u>—</u>
Sub-total	<u><b>(99,067)</b></u>	<u>—</u>
3. Exchange differences on translating foreign operations	<u><b>92,792</b></u>	<u>255,769</u>
Total	<u><b>222,207</b></u>	<u><b>(64,288)</b></u>

## **(V) EVENTS AFTER THE BALANCE SHEET DATE**

### ***Issue of ultra-short term financing bonds***

As at 21 February 2020, the Company issued the first tranche of ultra-short term financing bonds (epidemic control bonds) in 2020, with the actual issue amount of RMB2,000,000,000, the interest rate of 1.95% and the maturity date of 21 April 2020.

As at 12 March 2020, the Company issued the second tranche of ultra-short term financing bonds in 2020, with the actual issue amount of RMB2,000,000,000, the interest rate of 2.15% and the maturity date of 9 September 2020.

As at 24 March 2020, the Company issued the third tranche of ultra-short term financing bonds in 2020, with the actual issue amount of RMB2,000,000,000, the interest rate of 2.10% and the maturity date of 21 September 2020.

### ***Appropriation of profit after the balance sheet date***

According to the decision of the fourteenth meeting of the third term of the Board of Directors of the Company, the Company proposed to distribute cash dividend of RMB0.72 (tax inclusive) for every 10 shares held by the shareholders, which amounted to RMB1,492,101,000. The total number of shares of the Company was 20,723,620,000 as at 31 December 2019. The dividend distribution is subject to the approval by the shareholders at the upcoming annual Shareholders meeting.

### ***Changes in shareholders' equity***

The Company received the Notice of China Metallurgical Group Corporation on the Gratuitous Transfer of State-owned Shares of Metallurgical Corporation of China Ltd. forwarded by the Company's controlling shareholder CMGC on 11 March 2020. CMGC will transfer its 1,227,760,000 A shares of the Company to China National Petroleum Corporation by gratuitous transfer. After the transfer, CMGC's portion of shares and voting rights of the Company will decrease from 55.10% to 49.18% and CMGC will remain the controlling shareholder of the Company. The gratuitous transfer still requires the approval from the State-owned Assets Supervision and Administration Commission of the State Council.

### ***The impact of Coronavirus pandemic***

Since the outbreak of the novel coronavirus (the "COVID-19") in China from January 2020, the Group responded to and strictly implemented regulations and requirements of the government in a timely manner with great importance attached to both prevention and control and work resumption. And the Group organizes its employees to return to work successively and orderly.

The Group expects a temporary impact on its production and operation. The Group will continue to pay close attention to the development of the novel coronavirus, and positively respond to and evaluate the related impact.

## (VI) OTHER SIGNIFICANT ITEMS

### *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.

(2) Summarized financial information of reporting segment

(a) 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	2,792,856	-	-	338,637,609
Revenue between segments	6,442,044	1,054,803	872,465	1,207	1,639,096	-	(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)	75,082,050
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

(b) Segment information for the year ended 31 December 2018  
and as at 31 December 2018

