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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)

2020 ANNUAL RESULTS ANNOUNCEMENT

OVERVIEW

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

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

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

I. CHAIRMAN'S STATEMENT

Dear Shareholders,

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

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

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

Firstly, the Company will focus on the main responsibilities and principal business, speeding up the optimization and upgrading of industry to create new advantages. The Company will promote the metallurgical construction of 14th Five-Year Plan to a new height and accelerate the achievement of new breakthroughs of key core technologies in metallurgical construction with “181

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

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

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

information support system. The Company will make every effort to promote the organic integration and coordination of various business systems for entering a new stage of system integration and efficient coordination.

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

Fifthly, the Company will maintain the vitality and combat effectiveness of the team, safeguarding the high-quality development of enterprises with its strongest power. The Company will take practical responsibility as the guidance, continuously promote the training of outstanding talents; take the optimization of the structure as the goal, continuously promote the regular communication within the team; take market-oriented reform as the direction, take high-quality development as the goal, continuously improve the talent incentive mechanism to create an entrepreneurial atmosphere with “positively motivation and happiness of all staff”.

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

Chairman **Guo Wenqing**

II. BUSINESS OVERVIEW

(I) Explanation for the principal businesses and operating models of the Company and the industries in which the Company was involved during the Reporting Period

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

(I) *Engineering Contracting Business*

1. *Industry Overview*

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

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

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

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

the fourth quarter and the recovery momentum slowed down significantly.

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

2. *Operating Results of the Business*

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

85.35% of the newly signed engineering contracts, representing an increase of 2.42 percentage points over the same period of 2019.

The overall operating results of the engineering contracting business in 2020

Unit: RMB'000

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

Note: The statistics of segment operating revenue and gross margin are figures before inter-segment eliminations.

(1) Metallurgical Engineering Construction Business

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

60% of the global metallurgical market, the Company firmly consolidated the absolute status of being the “national team for metallurgical construction”.

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

Unit: RMB'000

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

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

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

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

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

| No. | Name of Project | Contractual Amount (RMB100 million) |
|--------------------------|--|--|
| Domestic Projects | | |
| 1 | General Contracting Project for Coking Engineering Bidding Section of Zenith Green and Premium Steel (Tongzhou Bay to Port of Haimen Area) of Zenith Steel Group (Nantong) Co., Ltd. ^{Note} (中天鋼鐵集團(南通)有限公司中天綠色精品鋼(通州灣海門港片區)項目) | 114.70 |
| 2 | General Contract Project of Annual Production of 2.7 million tons of Special Steel by Linyi Iron & Steel Investment Group Special Steel Co., Ltd. (臨沂鋼鐵投資集團特鋼有限公司年產270萬噸優特鋼項目) | 96.52 |
| 3 | Base Project of Advanced, Excellent and Special Steel Industry in Shandong Iron & Steel Group Yongfeng Lingang (山鋼永鋒臨港先進優特鋼產業基地項目) | 50.02 |
| 4 | Engineering General Contract for 2 × 1,580m ³ Blast Furnace and Supporting Public Auxiliary Facilities in Chifeng Zhongtang Special Steel Co., Ltd. (赤峰中唐特鋼有限公司2 × 1,580m ³ 高爐及配套公輔設施項目總承包合同) | 16.80 |

| No. | Name of Project | Contractual Amount (RMB100 million) |
|--------------------------|--|--|
| 5 | General Contracting Project of Steelmaking Engineering Relocation for the City Steel Plant Relocation of Hebei Tianzhu Steel Group Co., Ltd. (河北天柱鋼鐵集團有限公司城市鋼廠搬遷煉鋼工程總承包項目) | 14.94 |
| 6 | General Contracting Project of Zhongxin Steelmaking system (中新煉鋼系統總承包項目) | 13.37 |
| 7 | Energy-saving and Environmental Protection Projects of No. 5 and 6 coking oven of Pangang Vanadium (攀鋼釩5、6號焦爐節能環保改造項目) | 13.02 |
| 8 | General Contracting Project of Zhongxin Ironmaking System (中新煉鐵系統總承包項目) | 11.73 |
| 9 | General Contracting Project Contract of Promotion of Supply-side Structural Reform and Implementation of Environmental Protection Transformation and Upgrading Project and Engineering of Comprehensive Raw Materials Factory of Kunming Iron & Steel Holdings Co. Ltd. of Wuhan Iron and Steel Group (武鋼集團昆明鋼鐵股份有限公司推進供給側結構性改革實施環保搬遷轉型升級項目綜合原料場工程總承包合同) | 11.11 |
| 10 | Cold Rolling Construction Project of Shanxi Jinang Zhizao Science and Technology Industrial Park Development Co., Ltd. (山西晉鋼智造科技產業園開發有限公司冷軋工程) | 11.10 |
| 11 | General Contracting Project of the Steelmaking and Continuous Cast of Zhoukou Iron and Steel (周鋼煉鋼連鑄總承包項目) | 10.78 |
| 12 | General Contracting Project of Steel-making Main and Auxiliary Facilities Project in Relocation of Iron & Steel for Environmental Protection of Kunming Iron & Steel (昆鋼環保搬遷煉鋼主體及輔助設施工程總承包項目) | 10.49 |
| Overseas projects | | |
| 1 | Supply Contract for Phase II and Phase III of CNI Ferronickel Project, Indonesia (印尼CNI鎳鐵項目二期、三期工程供貨合同) | 16.80 |
| 2 | First Section of OBI Nickel Iron Project in Indonesia (印尼OBI鎳鐵項目一標段工程) | 8.53 |
| 3 | Renovation and construction project of a metal manganese plant in Troitsk, Cheju, Russia (俄羅斯車州特洛伊茨克金屬錳廠改造及新建項目) | 6.72 |
| 4 | EPC General Contracting Contract for Converter Gas Recovery System for Technological Upgrade Project of Hegang Serbia Co., Ltd. (河鋼塞爾維亞有限公司技術改造項目轉爐煤氣回收系統EPC總承包合同) | 5.46 |

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

(2) *Non-Steel Engineering Construction Business*

① Housing Construction and Infrastructure Construction

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

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

In overseas market, the business structure has achieved diversified development. During the Reporting Period, the Company won the bid for the New Cambodia International Airport project in Phnom Penh, the highest level 4F international airport, and successfully signed the project of the Wanli Safari in Singapore, the world's first rainforest theme park. At the same time, the Company worked to ensure high-quality contract

performance, solidly promoted, which is the production of No. 1 production line of the Saudi YAMAMA cement plant project the largest cement plant in the world with daily production capacity.

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

Unit: RMB'000

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

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

| No. | Name of Project | Contractual Amount (RMB100 million) |
|-----|---|--|
| 1 | Infrastructure Construction Project in International Inland Port Area of Linyi, Shandong (山東臨沂國際陸港片區基礎設施建設項目) | 189.80 |
| 2 | Baoding Main Urban Area Contiguous Development of Village in City ABO Project (保定市主城區城中村連片開發ABO項目) | 96.50 |
| 3 | PPP Project of Rongan to Congjiang Expressway Phase I Engineering (融安至從江高速公路一期工程(融安至安太段)PPP項目) | 64.11 |
| 4 | 2020 Nine Bundled Urban Development Investment and Construction Projects in Cuiping District (翠屏區2020年城市建設九個打捆項目) | 51.60 |
| 5 | University Town (Phase I) Project in Suji New District, Leshan City (樂山市蘇稽新區大學城(一期)項目) | 45.11 |
| 6 | Section II of Baoding Main Urban Area Contiguous Development of Village in City ABO Project (保定市主城區城中村連片開發ABO項目(二標段)) | 40.80 |

| No. | Name of Project | Contractual Amount (RMB100 million) |
|--------------------------|--|--|
| 7 | Section I for General Construction of Housing and Ancillary Facilities relocation Project of Unit A in Xiongdong Area (雄東片區A單元安置房及配套設施項目施工總承包一標段) | 40.45 |
| 8 | Construction and Engineering Project of New City Campus in the Eastern Part of Sichuan University of Science & Engineering (四川輕化工大學東部新城校區建設工程項目) | 40.43 |
| 9 | Project of Sanxing Lake Water Conservancy Project Supporting Facilities and Backbone Road Network Construction of “integrated” in High-tech Zone, Deyang City (德陽高新區三星湖水利工程基礎配套設施建設項目及高新區骨幹路網建設“打捆”項目) | 40.20 |
| 10 | General Contracting Project for Guangxi Wuzhou Light Industry Park for Premium Stainless Steel Production Infrastructure (廣西梧州高端不銹鋼製品輕工園區基礎設施總承包項目) | 37.63 |
| 11 | Linyi Chengfa Urban Construction Development Co., Ltd. Railway Station Area Infrastructure Construction Project (臨沂城發城建開發有限公司火車站片區基礎設施建設項目) | 37.00 |
| 12 | ChongqingHunan Double-track Line (Main City to Youyang Section) and Wulong-Daozhen (Chongqing Section) Expressway (渝湘複綫(主城至酉陽段)、武隆至道真(重慶段)高速公路) | 36.37 |
| 13 | EPC Engineering General Contracting for Phase I of Hangzhou International Science and Innovation Center Project of Zhejiang University (浙江大學杭州國際科創中心項目一期EPC工程總承包) | 35.33 |
| 14 | Southern Region Ancillary Engineering Project of Zhongguancun Science and Technology Innovation Base in Shenyang (瀋陽中關村科技創新基地南區配套工程項目) | 31.85 |
| 15 | National Highway G247: Zigong Qishu to Yibin Highway Construction and Chongqing Kunming Expressway Xiangbi Exit to Zigong Qishu Highway Reconstruction Works (Phase I) (Ming Wei Avenue) Project (國道G247線自貢漆樹至宜賓段公路建設、渝昆高速象鼻出口至自貢漆樹公路改造工程一期(明威大道)項目) | 29.82 |
| Overseas projects | | |
| 1 | General Contracting Project for Design and Construction of Airfield of New Phnom Penh International Airport in Cambodia (柬埔寨金邊新國際機場飛行區設計建造總承包項目) | 26.72 |
| 2 | North & South Park General Contracting Project in Wanli Ecological Rainforest in Singapore (新加坡萬禮生態雨林北部、南部公園總承包工程項目) | 20.40 |

| No. | Name of Project | Contractual Amount (RMB100 million) |
|-----|--|--|
| 3 | General Contracting Project of Design and Construction of Executive Condominium Project of Yishun 9 Road in Singapore (新加坡義順9道執行共管公寓工程設計施工總承包項目) | 7.93 |
| 4 | Yuetai Phnom Penh Harbour Urban Complex Project in Cambodia (Phase III) (柬埔寨粵泰金邊港城市綜合體項目三期) | 7.40 |

② Emerging Industries

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

In terms of eco-environmental protection industry, the Company has actively participated in the eco-environmental protection improvement. The Company focused on key development of markets such as municipal wastewater treatment, general treatment of river basins, general treatment of black odorous water, waste-to-energy, and soil and mine remediation. In recent years, the Company is developing rapidly in the field of water management and continuously expanding its market share. Currently, there are a total of 27 water projects in operation, mainly in North China, East China and Southern China, which are economically developed and with high urbanization and population density, with a total designed capacity of 2.62 million tons per day. In 2020, the Company continued its efforts to optimize and integrate the existing water management

segment. The Company established China Metallurgical Ecological Environmental Protection Group Co., Ltd., a professional subsidiary with specialized full industry chain, integrated with water, solid waste, ecological environment management investment, engineering construction and operation. The specialized company relies on the “MCC” brand, leveraging double drive of technology and investment to fully capture the market share of water segment and strive to become a leading enterprise in the ecological environmental protection industry during the 14th Five-Year Plan period.