*All amounts in RMB'000*

Items	Engineering contracting	Property development	Equipment manufacture	Resource development	Others	Unallocated amounts	Elimination between segments	Total
Operating revenue	258,330,923	22,870,252	6,988,417	5,282,909	3,667,274	–	(7,605,252)	289,534,523
Including: Revenue from external customers	253,223,397	22,125,622	6,385,764	5,220,945	2,578,795	–	–	289,534,523
Revenue between segments	5,107,526	744,630	602,653	61,964	1,088,479	–	(7,605,252)	–
Operating costs	231,142,277	16,356,370	6,148,745	3,530,708	3,093,268	–	(7,149,402)	253,121,966
Including: External costs	226,339,435	15,690,679	5,557,811	3,529,814	2,004,227	–	–	253,121,966
Costs between segments	4,802,842	665,691	590,934	894	1,089,041	–	(7,149,402)	–
Operating profit	5,355,978	4,154,853	110,624	300,368	543,744	(243,573)	(389,980)	9,832,014
Including: Interest income	843,132	856,088	37,234	15,486	1,039,009	–	(726,967)	2,063,982
Interest expenses	2,535,845	745,716	44,078	529,214	759,667	–	(726,967)	3,887,553
Gains/(losses) on investments in associates and joint ventures	(26,194)	29,103	–	–	(1,052)	–	–	1,857
Non-operating income	322,591	53,854	25,193	41,243	6,985	–	–	449,866
Non-operating expenses	640,407	57,646	39,559	4,598	15,226	–	–	757,436
Total profit	5,038,162	4,151,061	96,258	337,013	535,503	(243,573)	(389,980)	9,524,444
Income tax expense	748,173	956,318	49,496	84,805	115,045	–	–	1,953,837
Net profit	4,289,989	3,194,743	46,762	252,208	420,458	(243,573)	(389,980)	7,570,607
Assets	321,127,986	108,477,535	14,008,040	19,065,275	49,347,710	5,152,432	(78,263,135)	438,915,843
Including: Long-term equity investments in associates and joint ventures	12,945,729	899,925	–	69	9,132	–	–	13,854,855
Non-current assets	38,629,845	6,295,225	4,356,268	13,080,148	14,576,224	–	(10,298,140)	66,639,570
Liabilities	260,953,390	84,202,395	10,879,884	20,861,702	35,455,276	111,387	(76,217,635)	336,246,399
Depreciation and amortization expenses	1,667,892	123,254	308,927	713,918	125,144	–	–	2,939,135
Impairment losses of assets and impairment of credit losses	(3,539,583)	(269,513)	28,487	(46,274)	(9,605)	–	–	(3,836,488)
Increase in other non-current assets other than long-term equity investments	5,120,838	234,973	96,995	222,477	8,877	–	–	5,684,160

(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*

<b>Items</b>	<b>Amount for the current year</b>	Amount for the prior year
China	<b>315,661,497</b>	267,015,485
Other countries/regions	<b><u>22,976,112</u></b>	<u>22,519,038</u>
Total	<b><u><u>338,637,609</u></u></b>	<u><u>289,534,523</u></u>

*All amounts in RMB'000*

<b>Items</b>	<b>31 December 2019</b>	31 December 2018
China	<b>64,316,350</b>	55,212,193
Other countries/regions	<b><u>10,765,700</u></b>	<u>11,427,377</u>
Total	<b><u><u>75,082,050</u></u></b>	<u><u>66,639,570</u></u>

- (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.

## ***Earnings per share***

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

*All amounts in RMB'000*

	<b>Amount for the current year</b>	Amount for the prior year
Net profit for the current year attributable to shareholders of the Company	<b>6, 599,712</b>	6,371,580
Including: Net profit from continuing operations	<b>6, 599,712</b>	6,371,580
Less: Net profit belonging to the perpetual bond holders	<b><u>1,007,046</u></b>	<u>910,561</u>
Net profit for the current year attributable to ordinary shareholders	<b><u><u>5, 592,666</u></u></b>	<b><u><u>5,461,019</u></u></b>

- (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*

	<b>Amount for the current year</b>	Amount for the prior year
Number of ordinary shares outstanding at the beginning of the year	<b>20,723,619</b>	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	<u>–</u>	<u>–</u>
Number of ordinary shares outstanding at the end of the year	<b><u><u>20,723,619</u></u></b>	<b><u><u>20,723,619</u></u></b>

(3) *Earnings per share*

*All amounts in RMB*

	<b>Amount for the current year</b>	Amount for the prior year
Calculated based on net profit attributable to ordinary shareholders:		
Basic earnings per share	<b>0.27</b>	0.26
Diluted earnings per share	<b>N/A</b>	N/A
Calculated based on net profit from continuing operations attributable to ordinary shareholders:		
Basic earnings per share	<b>0.27</b>	0.26
Diluted earnings per share	<b>N/A</b>	N/A
Calculated based on net profit from discontinued operations attributable to ordinary shareholders:		
Basic earnings per share	<b>N/A</b>	N/A
Diluted earnings per share	<b>N/A</b>	N/A

## **XII. DIVIDENDS**

The net profit attributable to Shareholders of the Company in the audited consolidated statement of MCC in 2019 amounted to RMB6,599,712 thousand and the undistributed profit of MCC headquarters amounted to RMB1,920,906 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 RMB0.72 (tax inclusive) for every 10 shares and the total cash dividend is RMB1,492,101 thousand, while the remaining undistributed profit of RMB428,805 thousand will be used for operation and development purposes of the Company and rolled over to the coming year for distribution. The total cash dividend proposed by the plan accounts for 22.61% of the net profit attributable to the Shareholders of the Company in the consolidated statement of MCC in 2019. The implementation of the aforementioned profit distribution plan shall be subject to consideration and approval at Shareholders' Meeting. If an approval is obtained, the Company will pay the dividend on or before 31 August 2020. The Company will publish further announcement(s) regarding the details of arrangement for distribution of dividends to Shareholders.

### XIII. CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

#### (I) 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.

#### (II) Particulars of Shareholders and de facto controllers

##### 1. Total number of Shareholders:

Total number of ordinary Shareholders as at the end of the Reporting Period ( <i>Person</i> )	409,079
Total number of ordinary Shareholders of the Company as at 29 February 2020 ( <i>Shareholder</i> )	411,950
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 shareholders of preferred shares whose voting rights have been restored at the end of last month prior to the date on which the annual report shall be disclosed ( <i>Shareholder</i> )	0

##### 2. Table of shareholding of the top 10 Shareholders and top 10 Shareholders with tradable shares (or Shareholders not subject to selling restrictions) as at the end of the Reporting Period

Unit: share

Name of Shareholder (full name)	Shareholding of the top 10 Shareholders			Number of Shares subject to selling restrictions	Pledged or frozen Status		Nature of Shareholder
	Change during the Reporting Period	Number of Shares held at the end of the period	Percentage (%)		Shares	Amount	
China Metallurgical Group Corporation (中國冶金科工集團有限公司)	-224,684,800	11,418,715,300	55.10	0	Nil	0	State-owned legal person
HKSCC Nominees Limited <sup>(2)</sup> (香港中央結算(代理人)有限公司)	-366,899	2,841,099,101	13.71	0	Nil	0	Others
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)	107,571,701	220,284,861	1.06	0	Nil	0	Others
Bank of China Limited – Harvest CSI State-owned Enterprises Innovation-driven Index ETF Security Investment Fund (中國銀行股份有限公司 – 嘉實中證央企創新驅動交易型開放式指數證券投資基金)	113,402,500	113,402,500	0.55	0	Nil	0	State-owned Others
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	0	90,087,800	0.43	0	Nil	0	legal person
Zhang Jingchun (張景春)	-1,247,512	79,571,988	0.38	0	Nil	0	Others

Shareholding of the top 10 Shareholders

Name of Shareholder (full name)	Change during the Reporting Period	Number of Shares held at the end of the period		Number of Shares subject to selling restrictions	Pledged or frozen Status		Nature of Shareholder
		Percentage (%)			Shares	Amount	
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
E-Fund – Agricultural Bank – E-Fund China Securities and Financial Assets Management Programme (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 Programme (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
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

**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)	11,418,715,300	RMB-denominated ordinary shares	11,418,715,300
HKSCC Nominees Limited <sup>(2)</sup> (香港中央結算(代理人)有限公司)	2,841,466,000	Overseas-listed foreign shares	2,841,466,000
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)	220,284,861	RMB-denominated ordinary shares	220,284,861
Bank of China Limited – Harvest CSI State-owned Enterprises Innovation-driven Index ETF Security Investment Fund (中國銀行股份有限公司-嘉實中證央企創新驅動交易型開放式指數證券投資基金)	113,402,500	RMB-denominated ordinary shares	113,402,500
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	90,087,800	RMB-denominated ordinary shares	90,087,800
Zhang Jingchun (張景春)	79,571,988	RMB-denominated ordinary shares	79,571,988
Bosera Funds – Agricultural Bank – Bosera China Securities and Financial Assets Management Programme (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
E-Fund – Agricultural Bank – E-Fund China Securities and Financial Assets Management Programme (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 Programme (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 Programme (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 Programme (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
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)	63,516,600	RMB-denominated ordinary shares	63,516,600

**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 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)	63,516,600	RMB-denominated ordinary shares	63,516,600
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)	63,516,600	RMB-denominated ordinary shares	63,516,600
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)	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 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)	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 2019.