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

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

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

project for Medical Health Emergency Industry Base in Sichuan, relocation PPP project of Guangdong Province Wuchuan People's Hospital, to create the "healthcare and senior care +" brand effect of MCC.

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) |
|---|--|--|
| Ecological and Environmental Protection Projects | | |
| 1 | Comprehensive Renovation Engineering Construction of Southern and Northern River Water and Environment of the Sponge City in Siping City and Construction Project for Transformation Engineering of Rain and Sewage Diversion of the Construction Center of the Sponge City in Siping City (四平市海綿城市建設南北河水環境綜合整治工程、四平市海綿城市建設中心城區雨污分流改造工程建設項目) | 24.96 |
| 2 | PPP Project for Phase I of Bailian River Ecological Protection and Green Development Demonstration Zone in Huanggang City (黃岡市白蓮河生態保護和綠色發展示範區一期PPP項目) | 20.00 |
| 3 | EPC General Contracting Contract of Comprehensive Treatment PPP Project of Water Environment for the Central City of Ma'anshan (馬鞍山市中心城區水環境綜合治理PPP項目EPC總承包合同) | 16.20 |
| 4 | EPC General Contracting Contract for Ancillary Infrastructure Project of Wuzhou Lingang Economic Zone (梧州臨港經濟區配套基礎設施項目EPC總承包合同) | 13.93 |
| 5 | Operation and Maintenance (I) of Comprehensive Treatment PPP Project of Water Environment for the Central City of Ma'anshan (馬鞍山市中心城區水環境綜合治理PPP項目運營維護(一)) | 11.46 |
| 6 | Geological Environmental Treatment Project (Phase V) for Mines in the Mining Areas at the East of Sanhe, Langfang City, Hebei Province (河北省廊坊市三河東部礦區礦山地質環境治理工程(五期)) | 10.55 |
| 7 | Section II of Baoshan Renewable Energy Utilization Center Project (寶山再生能源利用中心項目施工二標段) | 10.08 |

| No. | Name of Project | Contractual Amount (RMB100 million) |
|---------------------------------------|---|--|
| Featured Construction Projects | | |
| 1 | General Contract of Culture and Science Park of Phase II of Overseas Chinese Town Cultural Tourism Resort in Xiangyang (襄陽華僑城文化旅遊度假區二期文化科技園工程總承包) | 24.80 |
| 2 | Tianfu Art Park, Culture and Wenbofang Area Construction Project Survey –Design – Construction General Contract (天府藝術公園·文博坊片區場館建設項目勘察-設計-施工總承包) | 15.72 |
| 3 | Paramount Film Theme Park, Villa Area and Supporting Facilities in Xianshan International Cultural Village Project (峴山國際文化村派拉蒙影視主題樂園、別墅區及配套工程項目) | 15.22 |
| 4 | General Contracting Project of Fluorite Mine Park Project, Hong'an County, Huanggang City, Hubei Province (湖北省黃岡市紅安縣螢石礦山公園項目總承包建設工程) | 12.00 |
| 5 | Performance Project in Shadu Lake of Bailang Oasis Wetland (白浪綠洲濕地公園鳶都湖演藝項目) | 11.80 |
| Projects in Healthcare Field | | |
| 1 | Project of Chinese Academy of Medical Sciences Cancer Hospital Branch (Langfang Hospital Area) (中國醫學科學院腫瘤醫院分院(廊坊院區)項目) | 47.49 |
| 2 | EPC Project of Rural Zhenxing Healthcare Living Town in Zhangzhuang Town, Zhuangcheng City (鄒城市張莊鎮鄉村振興康養宜居小鎮EPC項目) | 12.00 |
| 3 | Construction of Section I of Phase I of Zhihui Yunjin Incubation Base Project of Great Health Pharmaceutical Industry in Guizhou (貴州大健康醫藥產業智匯雲錦孵化基地項目一期一標段施工) | 10.70 |

(II) Property Development Business

1. *Industry Overview*

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

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

2. *The Operating Results of the Business*

Weighted by the property development policies during the Reporting Period, the Company adopted different policies that were tailored to characteristics of each category and of each city, and continuously carried on accomplishing the strategic layout that Yangtze River Delta, Pearl River Delta and the Beijing-Tianjin-Hebei Region are taken as core development areas with coverage nationwide by speeding up works on reserving quality land parcels in key areas. In 2020, through market tender, the Company acquired 6 land parcels with site area and permissible gross floor area of 108,100 sq.m. and 205,700 sq.m. respectively. During the Reporting Period, the amount invested by the Company in property development was RMB23.271 billion, representing an increase of 21% year-on-year. The construction area was 10,415,100 sq.m., representing a decrease of 11% year-on-year, of which the new construction area was 1,987,900 sq.m., representing an increase of 14% year-on-year, while completed area was 2,770,600 sq.m., representing an increase of 72% year-on-year.

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

The overall operating results of the property development business in 2020

Unit: RMB'000

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

Note: The statistics of segment operating revenue and gross margin are figures before inter-segment eliminations.

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

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

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

(III) Equipment Manufacturing Business

1. Industry Overview

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

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

2. The Operating Results of the Business

The business of the Company’s equipment manufacturing segment mainly includes research and development, design, manufacturing, sale, installation, fine-tuning, inspection and repair of metallurgical equipment and its spare parts, steel structures and other metal products as well as other related services. After years of construction, the Company’s equipment manufacturing business is dominated by metallurgical equipment products, which basically covers the entire process of steel metallurgy construction, and the Company possesses a number of proprietary intellectual property rights and a strong metallurgical equipment integration capability. Closely keeping pace with layout adjustment and industrial upgrading in China’s steel

industry, the Company adopted energy conservation and environmental protection, green manufacturing and smart manufacturing as breakthrough points to accelerate and facilitate productization and industrialization of core technologies in equipment manufacturing sector. In addition, the Company also integrated competitive upstream and downstream business resources, included core equipment manufacturing into equipment industry park for unified management, put core technologies developed by the Company into fuse box to be sold and delivered along with its products to the “Belt and Road” regions and all over the world, and developed equipment manufacturing business into the “Hard Support” of the national team, the “Incubator” of new products for metallurgical equipment and the “Carrier” for the “MCC Equipment” brand.

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

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

Unit: RMB'000

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

Note: The statistics of segment operating revenue and gross margin are figures before inter-segment eliminations.

3. *Steel Structure Business*

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

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

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

(IV) Resources Development Business

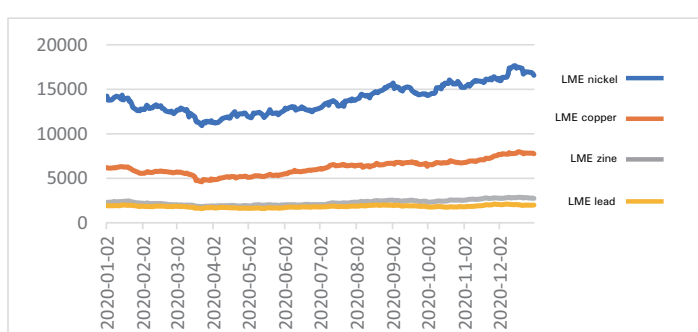
1. Industry Overview

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

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

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

Unit: USD/ton



Source: Wind

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

2. *The Operating Results of the Business*

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

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

Unit: RMB'000

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

Note: The statistics of segment operating revenue and gross margin are figures before inter-segment eliminations.

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

(1) Papua New Guinea Ramu Nico Project

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

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

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

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

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

(4) *Afghanistan Aynak Copper Mine Project*

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

(II) Analysis on core competitiveness during the Reporting Period

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

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

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

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

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

III. FINANCIAL HIGHLIGHTS

(I) Overview

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

- Operating revenue amounted to RMB400,115 million, representing an increase of RMB61,477 million or 18.15% from RMB338,638 million in 2019.

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

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

(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 RMB363,965 million, representing an increase of RMB52,128 million or 16.72% from RMB311,837 million in 2019.

(2) Property Development Business

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

(3) Equipment Manufacturing Business

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

(4) Resources Development Business

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

(5) Other Businesses

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

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

(III) Major financial data in 2020 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 | 72,724,921 | 107,840,272 | 87,407,887 | 132,141,543 |
| Net profit attributable to Shareholders of the Company | 1,892,109 | 1,699,816 | 1,015,433 | 3,254,827 |
| Net profit attributable to Shareholders of the Company after deducting nonrecurring profits and losses | 1,811,154 | 1,469,471 | 922,857 | 2,968,310 |
| Net cash flow generated from operating activities | <u>-8,893,561</u> | <u>10,307,578</u> | <u>-259,379</u> | <u>26,877,067</u> |

IV. POSSIBLE RISKS AND MEASURES ADOPTED BY THE COMPANY

1. Risks associated with macro-economy

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

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

2. Risks associated with traditional metallurgical engineering business segment

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

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

3. Risks associated with the non-steel engineering segment

Risks relating to non-steel engineering are closely related to national strategic policies and fixed asset investments, in particular, key projects such as rail transit, airports and highways tend to face the most intense competition among construction companies. Recently, the State has promulgated policies to encourage greater investment in urban infrastructure construction. In general, infrastructure construction remains one of the key elements of the “14th Five-Year” Plan, infrastructures which will shore up the weaknesses and intensified policies will continue to develop, and the fundamental role of the infrastructure industry will continue to be highlighted. In terms of regional development, it is expected that emphasis

will be placed on strengthening the development of Beijing-Tianjin-Hebei coordination, the integration of the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area and the Chengdu-Chongqing urban agglomeration.

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

4. Risks associated with the property development business segment

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

In order to actively adapt to the demands of the situation and the market changes, the Company will further accelerate the strategic upgrade from “real estate developer” to “urban operator”, focus on the core city layout and take the road of differentiation and quality development. The Company will seize the favorable opportunity of the current industry consolidation, and to actively obtain scarce land at the center of major cities or the construction land surrounding the major cities through urban renewal, regional

development, strategic cooperation, headquarters economy, etc., to increase strategic land reserves and reduce land acquisition cost. In the course of project development, project planning will be carried out to continuously improve operational management level and efficiency, enhance project quality, ensure the realization of expected revenue, and effectively respond to real estate development business risks.

5. Risks associated with financial segment

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

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

6. Risks associated with bulk commodity prices

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

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

7. Risks associated with international operations

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

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

8. Environmental and safety production risks

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

The Company actively puts into practice the green development ideology that "Lucid Waters and Lush Mountains are Invaluable Assets", persists on the requirements of the relevant national laws and regulations of energy conservation and environmental protection, strictly implements accountability system on enterprise bodies, continuously improves the energy conservation and environmental protection system, enhances daily supervision, and proactively initiates environmental pollution control.

Subordinate enterprises under the construction category shall carry out in-depth environmentally friendly construction, and push forward energy, land, water and resources conservation as well as environmental protection in full efforts; Subordinate enterprises under the production category shall increase the utilization efficiency of the resources and reduce the emission of pollutants through technology innovation so as to enhance clean production. At the same time, the Company will control the safety production risk through strengthening the implementation of safety production responsibility, enhancing the supervision of safety production, comprehensively promoting the construction site safety civilization standardization, strengthening safety training education and publicity and implementation of safety production knowledge, and strictly investigating the accident responsibility and other measures.

9. Risks associated with data fraud or theft

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

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

10. Cyber risk and security

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

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

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

(I) Landscape and trend of the industry

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

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

The second one would be the opportunities and challenges brought by the development of the construction industry. The total construction output of the country reached RMB26.4 trillion in 2020, which was a huge stock market with 6.2% growth. This is the result of the nationwide implementation of the decision-making arrangements of the Party Central Committee and the acceleration of the construction of the “two news and one heavy” projects. After “two news and one heavy” was written into the “Government Work Report” in 2020, the construction of the “fast-forward” button was released, releasing a large number of key projects. From the list of major construction projects in 31 provinces and municipalities in the PRC, the proposed total investment amounted to RMB57.9 trillion in the next 3 to 5 years, among which, the number of projects such as urban renewal, eco-environmental protection, rail transit, public health which will shore up the weaknesses, was huge and accounted for a huge percentage. It has a large market space and is a key focus of marketing.

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

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

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

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

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

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

(II) Development strategy of the Company

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

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

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

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

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

efforts in expanding steel structures for civil buildings and infrastructure, and focuses on enlarging markets for super high-rise buildings, municipal, bridge, nuclear power, marine engineering and other steel structures whilst improving economic benefits of steel structure business.

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

Long-term adherence to pursuing the path for the quality development with advanced technologies: It is the conclusion of the development history of the new China steel industry with its rapid development and rapid expansion. It is in line with the requirements of the “Five Development Concepts” and is the only way for the Company to reform and develop, to become stronger and better, and the only way to achieve the overall strategy. The systemic, comprehensive and complex nature of metallurgical engineering has enabled the Company to possess technological advantages that are not available in other construction enterprises, which include a wide range of specialties and outstanding innovation capabilities, creating the Company’s core technology in the field of metallurgical engineering. The irreplaceable integration advantages of the metallurgical industry chain and the continuous innovation capabilities have established the status of the national team for metallurgical construction and contributed to the company’s glory. “Long-term adherence to pursuing the path for the quality development with advanced technologies” is to consolidate and build up technological innovation as the primary driver for development of the Company. We accelerated our

research and development to lead the construction industry in the future development of emerging technologies, occupying the commanding heights of technology. In line with the requirements of high-quality development, aiming at creating high-quality projects and enhancing the spirit of craftsmanship and leveraging the improvement of the refined management level of quality standardization, we have created a number of high-quality projects representing the outstanding construction capabilities of MCC and promoted the enhancement of the Group's quality brand. Over the past few years, focusing on the new strategic positioning, the Group has set up several engineering and technical research institutes with the highest quality resources and completed a number of high-quality projects that represent the outstanding construction capabilities of MCC, which has effectively promoted the implementation of the new strategy.

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

(III) Operational plan

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

In 2021, the Company plans to achieve an operating revenue of RMB415 billion and to achieve a new contract amount of RMB1,200 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 | 400,114,623 | 338,637,609 | 18.15 |
| Operating costs | 354,685,571 | 299,247,115 | 18.53 |
| Selling expenses | 2,441,204 | 2,315,815 | 5.41 |
| Administrative expenses | 11,011,320 | 9,354,662 | 17.71 |
| Research and development expenses | 12,326,903 | 9,934,444 | 24.08 |
| Financial expenses | 1,767,398 | 2,498,264 | -29.25 |
| Net cash flows from operating activities | 28,031,705 | 17,577,933 | 59.47 |
| Net cash flows from investing activities | -12,287,433 | -9,835,377 | N/A |
| Net cash flows from financing activities | -5,311,280 | -9,150,117 | N/A |

1. Analysis on revenue and costs

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

The Company's financial position and 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 2020.

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

① Impact from changes in the tax policy

The Company's operating results and financial position were influenced by changes in the state's tax policy through the impact of tax burdens of the Company and its subsidiaries.

The preferential tax policy for the Development of the Western Regions and the preferential tax policies for 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 | 363,965,127 | 326,948,449 | 10.17 | 16.72 | 16.68 | Increased by 0.03 percentage point |
| Property development | 24,114,286 | 19,132,860 | 20.66 | 20.80 | 29.44 | Decreased by 5.29 percentage points |
| Equipment manufacturing | 11,056,954 | 9,518,033 | 13.92 | 52.88 | 46.57 | Increased by 3.71 percentage points |
| Resources development | 4,383,658 | 3,145,663 | 28.24 | -15.45 | -18.85 | Increased by 3.01 percentage points |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Explanation on Major Business by Region

Unit: RMB'000

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

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 2020 and 2019 were 10.17% and 10.14%, respectively, with a year-on-year increase of 0.03 percentage point. That was about the same as the previous year.

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

Unit: RMB'000

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

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

② Property development business

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

③ Equipment manufacturing business

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

④ Resources development business

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

2) Explanation on Major Business by Region

For the years of 2020 and 2019, the Company realized overseas operating revenue of RMB17,832,293,000 and RMB22,976,112,000 respectively. The revenue mainly came from the engineering contracting business including the Sri Lanka OCH and Central 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 | 326,948,449 | 90.40 | 280,215,442 | 90.65 | 16.68 |
| Property development | operating costs | 19,132,860 | 5.29 | 14,780,917 | 4.78 | 29.44 |
| Equipment manufacturing | operating costs | 9,518,033 | 2.63 | 6,493,846 | 2.10 | 46.57 |
| Resources development | operating costs | 3,145,663 | 0.87 | 3,876,340 | 1.25 | -18.85 |

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

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

Unit: RMB'000

| Item of cost | 2020 | | 2019 | | 2018 | |
|-------------------------|-------------|----------------|-------------|----------------|-------------|----------------|
| | Amount | Proportion (%) | Amount | Proportion (%) | Amount | Proportion (%) |
| Subcontracting expenses | 180,518,387 | 55.21 | 155,379,127 | 55.45 | 125,851,962 | 54.44 |
| Materials expenses | 100,136,643 | 30.63 | 84,268,225 | 30.07 | 70,538,264 | 30.52 |
| Labour costs | 18,101,161 | 5.54 | 14,499,481 | 5.17 | 12,567,004 | 5.44 |
| Machinery usage fees | 6,389,727 | 1.95 | 5,230,932 | 1.87 | 4,648,370 | 2.01 |
| Others | 21,802,531 | 6.67 | 20,837,676 | 7.44 | 17,536,677 | 7.59 |
| Total engineering costs | 326,948,449 | 100.00 | 280,215,442 | 100.00 | 231,142,277 | 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 RMB17,594,606 thousand, accounting for 4.40% of the total annual sales; of which, the sales of top five major customers derived from the sales to related parties amounted to RMB0 thousand, accounting for 0% of the total annual sales.

Unit: RMB'000

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

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

Unit: RMB'000

| Supplier's name | Procurement for the current period | Proportion of the total operating costs of the Company (%) |
|-----------------|--|--|
| Supplier 1 | 1,066,669 | 0.30 |
| Supplier 2 | 985,838 | 0.28 |
| Supplier 3 | 878,394 | 0.25 |
| Supplier 4 | 677,527 | 0.19 |
| Supplier 5 | 647,113 | 0.18 |
| Total | <u>4,255,541</u> | <u>1.20</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 2020 and 2019, the Company's selling expenses were RMB2,441,204 thousand and RMB2,315,815 thousand respectively, representing a year-on-year increase of 5.41%, which was mainly due to the 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 2020 and 2019, the Company's administrative expenses were RMB11,011,320 thousand and RMB9,354,662 thousand respectively, representing a year-on-year increase of 17.71%, which was mainly due to the increase in labour costs.

(3) Financial expenses

The Company's financial expenses include costs of borrowing, exchange gains or losses, bank charges, etc. incurred in operating business. In 2020 and 2019, the Company's financial expenses were RMB1,767,398 thousand and RMB2,498,264 thousand respectively, representing a year-on-year decrease of 29.25%, which was mainly due to the 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 2020 and 2019, the Company's research and development expenses were RMB12,326,903 thousand and RMB9,934,444 thousand respectively, representing a year-on-year increase of 24.08%, which was mainly because the increase in R&D materials and increased R&D effort.