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

*Note (3):* In September 2019, CMGC subscribed for the State-owned Enterprises Innovation Drive ETF with its own 136,363,700 shares in MCC; in November 2019, it subscribed for the State-owned Enterprises Belt and Road ETF with its own 88,321,100 shares in MCC. As of 31 December 2019, CMGC owned 55.10% shares in the Company.

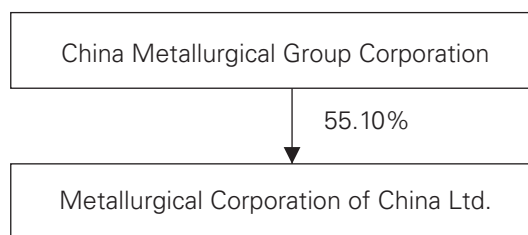
### (III) Particulars of Controlling Shareholder and de facto controllers

#### 1. Controlling Shareholder

##### (1) Legal person

Name	China Metallurgical Group Corporation
Person in charge or legal representative	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).

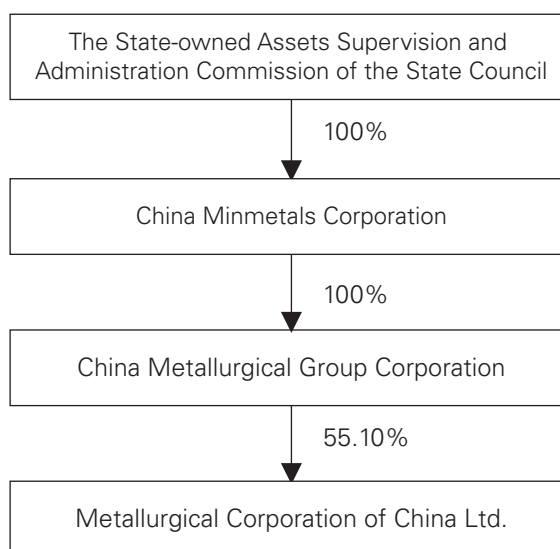
(2) *Diagram of the equity and controlling relationship between the Company and the controlling shareholder*



**2. De Facto Controller**

The de facto controller of the Company is the State-owned Assets Supervision and Administration Commission of the State Council.

*Diagram of the equity and controlling relationship between the Company and the de facto controller*



**XIV. PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY**

Save as disclosed under the section headed "XV. Relevant Information on Corporate Bonds" in the announcement, neither the Company nor its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

## XV. RELEVANT INFORMATION ON CORPORATE BONDS

In order to reduce finance costs and 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 announcement, are listed as follows:

*Unit: RMB00,000,000*

Name of bonds	Short name	Stock code	Issue date	Expiry date	Outstanding bonds	Interest rate (%)	Method to pay principal and interest	Stock exchange
2017 Renewable Corporate Bonds (Third Tranche)	17 MCC Y5	143902	10 July 2017 to 11 July 2017	Where the issuer opts to pay in full for bonds in a particular year of exercising renewal option under this issuance of this tranche of bonds, the value date (11 July) of such interest-bearing year shall be the payment date of this tranche of bonds (If it is a non-trading day, payment shall be made on the first following trading day, during which no additional interest shall be charged on such postponed period)	20	5.10	This tranche of bonds shall bear interest on SSE a yearly basis at single rate rather than compound rate and interest shall be paid each year if the issuer does not exercise the right to postpone the payment of interest. At the end of each period, the issuer shall have the right to extend the term of this type of bonds for another period (i.e. another three years) or opt to pay in full such type of bonds upon expiry at the end of such period	
2017 Renewable Corporate Bonds (Fourth Tranche)	17 MCC Y7	143907	27 July 2017 to 28 July 2017	Where the issuer opts to pay in full for bonds in a particular year of exercising renewal option under this issuance of this tranche of bonds, the value date (28 July) of such interest-bearing year shall be the payment date of this tranche of bonds (If it is a non-trading day, payment shall be made on the first following trading day, during which no additional interests shall be charged on such postponed period)	13	5.10	This tranche of bonds shall bear interest on SSE a yearly basis at single rate rather than compound rate and interest shall be paid each year if the issuer does not exercise the right to postpone the payment of interest. At the end of each period, the issuer shall have the right to extend the term of this type of bonds for another period (i.e. another three years) or opt to pay in full such type of bonds upon expiry at the end of such period	
2017 Corporate Bonds (First Tranche) undue the Public Issuance	17 MCC 01	144361	24 October 2017 to 25 October 2017		5.7	4.99	This tranche of bonds shall bear interest on SSE 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	
2018 Corporate Bonds (First Tranche) undue the Public Issuance	18 MCC 01 18 MCC 02	143634 143635	7 May 2018 to 8 May 2018	8 May 2021 8 May 2023	8.7 2.2	4.78 4.98	This tranche of bonds shall bear SSE 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	

## **Payment of interest principal amount of corporate bonds**

As of the date of this announcement, the interest on 2017 Renewable Corporate Bonds (First Tranche) was paid on 2 March 2020, the interest on 2017 Renewable Corporate Bonds (Second Tranche) was paid on 13 March 2020, the interest on 2017 Renewable Corporate Bonds (Third Tranche) was paid on 11 July 2019, the interest on 2017 Renewable Corporate Bonds (Fourth Tranche) was paid on 29 July 2019, and the interest on 2017 Corporate Bonds (First Tranche) under the Public Issuance was paid on 25 October 2019; the interest on 2018 Corporate Bonds (First Tranche) under the Public Issuance was paid on 8 May 2019.

## **Other explanation on corporate bonds**

2017 Renewable Corporate Bonds (First Tranche), 2017 Renewable Corporate Bonds (Second Tranche), 2017 Renewable Corporate Bonds (Third Tranche), 2017 Renewable Corporate Bonds (Fourth Tranche), 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.

## **XVI. COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

During the Reporting Period, the Company continued to comply strictly with laws and regulations including the Company Law of the PRC, the Securities Law of the PRC, 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 Company and its Board and special committees, as well as the Supervisory Committee of the Company operated in compliance with the laws and regulations in an efficient manner, and further improved the governance level of the Company.

The Board has reviewed the corporate governance report of the Company, and is of the view that during the Reporting Period, the Company has complied with the requirements of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules (the “Corporate Governance Code”), except for the code provisions A.4.2 and E.1.2. Pursuant to the code provision E.1.2 of the Corporate Governance Code, the chairman of the Board shall attend the annual general meeting. Mr. Guo Wenqing, the chairman of the Company, was not able to attend the 2018 annual general meeting of the Company due to business engagement. Pursuant to relevant requirements, Mr. Zhang Zhaoxiang, the Vice Chairman and an executive Director of the Company, as jointly elected by a majority of the Directors, presided over the meeting.

Pursuant to the code provision A.4.2, every director shall be subject to retirement by rotation at least once every three years. From November 2014 to November 2017, the term of the second session of the Board and the Supervisory Committee of the Company has exceeded 3 years. Pursuant to the provisions of the Articles of Association of the Company, prior to the establishment of the third session of the Board and the Supervisory Committee, the members of the second session of

the Board and the Supervisory Committee shall continue to discharge their duties. The Company held the 2019 first extraordinary general meeting on 12 March 2019, at which members of the third session of the Board of Directors and the Supervisory Committee were elected. The new session of the Board of Directors held a meeting on the same day, at which the Chairman of the Board and members of each special committee were elected. The change of the Board was completed.

## **XVII. COMPLIANCE WITH THE 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 set out in Appendix 10 to the Hong Kong Listing Rules 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 have confirmed that they themselves and their respective associates had fully complied with the required standards provided by the above code during the Reporting Period.