3. Research and development expenditure

Table of research and development expenditure

Unit: RMB'000

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

4. Cash flow

The cash flows of the Company are as follows:

Unit: RMB'000

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

(1) Operating activities

In 2020 and 2019, the Company's net cash flows generated from operating activities amounted to RMB28,031,705 thousand and RMB17,577,933 thousand respectively, representing a year-on-year increase of 59.47%. In 2020 and 2019, 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 98.65% and 98.83% respectively with respect to the cash inflow generated from operating activities.

The Company's cash outflow generated from operating activities mainly consisted of cash payments for goods purchased and services received, cash payments to and on behalf of employees and payments of various types of taxes. In 2020 and 2019, the respective proportions of such cash outflow with respect to the cash outflow generated from operating activities accounted for 86.51%, 6.42%, 2.60% and 86.07%, 7.23%, 3.20% respectively.

(2) *Investing activities*

In 2020 and 2019, the Company's net cash flows generated from investing activities amounted to RMB-12,287,433 thousand and RMB-9,835,377 thousand respectively. The investing activities of the Company mainly relate to engineering contracting and property development business.

The Company's cash inflow generated from investing activities mainly consisted of cash receipts from recovery of investments, investment income and disposal of assets. In 2020 and 2019, the respective investing of such cash inflow with respect to the cash inflow generated from investing activities accounted for 11.03%, 18.09%, 8.44% and 7.52%, 9.98%, 15.77% respectively. Cash outflow mainly included cash payments to acquire or construct fixed assets, intangible assets and other long-term assets and cash payments to acquire investments. In 2020 and 2019, such cash outflow accounted for 26.55%, 29.22% and 30.05%, 69.95% respectively with respect to the cash outflow generated from investing activities.

(3) *Financing activities*

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

from financing activities mainly consisted of cash repayments of borrowings and cash payments for distribution of dividends, profits or settlement of interest expenses, accounting for 84.57%, 5.84% and 90.76%, 6.50% respectively of the cash outflow from financing activities for the years 2020 and 2019.

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

(1) Analysis on the structure of assets

Cash and bank balances

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

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

Accounts receivable

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

Inventories

The inventories of the Company mainly consisted of properties under development, completed properties held for sale, raw materials, work in process and finished goods, etc. The inventory structure of the Company reflected the characteristics of the engineering and contracting, property development, equipment manufacturing and resources development businesses in which the Company was engaged. As at 31 December 2020 and 31 December 2019, the Company's net inventories were RMB60,581,435 thousand and RMB60,636,905 thousand respectively, representing a year-on-year decrease of 0.09%.

Contract assets

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

Intangible assets

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

(2) *Analysis on the structure of liabilities*

Long-term and short-term borrowings

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

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

Accounts payable

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

Contract liabilities

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

(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) | 2,515 | 849 | 2,010 | 1,028 | 6,402 |
| Total amount | 11,114,766 | 10,132,055 | 8,838,010 | 2,354,279 | 32,439,110 |

Unit: RMB'000

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

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) | 4,195 | 2,666 | 4,279 | 1,622 | 12,762 |
| Total amount | 154,772,845 | 72,952,768 | 81,663,851 | 29,487,469 | 338,876,933 |

Unit: RMB'000

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

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 | 614 | 7,230,006 |
| Africa | 118 | 1,852,139 |
| South America | 63 | 1,166,596 |
| Europe | 50 | 415,782 |
| Oceania | 35 | 958,293 |
| North America | 22 | 482,855 |
| Total | 902 | 12,105,671 |

4. Accumulated new projects during the Reporting Period

During the Reporting Period, the number of accumulated new projects that exceed RMB50 million was 2,369 with a total amount of RMB941.5599525 billion.

5. Orders in hand at the end of the Reporting Period

At the end of the Reporting Period, the outstanding contract value of engineering orders that exceeds RMB50 million in hand was RMB1,169.7008056 billion, of which the outstanding part of the projects under construction was RMB859.4042782 billion, and the outstanding contract value of the contract which has been signed but not yet commenced construction was RMB310,296,527,400.

6. Competency for construction projects of the Company

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

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

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

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

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

In 2020, the Company’s safety management system operated effectively and the production safety situation was basically stable. The Company thoroughly carried out the important discussion on safety production of General Secretary Xi Jinping, adhered to the people’s supremacy, the

supremacy of life, coordinated the development and safety of two major events, firmly established the concept of safe development, and focused on the three-year action plan for the national security production in order to strengthen the implementation of responsibilities, focus on hidden danger investigation, vigorously promote standardization construction, strengthen education and training, earnestly carry out various safety production work and continuously improve the Group's production safety management capabilities. The Company proactively adopted inspection methods such as "Four Don'ts and Two Directs", "Looking Back" and re-inspection, organizing activities such as special period inspection, area inspection, special inspection, one-month safety production inspection and "100-day operation", etc.. The principal person-in-charge of the Company personally led the team to carry out in-depth inspections on the front line, and dared to stop the construction when problems are identified, and dared to impose penalties. For the first time, technical and special equipment management experts were included in the inspection team to strengthen the authority of security inspections. Combined with the security training and education model adopted firstly, 400 video nodes were distributed and 4,700 video attendees, wherein 1,087 project managers from 35 subsidiaries who attended in the training transferred the training to 17,422 management personnel in the project department, which greatly expanded the coverage of training, allowing the Group's training voice each the grass-roots level, and the Group has secured the standardization of safety and civilisation with the aim of ensuring safety through on-site protection of the market, standardization of safety and standardization. 14 projects have won the national-level honorary title of "Construction Safety Production Standard Chemical Site", 151 projects have been awarded the provincial-level safety and civilized standard chemical site, and 136 projects have obtained regional-level safety and civilized standard chemical sites, setting benchmarks for the image of MCC.

8. *Financing arrangements of the Company*

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

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

structure; the balance of financing due within one year and the long-term financing balance amounted to RMB40.886 billion and RMB57.728 billion, respectively.

(2) *Investment in Partnership*

As reviewed and approved by the Board of the Company, MCC, China Credit Trust Co., Ltd., MCC – CCB Investment Fund Management (Beijing) Company Limited (中冶建信投資基金管理(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 Yingtian 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, was RMB8,800 million, representing 48.8885%; the subscribed contribution of China Credit Trust Co., Ltd., being a limited partner, was RMB9,200 million or 51.1107%; 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) are general and executive partners and their subscribed contributions were RMB80 thousand, representing 0.0004%, respectively.

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

(IV) **Investment analysis**

Financial assets measured at fair value

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

Equity interests in other listed companies held by the Company

Unit: RMB'000

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

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 during the Reporting Period (RMB) | Change in owners' equity during the Reporting Period (RMB) | Account category | Source of shares |
|--|---------------------------------|-------------------------------|---|--|---|--|---|------------------|
| Changcheng Life Insurance Co., Ltd. (長城人壽保險股份有限公司) | 30,000,000 | - | 0.54 | 30,000,000 | - | - | Investments in other equity instruments | By acquisition |
| Hankou Bank Company Limited (漢口銀行股份有限公司) | 27,696,000 | - | 0.74 | 27,696,000 | 9,932,244 | - | Investments in other equity instruments | By acquisition |
| Total | 57,696,000 | - | / | 57,696,000 | 9,932,244 | - | / | / |

VII. CONSOLIDATED AND THE COMPANY'S BALANCE SHEETS

CONSOLIDATED BALANCE SHEET

31 December 2020

All amounts in RMB'000

| Items | 31 December 2020 | 31 December 2019 |
|---|---------------------|---------------------|
| Current Assets: | | |
| Cash and bank balances | 53,095,827 | 43,677,662 |
| Financial assets held for trading | 2,250,940 | 2,162,432 |
| Derivative financial assets | 46,412 | 401 |
| Bills receivable | 6,646,606 | 7,918,027 |
| Accounts receivable | 69,436,480 | 66,026,606 |
| Receivables at FVTOCI | 11,759,582 | 7,855,940 |
| Prepayments | 34,369,714 | 24,705,845 |
| Other receivables | 64,225,288 | 57,290,123 |
| Inventories | 60,581,435 | 60,636,905 |
| Contract assets | 83,199,483 | 72,800,575 |
| Non-current assets due within one year | 1,499,007 | 2,078,913 |
| Other current assets | 2,142,781 | 2,282,530 |
| | <hr/> | <hr/> |
| Total Current Assets | 389,253,555 | 347,435,959 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Non-current Assets: | | |
| Long-term receivables | 25,576,642 | 24,326,794 |
| Long-term equity investments | 25,676,955 | 21,834,366 |
| Investments in other equity instruments | 1,964,664 | 1,871,747 |
| Other non-current financial assets | 4,418,546 | 4,171,068 |
| Investment properties | 5,641,674 | 5,763,796 |
| Fixed assets | 24,684,160 | 26,121,239 |
| Construction in progress | 4,915,570 | 4,426,518 |
| Right-of-use assets | 473,971 | 540,522 |
| Intangible assets | 17,491,859 | 15,796,873 |
| Goodwill | 160,928 | 161,523 |
| Long-term prepayments | 295,584 | 265,900 |
| Deferred tax assets | 5,637,114 | 5,618,595 |
| Other non-current assets | 201,741 | 171,313 |
| | <hr/> | <hr/> |
| Total Non-current Assets | 117,139,408 | 111,070,254 |
| | <hr/> <hr/> | <hr/> <hr/> |
| TOTAL ASSETS | 506,392,963 | 458,506,213 |

CONSOLIDATED BALANCE SHEET

31 December 2020

All amounts in RMB'000

| Items | 31 December 2020 | 31 December 2019 |
|---|---------------------|---------------------|
| Current Liabilities: | | |
| Short-term borrowings | 29,252,171 | 40,476,556 |
| Derivative financial liabilities | – | 4,230 |
| Bills payable | 30,472,634 | 31,487,132 |
| Accounts payable | 133,722,043 | 115,855,013 |
| Receipts in advance | 238,753 | 245,284 |
| Contract liabilities | 85,653,732 | 64,595,970 |
| Employee benefits payable | 2,020,325 | 2,037,994 |
| Taxes payable | 3,984,563 | 3,461,760 |
| Other payables | 26,710,566 | 26,219,786 |
| Non-current liabilities due within one year | 12,238,104 | 15,683,416 |
| Other current liabilities | 7,498,360 | 5,856,396 |
| Total Current Liabilities | 331,791,251 | 305,923,537 |
| Non-current Liabilities: | | |
| Long-term borrowings | 25,631,067 | 27,219,615 |
| Bonds payable | 790,000 | 1,660,000 |
| Lease liabilities | 237,042 | 302,054 |
| Long-term payables | 1,047,205 | 892,993 |
| Long-term employee benefits payable | 4,103,656 | 3,115,993 |
| Provisions | 777,275 | 817,931 |
| Deferred income | 1,584,325 | 1,582,297 |
| Deferred tax liabilities | 61,235 | 71,685 |
| Other non-current liabilities | 14,600 | 14,600 |
| Total Non-current Liabilities | 34,246,405 | 35,677,168 |
| TOTAL LIABILITIES | 366,037,656 | 341,600,705 |

CONSOLIDATED BALANCE SHEET

31 December 2020

All amounts in RMB'000

| Items | 31 December 2020 | 31 December 2019 |
|---|---------------------|---------------------|
| Shareholders' Equity: | | |
| Share capital | 20,723,619 | 20,723,619 |
| Other equity instruments | 20,500,000 | 25,924,290 |
| Including: Perpetual bond | 20,500,000 | 25,924,290 |
| Capital reserve | 22,461,602 | 22,476,448 |
| Other comprehensive income | (284,396) | (59,618) |
| Special reserve | 12,550 | 12,550 |
| Surplus reserve | 2,016,768 | 1,748,938 |
| Retained earnings | 32,461,495 | 27,123,498 |
| Total shareholders' equity attributable to shareholders of the Company | 97,891,638 | 97,949,725 |
| Non-controlling interests | 42,463,669 | 18,955,783 |
| TOTAL SHAREHOLDERS' EQUITY | 140,355,307 | 116,905,508 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 506,392,963 | 458,506,213 |

THE COMPANY'S BALANCE SHEET

31 December 2020

All amounts in RMB'000

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

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

VIII. CONSOLIDATED AND THE COMPANY'S INCOME STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

All amounts in RMB'000

| Items | 2020 | 2019 |
|---|--------------------|-------------|
| I. Total operating revenue | 400,114,623 | 338,637,609 |
| Including: Operating revenue | 400,114,623 | 338,637,609 |
| II. Total operating costs | 384,200,258 | 325,246,672 |
| Including: Operating costs | 354,685,571 | 299,247,115 |
| Taxes and levies | 1,967,862 | 1,896,372 |
| Selling expenses | 2,441,204 | 2,315,815 |
| Administrative expenses | 11,011,320 | 9,354,662 |
| Research and development expenses | 12,326,903 | 9,934,444 |
| Financial expenses | 1,767,398 | 2,498,264 |
| Including: Interest expenses | 2,509,970 | 4,149,873 |
| Interest income | 1,738,474 | 2,393,377 |
| Add: Other income | 451,602 | 241,945 |
| Investment losses | (1,139,662) | (987,178) |
| Including: (Losses) gains from investments in associates and joint ventures | (177,587) | 14,461 |
| (Losses) gains from derecognition of financial assets at amortized cost | (870,347) | (945,269) |
| (Losses) gains from changes in fair values | 33,823 | (12,810) |
| Impairment losses of credit | (3,086,669) | (2,418,539) |
| Impairment losses of assets | (593,338) | (939,749) |
| Gains on disposal of assets | 232,899 | 67,810 |
| III. Operating profit | 11,813,020 | 9,342,416 |
| Add: Non-operating income | 475,004 | 523,777 |
| Less: Non-operating expenses | 370,754 | 84,035 |
| IV. Total profit | 11,917,270 | 9,782,158 |
| Less: Income tax expenses | 2,534,913 | 2,205,339 |
| V. Net profit | 9,382,357 | 7,576,819 |
| (I) Net profit classified by operating continuity | | |
| Net profit from continuing operations | 9,382,357 | 7,576,819 |

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

THE COMPANY'S INCOME STATEMENT

For the year ended 31 December 2020

All amounts in RMB'000

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

IX. CONSOLIDATED AND THE COMPANY'S CASH FLOWS STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020

All amounts in RMB'000

| Items | 2020 | 2019 |
|--|--------------------|-------------|
| I Cash Flows from Operating Activities: | | |
| Cash receipts from the sale of goods and the rendering of services | 416,368,849 | 345,757,256 |
| Receipts of tax refunds | 354,583 | 596,003 |
| Other cash receipts relating to operating activities | 5,340,090 | 3,503,233 |
| | <hr/> | <hr/> |
| Sub-total of cash inflows from operating activities | 422,063,522 | 349,856,492 |
| | <hr/> | <hr/> |
| Cash payments for goods purchased and services received | 340,872,351 | 285,987,017 |
| Cash payments to and on behalf of employees | 25,296,206 | 24,033,117 |
| Payments of various types of taxes | 10,236,827 | 10,637,238 |
| Other cash payments relating to operating activities | 17,626,433 | 11,621,187 |
| | <hr/> | <hr/> |
| Sub-total of cash outflows from operating activities | 394,031,817 | 332,278,559 |
| | <hr/> | <hr/> |
| Net Cash Flows from Operating Activities | 28,031,705 | 17,577,933 |

| Items | 2020 | 2019 |
|--|---------------------|--------------------|
| II Cash Flows from Investing Activities: | | |
| Cash receipts from disposals and recovery of investments | 199,798 | 288,755 |
| Cash receipts from investment income | 327,537 | 383,519 |
| Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets | 152,769 | 605,682 |
| Net cash receipts from disposal of subsidiaries and other business units | 58,568 | 296,180 |
| Other cash receipts relating to investing activities | 1,071,994 | 2,267,182 |
| | <hr/> | <hr/> |
| Sub-total of cash inflows from investing activities | 1,810,666 | 3,841,318 |
| | <hr/> | <hr/> |
| Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets | 3,743,025 | 4,109,974 |
| Cash payments to acquire investments | 4,120,134 | 9,566,721 |
| Other cash payments relating to investing activities | 6,234,940 | – |
| | <hr/> | <hr/> |
| Sub-total of cash outflows from investing activities | 14,098,099 | 13,676,695 |
| | <hr/> | <hr/> |
| Net Cash Flows from Investing Activities | (12,287,433) | (9,835,377) |
| | <hr/> | <hr/> |
| III Cash Flows from Financing Activities: | | |
| Cash receipts from capital contributions | 31,464,045 | 13,254,229 |
| Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries | 23,964,045 | 254,229 |
| Cash receipts from issue of perpetual bond | 7,500,000 | 13,000,000 |
| Cash receipts from borrowings | 101,155,602 | 114,990,724 |
| Other cash receipts relating to financing activities | 932,237 | – |
| | <hr/> | <hr/> |
| Sub-total of cash inflows from financing activities | 133,551,884 | 128,244,953 |
| | <hr/> | <hr/> |

| Items | 2020 | 2019 |
|---|---------------------------------|--------------------------|
| Cash repayments of borrowings | 117,429,893 | 124,701,867 |
| Cash payments for distribution of dividends or profits or settlement of interest expenses | 8,107,723 | 8,927,210 |
| Including: Payments for distribution of dividends or profits to non-controlling interests of subsidiaries | 899,891 | 429,326 |
| Other cash payments relating to financing activities | <u>13,325,548</u> | <u>3,765,993</u> |
| Sub-total of cash outflows from financing activities | <u>138,863,164</u> | <u>137,395,070</u> |
| Net Cash Flows from Financing Activities | <u>(5,311,280)</u> | <u>(9,150,117)</u> |
| IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents | (82,590) | 71,459 |
| V Net Increase in Cash and Cash Equivalents | 10,350,402 | (1,336,102) |
| Add: Opening balance of Cash and Cash equivalents | 31,814,900 | 33,151,002 |
| VI Closing Balance of Cash and Cash Equivalents | <u><u>42,165,302</u></u> | <u><u>31,814,900</u></u> |

THE COMPANY'S CASH FLOW STATEMENT

For the year ended 31 December 2020

All amounts in RMB'000

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

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

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

For the year ended 31 December 2019

| Items | Attributable to shareholders of the Company | | | | | | | | |
|---|---|--|-------------------|----------------------------|-----------------|------------------|-------------------|--------------------------|----------------------------|
| | Share capital | Other equity instrument (Perpetual bond) | Capital reserve | Other comprehensive income | Special reserve | Surplus reserve | Retained profits | Non-controlling interest | 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 shareholders | - | - | - | - | - | - | - | 254,229 | 254,229 |
| 2. Capital contribution and reduction of holders of other equity instruments | - | 10,000,000 | - | - | - | - | - | - | 10,000,000 |
| 3. Others | - | - | (16,228) | - | - | - | - | (186,167) | (202,395) |
| (III) Profit distribution | - | - | - | - | - | 293,519 | (3,085,354) | (822,961) | (3,614,796) |
| 1. Transfer to surplus reserve | - | - | - | - | - | 293,519 | (293,519) | - | - |
| 2. Distributions to shareholders | - | - | - | - | - | - | (2,791,835) | (822,961) | (3,614,796) |
| 3. Others | - | - | - | - | - | - | - | - | - |
| (IV) Transfers within shareholders' equity | - | - | - | (62,190) | - | - | 62,190 | - | - |
| 1. Capitalization of capital reserve | - | - | - | - | - | - | - | - | - |
| 2. Capitalization of surplus reserve | - | - | - | - | - | - | - | - | - |
| 3. Loss offset by surplus reserve | - | - | - | - | - | - | - | - | - |
| 4. Changing amount of defined benefit plan carried forward to retained earnings | - | - | - | - | - | - | - | - | - |
| 5. Other comprehensive income carried forward to retained earnings | - | - | - | (62,190) | - | - | 62,190 | - | - |
| 6. Others | - | - | - | - | - | - | - | - | - |
| (V) Special reserve | - | - | - | - | - | - | - | - | - |
| 1. Transfer to special reserve in the current year | - | - | - | - | 4,895,384 | - | - | 425,423 | 5,320,807 |
| 2. Amount utilized in the current year | - | - | - | - | (4,895,384) | - | - | (425,423) | (5,320,807) |
| (VI) Others | - | - | - | - | - | - | - | - | - |
| 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> |