## **XVIII. WORK REVIEW OF THE FINANCE AND AUDIT COMMITTEE**

The Finance and Audit Committee under the Board has reviewed the accounting principles and practices adopted by the Company and its subsidiaries in collaboration with the Company's management, and has discussed with the Directors on matters in relation to the internal control and the financial reporting of the Company, including the review of the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2019.

## **XIX. ANNUAL GENERAL MEETING AND CLOSURE OF H SHARE REGISTER OF MEMBERS**

The Company will give notice in relation to the closure of its register of members for the annual general meeting once the date of the annual general meeting is determined. Pursuant to Rule 13.66(1) of the Hong Kong Listing Rules, relevant notice will be given at least ten (10) business days before such closure.

## **XX. AUDITOR**

Upon approval at the 2018 annual general meeting of the Company, the Company appointed Deloitte Touche Tohmatsu CPA LLP (Special General Partnership) ("Deloitte Touche Tohmatsu") as its auditors for the year of 2019, responsible for the annual audit and interim review of the financial statements of the Company prepared in accordance with the Accounting Standard for Business Enterprises. Meanwhile, Deloitte Touche Tohmatsu also provided the Company with internal control audit services in relation to financial reports and provided statutory financial audit services for part of the subsidiaries.

For the year ended 31 December 2019, the audit and review fees for the financial statements are RMB18.35 million, while the internal control audit fees are RMB2 million.

Deloitte Touche Tohmatsu has provided annual audit services for the Company for six (6) consecutive years. The signing certified public accountants for the 2019 audit report are Chen Wenlong and Dong Xin. Chen Wenlong has acted as a signing certified public accountant and has been providing audit services for the Company for six (6) consecutive years. Dong Xin has acted as a signing certified public accountant and has been providing audit services for the Company for one (1) year.

## **XXI. PUBLICATION OF ANNUAL REPORT**

The annual report of the Company for the year ended 31 December 2019 will be available on the website of the Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.mccchina.com](http://www.mccchina.com)) on or before 16 April 2020 for inspection by the Shareholders.

## **XXII. DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS**

“the Company” or “MCC”	Metallurgical Corporation of China Ltd.*
“State Council”	the State Council of the People’s Republic of China
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council
“CSRC”	the China Securities Regulatory Commission
“SSE”	the Shanghai Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Controlling Shareholder” or “CMGC”	China Metallurgical Group Corporation
“China Minmetals”	China Minmetals Corporation
“MCC Real Estate”	MCC Real Estate Group Co., Ltd.
“Shareholders’ Meeting”	the shareholders’ meeting of Metallurgical Corporation of China Ltd.*
“Shareholder(s)”	holder(s) of share(s) of the Company
“Board”	the board of directors of Metallurgical Corporation of China Ltd.*

“Director(s)”	the director(s) of the Company, including all executive, non-executive and Independent Non-executive Directors
“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
“Supervisory Committee”	the Supervisory Committee of Metallurgical Corporation of China Ltd.*
“Supervisor(s)”	the supervisor(s) of the Company
“Articles of Association”	the articles of association of Metallurgical Corporation of China Ltd.*
“Reporting Period”	from 1 January 2019 to 31 December 2019
“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
“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
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“RMB”	Renminbi, the lawful currency of the PRC
“Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“USD”	United States dollars, the lawful currency of the United States
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Hong Kong Listing Rules

The forward-looking statements contained in this announcement regarding the Company's future plans and others do not constitute any substantive commitment to investors and investors are reminded of investment risks.

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

By order of the Board  
**Metallurgical Corporation of China Ltd.\***  
**Zeng Gang**  
*Joint Company Secretary*

Beijing, the PRC  
31 March 2020

*As at the date of this announcement, the Board comprises two executive directors: Mr. Guo Wenqing and Mr. Zhang Zhaoxiang; four independent non-executive directors: Mr. Zhou Jichang, Mr. Yu Hailong, Mr. Ren Xudong and Mr. Chan Ka Keung, Peter; and one non-executive director: Mr. Lin Jinzhen.*

\* *For identification purpose only*