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

| | | For the year ended 31 December 2020 | | | | | | | |
|-------|---|-------------------------------------|-------------------|----------------------------|-----------------|-----------------|------------------|----------------------------|-------------------|
| Items | Share capital | Other equity instrument | Capital reserve | Other comprehensive income | Special reserve | Surplus reserve | Retained profits | Total shareholders' equity | |
| | | (Perpetual bond) | | | | | | | |
| I | Closing balance of the preceding year | 20,723,619 | 25,924,290 | 38,001,042 | 984 | 12,550 | 1,748,938 | 1,920,906 | 88,332,329 |
| | Add: Changes in accounting policies | - | - | - | - | - | - | - | - |
| | Corrections of prior years' errors | - | - | - | - | - | - | - | - |
| | Others | - | - | - | - | - | - | - | - |
| II | Opening balance of the current year | 20,723,619 | 25,924,290 | 38,001,042 | 984 | 12,550 | 1,748,938 | 1,920,906 | 88,332,329 |
| III | Changes for the year | - | (5,424,290) | (75,710) | (1,339) | - | 267,830 | 169,339 | (5,064,170) |
| | (I) Total comprehensive income | - | - | - | (1,339) | - | - | 2,678,302 | 2,676,963 |
| | (II) Shareholders' contributions and reduction in capital | - | (5,424,290) | (75,710) | - | - | - | - | (5,500,000) |
| | 1. Capital contribution from shareholders | - | - | - | - | - | - | - | - |
| | 2. Capital contribution and reduction of holders of other equity instruments | - | (5,424,290) | - | - | - | - | - | (5,424,290) |
| | 3. Others | - | - | (75,710) | - | - | - | - | (75,710) |
| | (III) Profit distribution | - | - | - | - | - | 267,830 | (2,508,963) | (2,241,133) |
| | 1. Transfer to surplus reserve | - | - | - | - | - | 267,830 | (267,830) | - |
| | 2. Distributions to shareholders | - | - | - | - | - | - | (2,241,133) | (2,241,133) |
| | 3. Others | - | - | - | - | - | - | - | - |
| | (IV) Transfers within shareholders' equity | - | - | - | - | - | - | - | - |
| | 1. Capitalization of capital reserve | - | - | - | - | - | - | - | - |
| | 2. Capitalization of surplus reserve | - | - | - | - | - | - | - | - |
| | 3. Loss offset by surplus reserve | - | - | - | - | - | - | - | - |
| | 4. Changing amount of defined benefit plan carried forward to retained earnings | - | - | - | - | - | - | - | - |
| | 5. Other comprehensive income carried forward to retained earnings | - | - | - | - | - | - | - | - |
| | 6. Others | - | - | - | - | - | - | - | - |
| | (V) Special reserve | - | - | - | - | - | - | - | - |
| | 1. Transfer to special reserve in the current year | - | - | - | - | - | - | - | - |
| | 2. Amount utilized in the current year | - | - | - | - | - | - | - | - |
| | (VI) Others | - | - | - | - | - | - | - | - |
| IV | Closing balance of the current year | <u>20,723,619</u> | <u>20,500,000</u> | <u>37,925,332</u> | <u>(355)</u> | <u>12,550</u> | <u>2,016,768</u> | <u>2,090,245</u> | <u>83,268,159</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 contribution from shareholders | - | - | - | - | - | - | - | - |
| 2. Capital contribution and reduction of holders of other equity instruments | - | 10,000,000 | - | - | - | - | - | 10,000,000 |
| 3. Others | - | - | - | - | - | - | - | - |
| (III) Profit distribution | - | - | - | - | - | 293,519 | (3,085,354) | (2,791,835) |
| 1. Transfer to surplus reserve | - | - | - | - | - | 293,519 | (293,519) | - |
| 2. Distributions to shareholders | - | - | - | - | - | - | (2,791,835) | (2,791,835) |
| 3. Others | - | - | - | - | - | - | - | - |
| (IV) Transfers within shareholders' equity | - | - | - | - | - | - | - | - |
| 1. Capitalization of capital reserve | - | - | - | - | - | - | - | - |
| 2. Capitalization of surplus reserve | - | - | - | - | - | - | - | - |
| 3. Loss offset by surplus reserve | - | - | - | - | - | - | - | - |
| 4. Changing amount of defined benefit plan carried forward to retained earnings | - | - | - | - | - | - | - | - |
| 5. Other comprehensive income carried forward to retained earnings | - | - | - | - | - | - | - | - |
| 6. Others | - | - | - | - | - | - | - | - |
| (V) Special reserve | - | - | - | - | - | - | - | - |
| 1. Transfer to special reserve in the current year | - | - | - | - | - | - | - | - |
| 2. Amount utilized in the current year | - | - | - | - | - | - | - | - |
| (VI) Others | - | - | - | - | - | - | - | - |
| 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> |

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 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 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 CMC started upon the approval of the SASAC, whereby CMGC will be merged into CMC. In May 2019, CMGC completed the industrial and commercial registration of its shareholding alteration with its capital contributor changing from SASAC to CMC. The status of CMGC as controlling shareholder and the SASAC as the ultimate controlling shareholder of the Company does not change before or after the Strategic Restructuring.

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

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

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 29 March 2021.

(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 2020 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

During the Reporting Period, there were no significant changes in accounting policies.

(IV) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. *Cash and bank balances*

All amounts in RMB'000

| Items | 31 December 2020 | 31 December 2019 |
|---|---------------------|---------------------|
| Cash | 11,441 | 18,581 |
| Bank deposits | 41,409,099 | 30,757,024 |
| Other cash and bank balances | 11,675,287 | 12,902,057 |
| Total | <u>53,095,827</u> | <u>43,677,662</u> |
| Including: Total amount of deposits abroad | <u>1,333,900</u> | <u>2,725,729</u> |

2. *Bills receivable*

All amounts in RMB'000

| Items | 31 December 2020 | | | 31 December 2019 | | |
|--------------------------------|------------------|---------------------------------|--------------------|------------------|---------------------------------|--------------------|
| | Book value | Provisions for credit losses | Carrying amount | Book value | Provisions for credit losses | Carrying amount |
| Bank acceptance bills | 1,970,938 | - | 1,970,938 | 3,212,570 | - | 3,212,570 |
| Commercial acceptance bills | 4,691,068 | 15,400 | 4,675,668 | 4,714,827 | 9,370 | 4,705,457 |
| Total | <u>6,662,006</u> | <u>15,400</u> | <u>6,646,606</u> | <u>7,927,397</u> | <u>9,370</u> | <u>7,918,027</u> |

3. *Accounts receivable*

All amounts in RMB'000

| Aging | 31 December 2020 | 31 December 2019 |
|------------------------------------|-----------------------------|---------------------|
| Within 1 year | 51,208,541 | 44,923,491 |
| 1 to 2 years | 11,838,375 | 10,692,579 |
| 2 to 3 years | 4,659,742 | 6,652,379 |
| 3 to 4 years | 3,688,508 | 3,780,365 |
| 4 to 5 years | 1,952,971 | 3,772,682 |
| Over 5 years | 9,065,390 | 9,705,858 |
| Total book value | 82,413,527 | 79,527,354 |
| Less: provisions for credit losses | 12,977,047 | 13,500,748 |
| Carrying amount | <u>69,436,480</u> | <u>66,026,606</u> |

4. *Prepayments*

All amounts in RMB'000

| Aging | 31 December 2020 | | 31 December 2019 | |
|---------------|--------------------------|----------------------|-------------------|---------------|
| | Amount | Ratio (%) | Amount | Ratio (%) |
| Within 1 year | 27,856,345 | 81.05 | 18,579,762 | 75.20 |
| 1 to 2 years | 4,051,565 | 11.79 | 2,971,328 | 12.03 |
| 2 to 3 years | 1,154,752 | 3.36 | 802,316 | 3.25 |
| Over 3 years | 1,307,052 | 3.80 | 2,352,439 | 9.52 |
| Total | <u>34,369,714</u> | <u>100.00</u> | <u>24,705,845</u> | <u>100.00</u> |

5. *Other receivables*

(1) *Other receivables analyzed by category*

All amounts in RMB'000

| Items | 31 December 2020 | 31 December 2019 |
|----------------------|-----------------------------|---------------------|
| Interest receivables | 5,580 | 5,996 |
| Dividends receivable | 487,993 | 275,647 |
| Other receivables | 63,731,715 | 57,008,480 |
| Total | <u>64,225,288</u> | <u>57,290,123</u> |

(2) *Other receivables*

(a) Aging analysis of other receivables

All amounts in RMB'000

| Aging | 31 | 31 |
|------------------------------------|--------------------------|--------------------------|
| | December | December |
| | 2020 | 2019 |
| Within 1 year | 42,650,722 | 36,936,544 |
| 1 to 2 years | 6,427,608 | 9,808,190 |
| 2 to 3 years | 6,499,351 | 5,621,348 |
| 3 to 4 years | 5,517,987 | 2,710,241 |
| 4 to 5 years | 2,471,062 | 4,349,244 |
| Over 5 years | 7,506,735 | 3,214,013 |
| Total book value | 71,073,465 | 62,639,580 |
| Less: provisions for credit losses | 7,341,750 | 5,631,100 |
| Carrying amount | <u>63,731,715</u> | <u>57,008,480</u> |

(b) Other receivables categorized by nature

All amounts in RMB'000

| Nature of other receivables | 31 | 31 |
|--|--------------------------|--------------------------|
| | December | December |
| | 2020 | 2019 |
| Guarantee deposits | 30,561,019 | 25,000,477 |
| Loan receivables from related parties | 31,781,493 | 29,261,585 |
| Advance to employees | 316,054 | 329,481 |
| Receivables on disposal of investments | 2,702,393 | 2,704,572 |
| Others | <u>5,712,506</u> | <u>5,343,465</u> |
| Total | <u>71,073,465</u> | <u>62,639,580</u> |

6. Inventories

(1) Categories of inventories

All amounts in RMB'000

| Items | 31 December 2020 | | | 31 December 2019 | | |
|------------------------------------|-------------------|--------------------------|-------------------|-------------------|--------------------------|-------------------|
| | Book value | Provision for impairment | Carrying amount | Book value | Provision for impairment | Carrying amount |
| Raw materials | 5,003,298 | 18,604 | 4,984,694 | 3,604,571 | 62,704 | 3,541,867 |
| Materials procurement | 86,422 | - | 86,422 | 336,880 | - | 336,880 |
| Outsourced processing materials | 10,065 | 330 | 9,735 | 12,792 | - | 12,792 |
| Work in progress | 3,002,146 | 334,043 | 2,668,103 | 2,933,033 | 396,628 | 2,536,405 |
| Finished goods | 2,540,229 | 136,238 | 2,403,991 | 2,799,706 | 180,121 | 2,619,585 |
| Other materials | 640,615 | 1,060 | 639,555 | 650,460 | 6,641 | 643,819 |
| Performance costs of contract | 73,814 | - | 73,814 | 46,177 | - | 46,177 |
| Properties under development | 31,327,122 | 10,169 | 31,316,953 | 33,024,903 | 39,564 | 32,985,339 |
| Completed properties held for sale | 18,901,009 | 502,841 | 18,398,168 | 18,326,849 | 412,808 | 17,914,041 |
| Total | <u>61,584,720</u> | <u>1,003,285</u> | <u>60,581,435</u> | <u>61,735,371</u> | <u>1,098,466</u> | <u>60,636,905</u> |

(2) Provision for impairment

All amounts in RMB'000

| Items | Balance at 31 December 2019 | Increase | | Decrease | | | Balance at 31 December 2020 |
|------------------------------------|-----------------------------|----------------|----------|-----------|----------------|---------------|-----------------------------|
| | | Provision | Others | Reversals | Write-offs | Others | |
| Raw materials | 62,704 | (34,641) | - | - | 9,459 | - | 18,604 |
| Outsourced processing materials | - | 330 | - | - | - | - | 330 |
| Work in progress | 396,628 | (36,955) | - | - | 25,630 | - | 334,043 |
| Finished goods | 180,121 | 74,534 | - | - | 118,417 | - | 136,238 |
| Other materials | 6,641 | (5,581) | - | - | - | - | 1,060 |
| Properties under development | 39,564 | - | - | - | 29,395 | - | 10,169 |
| Completed properties held for sale | 412,808 | 132,421 | - | - | 15,799 | 26,589 | 502,841 |
| Total | <u>1,098,466</u> | <u>130,108</u> | <u>-</u> | <u>-</u> | <u>198,700</u> | <u>26,589</u> | <u>1,003,285</u> |

7. *Contract assets*

(1) *Presentation of contract assets*

All amounts in RMB'000

| Items | 31 December 2020 | | | 31 December 2019 | | |
|---|--------------------------|--------------------------------|--------------------------|--------------------------|--------------------------------|--------------------------|
| | Book value | Provision for impairment | Carrying amount | Book value | Provision for impairment | Carrying amount |
| Contract assets interrelated with engineering contracting services | 82,659,393 | 3,366,039 | 79,293,354 | 71,573,380 | 3,388,866 | 68,184,514 |
| Contract assets interrelated with quality guarantee deposit | <u>4,201,728</u> | <u>295,599</u> | <u>3,906,129</u> | <u>4,908,801</u> | <u>292,740</u> | <u>4,616,061</u> |
| Total | <u><u>86,861,121</u></u> | <u><u>3,661,638</u></u> | <u><u>83,199,483</u></u> | <u><u>76,482,181</u></u> | <u><u>3,681,606</u></u> | <u><u>72,800,575</u></u> |

(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 2020.

On 31 December 2020, the contract assets of the project mentioned above amounted to RMB3,490,889,000. After the completion of the audit mentioned above, the Group will actively follow up with CITIC Group for negotiation and discussion in reaching the final agreed project construction costs and make relevant accounting treatments accordingly.

8. Long-term receivables

All amounts in RMB'000

| Items | 31 | 31 |
|---|-------------------|-------------------|
| | December | December |
| | 2020 | 2019 |
| Long-term receivables on project | 27,489,727 | 25,271,138 |
| Loans to related parties | 773,176 | 1,209,488 |
| Receivables on disposal of equity investments | 333,485 | 333,485 |
| Others | <u>1,224,025</u> | <u>1,512,710</u> |
| Total carrying amount | <u>29,820,413</u> | <u>28,326,821</u> |
| Less: provisions for credit losses of long-term receivables | 2,744,764 | 1,921,114 |
| Total book value | <u>27,075,649</u> | <u>26,405,707</u> |
| Including: Long-term receivables due within 1 year, net | 1,499,007 | 2,078,913 |
| Long-term receivables due over 1 year, net | <u>25,576,642</u> | <u>24,326,794</u> |

9. Bills payable

All amounts in RMB'000

| Items | 31 December | 31 December |
|-----------------------------|-------------------|-------------------|
| | 2020 | 2019 |
| Bank acceptance bills | 27,496,190 | 28,204,347 |
| Commercial acceptance bills | <u>2,976,444</u> | <u>3,282,785</u> |
| Total | <u>30,472,634</u> | <u>31,487,132</u> |

10. Accounts payable

(1) Presentation of accounts payable

All amounts in RMB'000

| Items | 31 | 31 |
|-----------------|--------------------|--------------------|
| | December | December |
| | 2020 | 2019 |
| Project fees | 84,040,670 | 75,708,557 |
| Purchases | 36,962,900 | 31,788,744 |
| Design fees | 797,224 | 706,121 |
| Labor fees | 9,264,773 | 6,010,918 |
| Retention money | 916,344 | 728,681 |
| Others | 1,740,132 | 911,992 |
| Total | <u>133,722,043</u> | <u>115,855,013</u> |

(2) Aging analysis of accounts payable

All amounts in RMB'000

| Aging | 31 December | 31 December |
|---------------|--------------------|--------------------|
| | 2020 | 2019 |
| Within 1 year | 100,720,202 | 84,943,833 |
| 1 to 2 years | 16,921,797 | 14,616,943 |
| 2 to 3 years | 6,104,507 | 6,977,758 |
| Over 3 years | 9,975,537 | 9,316,479 |
| Total | <u>133,722,043</u> | <u>115,855,013</u> |

11. Contract liabilities

All amounts in RMB'000

| Items | 31 | 31 |
|--|-------------------|-------------------|
| | December | December |
| | 2020 | 2019 |
| Contract liabilities relating to engineering contracting service contracts | 69,859,483 | 48,644,973 |
| Contract liabilities relating to sales contracts | 13,250,241 | 14,491,599 |
| Contract liabilities relating to other customers' contracts | 2,544,008 | 1,459,398 |
| Total | <u>85,653,732</u> | <u>64,595,970</u> |

12. Other payables

(1) Other payables disclosed by nature

All amounts in RMB'000

| Categories | 31 December | 31 December |
|-------------------|-------------------|-------------------|
| | 2020 | 2019 |
| Interest payable | 12,868 | 17,986 |
| Dividends payable | 916,864 | 1,627,020 |
| Other payables | 25,780,834 | 24,574,780 |
| Total | <u>26,710,566</u> | <u>26,219,786</u> |

(2) Dividends payable

All amounts in RMB'000

| Items | 31 | 31 |
|--|----------------|------------------|
| | December | December |
| | 2020 | 2019 |
| Dividend declared on perpetual bonds classified as equity instrument | 401,733 | 1,023,324 |
| Other dividends | 515,131 | 603,696 |
| Total | <u>916,864</u> | <u>1,627,020</u> |

(3) *Other payables*

All amounts in RMB'000

| Items | 31 | 31 |
|---------------------------------|--------------------------|--------------------------|
| | December | December |
| | 2020 | 2019 |
| Guarantees and deposits | 19,448,018 | 17,492,598 |
| Rents | 108,418 | 169,662 |
| Utilities | 101,949 | 196,790 |
| Repair and maintenance expenses | 320,477 | 366,510 |
| Others | 5,801,972 | 6,349,220 |
| Total | <u>25,780,834</u> | <u>24,574,780</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 | 398,896,668 | 354,190,985 | 337,588,847 | 298,705,458 |
| Other business | 1,217,955 | 494,586 | 1,048,762 | 541,657 |
| Total | <u>400,114,623</u> | <u>354,685,571</u> | <u>338,637,609</u> | <u>299,247,115</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 | 302,187 | 298,360 |
| Education surcharges | 144,349 | 141,875 |
| Land appreciation tax | 579,183 | 610,445 |
| Property tax | 210,431 | 222,222 |
| Land use tax | 116,794 | 130,722 |
| Stamp duty | 271,862 | 176,858 |
| Other | 343,056 | 315,890 |
| Total | <u>1,967,862</u> | <u>1,896,372</u> |

15. Selling expenses

All amounts in RMB'000

| Items | Amount for the current year | Amount for the prior year |
|--|--|--|
| Packing charges | 4,539 | 5,889 |
| Employee benefits | 1,085,168 | 1,014,774 |
| Depreciation of fixed assets | 15,993 | 17,510 |
| Travelling expenses | 185,584 | 215,069 |
| Office expenses | 191,205 | 172,432 |
| Transportation expenses | 227,775 | 266,244 |
| Advertising and sales service expenses | 422,797 | 413,857 |
| Others | 308,143 | 210,040 |
| Total | <u>2,441,204</u> | <u>2,315,815</u> |

16. Administrative expenses

All amounts in RMB'000

| Items | Amount for the current year | Amount for the prior year |
|-----------------------------------|--|--|
| Employee benefits | 7,711,314 | 6,090,502 |
| Depreciation of fixed assets | 498,235 | 486,717 |
| Travelling expenses | 324,284 | 397,443 |
| Office expenses | 710,720 | 725,537 |
| Lease rentals | 140,988 | 133,046 |
| Repairs and maintenance expenses | 106,549 | 127,606 |
| Amortization of intangible assets | 175,942 | 166,666 |
| Professional service fees | 379,702 | 328,822 |
| Others | 963,586 | 898,323 |
| Total | <u>11,011,320</u> | <u>9,354,662</u> |

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 | 8,039,380 | 6,370,730 |
| Employee benefits | 3,483,127 | 2,835,670 |
| Depreciation of fixed assets | 114,595 | 123,618 |
| Amortization of intangible assets | 16,701 | 18,646 |
| Others | 673,100 | 585,780 |
| Total | <u>12,326,903</u> | <u>9,934,444</u> |

18. Financial expenses

All amounts in RMB'000

| Items | Amount for the current year | Amount for the prior year |
|--|--|--|
| Interest expenses | 4,371,078 | 5,587,485 |
| Less: Capitalized interests | 1,861,108 | 1,437,612 |
| Less: Interest income | 1,738,474 | 2,393,377 |
| Exchange losses | 191,682 | 34,729 |
| Bank charges | 582,884 | 456,653 |
| Interest expenses of lease liabilities | 21,664 | 18,103 |
| Others | 199,672 | 232,283 |
| Total | <u>1,767,398</u> | <u>2,498,264</u> |

19. Impairment losses of credit

All amounts in RMB'000

| Items | Amount for the current year | Amount for the prior year |
|--|--|--|
| Credit losses of bills receivable | (6,030) | 8,550 |
| Credit losses of accounts receivable | (1,082,688) | (598,022) |
| Credit losses of other receivables | (1,277,466) | (959,297) |
| Impairment losses of contract assets | – | (825,583) |
| Credit losses of long-term receivables | (720,485) | (44,187) |
| Total | <u>(3,086,669)</u> | <u>(2,418,539)</u> |

20. Impairment losses of assets

All amounts in RMB'000

| Items | Amount for the current year | Amount for the prior year |
|--|--|--|
| I. Impairment losses of contract assets | (215,820) | – |
| II. Impairment of inventories | (130,108) | (394,535) |
| III. Impairment of long-term equity investments | – | (98,855) |
| IV. Impairment of investment properties | (5,371) | – |
| V. Impairment of fixed assets | (131,335) | (374,222) |
| VI. Impairment of construction in progress | (107,507) | (70,481) |
| VII. Impairment of intangible assets | (2,602) | – |
| VIII. Impairment of goodwill | (595) | (1,656) |
| Total | <u>(593,338)</u> | <u>(939,749)</u> |

21. Investment losses

All amounts in RMB'000

| Items | Amount for the current year | Amount for the prior year |
|--|--|---------------------------------|
| (Losses) gains from long-term equity investments under equity method | (177,587) | 19,754 |
| Investment income on disposal of subsidiaries and long-term equity investments | 9,511 | 107,797 |
| Investment income on disposal of financial assets held-for-trading | 59,822 | 56,549 |
| Investment income from disposal of other non-current financial assets | (53) | 29,754 |
| Investment income from disposal of derivative financial instruments | 13,271 | 5,007 |
| Investment loss from disposal of receivables at FVTOCI | (344,568) | (424,221) |
| Investment income from holding investment in other equity instrument | 61,359 | 63,648 |
| Investment income from holding other non-current financial assets | 77,015 | 97,450 |
| Losses from derecognition of financial assets at amortized cost | (870,347) | (945,269) |
| Others | 31,915 | 2,353 |
| Total | <u>(1,139,662)</u> | <u>(987,178)</u> |

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 | 38,412 | 24,523 | 38,412 |
| Government grants irrelevant to routine activities | 193,031 | 212,022 | 193,031 |
| Unpayable balances | 64,778 | 142,918 | 64,778 |
| Others | 178,783 | 144,314 | 178,783 |
| Total | <u>475,004</u> | <u>523,777</u> | <u>475,004</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 | 24,833 | 23,854 | 24,833 |
| Compensation and default payments | 156,474 | 26,748 | 156,474 |
| Others | 189,447 | 33,433 | 189,447 |
| Total | <u>370,754</u> | <u>84,035</u> | <u>370,754</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 | 2,516,511 | 2,689,518 |
| Deferred tax expenses | 18,402 | (484,179) |
| Total | <u>2,534,913</u> | <u>2,205,339</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 | 11,917,270 | 9,782,158 |
| Income tax expenses calculated at the statutory/applicable tax rate (25%) | 2,979,317 | 2,445,540 |
| Effect of difference between applicable tax rate and statutory tax rate | (936,189) | (528,915) |
| Income not subject to tax | (185,232) | (138,820) |
| Expenses not deductible for tax purposes | 401,762 | 244,814 |
| Utilization of tax losses and other temporary differences for which no deferred income tax assets were recognized previously | (9,306) | (201,196) |
| Tax losses and other temporary differences for which no deferred income tax assets were recognized | 854,593 | 685,684 |
| Others | (570,032) | (301,768) |
| Income tax expense | <u>2,534,913</u> | <u>2,205,339</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 | Amount for the current year | Amount for the prior year |
| (I) Other comprehensive income that will not be reclassified to profit or loss | | |
| 1. Changes in re-measurement of defined benefit obligations | 130,122 | 157,846 |
| Less: Income tax effects on changes in re-measurement of defined benefit obligations | (28,195) | (2,924) |
| Sub-total | 158,317 | 160,770 |
| 2. Fair value changes of investments in other equity instruments | 26,635 | 59,731 |
| Less: Income tax effects arising from fair value changes of investments in other equity instruments | (10,714) | (7,984) |
| Sub-total | 37,349 | 67,715 |

| Items | Amount for the current year | Amount for the prior year |
|--|-----------------------------------|---------------------------------|
| (II) Other comprehensive income that may be reclassified subsequently to profit or loss | | |
| 1. Other comprehensive income that may be included to profit or loss under equity method | (54) | (3) |
| Less: Effect of income tax incurred by other comprehensive income under equity method | — | — |
| Sub-total | <u>(54)</u> | <u>(3)</u> |
| 2. Changes in fair value of receivables at FVTOCI | (34,187) | (106,284) |
| Less: Effect of changes in fair value of receivables at FVTOCI on income tax | (8,824) | (7,217) |
| Sub-total | <u>(25,363)</u> | <u>(99,067)</u> |
| 3. Exchange differences on translating foreign operations | (741,183) | 92,792 |
| Total | <u><u>(570,934)</u></u> | <u><u>222,207</u></u> |

(V) EVENTS AFTER THE BALANCE SHEET DATE

Appropriation of profit after the balance sheet date

According to the decision of the twenty-sixth meeting of the third term of the Board of Directors of the Company, the Company proposed to distribute cash dividend of RMB0.75 (tax inclusive) for every 10 shares held by the shareholders, which amounted to RMB1,554,271,000. The total number of shares of the Company was 20,723,620,000 as at 31 December 2020. The dividend distribution is subject to the approval by the shareholders at the upcoming annual Shareholders meeting.

(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 2020 and as at 31 December 2020

All amounts in RMB'000

| Items | Engineering contracting | Property development | Equipment manufacture | Resource development | Others | Unallocated amounts | Elimination between segments | Total |
|--|-------------------------|----------------------|-----------------------|----------------------|------------|---------------------|------------------------------|--------------|
| Operating revenue | 363,965,127 | 24,114,286 | 11,056,954 | 4,383,658 | 3,702,253 | - | (7,107,655) | 400,114,623 |
| Including: Revenue from external customers | 359,072,735 | 23,362,271 | 10,821,329 | 4,374,376 | 2,483,912 | - | - | 400,114,623 |
| Revenue between segments | 4,892,392 | 752,015 | 235,625 | 9,282 | 1,218,341 | - | (7,107,655) | - |
| Operating costs | 326,948,449 | 19,132,860 | 9,518,033 | 3,145,663 | 2,931,727 | - | (6,991,161) | 354,685,571 |
| Including: External costs | 322,388,234 | 18,494,609 | 9,282,409 | 3,136,381 | 1,383,938 | - | - | 354,685,571 |
| Costs between segments | 4,560,215 | 638,251 | 235,624 | 9,282 | 1,547,789 | - | (6,991,161) | - |
| Operating profit/(loss) | 7,342,525 | 3,493,882 | 354,051 | 357,028 | 646,999 | (281,682) | (99,783) | 11,813,020 |
| Including: Interest income | 1,528,292 | 838,474 | 39,395 | 15,158 | (121,814) | - | (561,031) | 1,738,474 |
| Interest expenses | 2,435,609 | 640,594 | 126,408 | 306,901 | (438,511) | - | (561,031) | 2,509,970 |
| Gains/(losses) on investments in associates and joint ventures | (378,401) | 200,814 | - | - | - | - | - | (177,587) |
| Non-operating income | 411,009 | 26,350 | 18,601 | 15,422 | 3,622 | - | - | 475,004 |
| Non-operating expenses | 310,547 | 54,106 | 678 | 4,746 | 677 | - | - | 370,754 |
| Total profit/(loss) | 7,442,987 | 3,466,126 | 371,974 | 367,704 | 649,944 | (281,682) | (99,783) | 11,917,270 |
| Income tax expense | 1,413,544 | 962,269 | 8,249 | 21,060 | 129,791 | - | - | 2,534,913 |
| Net profit/(net loss) | 6,029,443 | 2,503,857 | 363,725 | 346,644 | 520,153 | (281,682) | (99,783) | 9,382,357 |
| Assets | 386,798,200 | 117,595,745 | 19,019,747 | 16,794,091 | 78,035,494 | 5,637,114 | (117,487,428) | 506,392,963 |
| Including: Long-term equity investments in associates and joint ventures | 20,628,156 | 4,991,282 | - | 65 | 57,452 | - | - | 25,676,955 |
| Non-current assets | 64,402,189 | 6,819,194 | 1,615,990 | 8,796,372 | 36,853,858 | - | (38,945,161) | (79,542,442) |
| Liabilities | 322,468,532 | 90,383,382 | 15,976,893 | 16,605,464 | 36,631,912 | 61,235 | (116,089,762) | 366,037,656 |
| Depreciation and amortization expenses | 1,933,270 | 195,663 | 277,731 | 253,229 | 154,794 | - | - | 2,814,687 |
| Impairment losses of assets and impairment of credit losses | (3,365,948) | (58,859) | (79,915) | (127,234) | (48,051) | - | - | (3,680,007) |
| Increase in other non-current assets other than long-term equity investments | 4,728,736 | 3,602 | 345,972 | 79,062 | 50,428 | - | - | 5,207,800 |

(b) Segment information for the year ended 31 December 2019 and as at 31 December 2019

All amounts in RMB'000

| Items | Engineering contracting | Property development | Equipment manufacture | Resource development | Others | Unallocated amounts | Elimination between segments | Total |
|--|-------------------------|----------------------|-----------------------|----------------------|------------|---------------------|------------------------------|-------------|
| Operating revenue | 311,836,814 | 19,961,558 | 7,232,276 | 5,184,624 | 4,431,952 | - | (10,009,615) | 338,637,609 |
| Including: Revenue from external customers | 305,394,770 | 18,906,755 | 6,359,811 | 5,183,417 | 2,792,856 | - | - | 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 |

(3) *Other notes*

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

All amounts in RMB'000

| Items | Amount for the current year | Amount for the prior year |
|-------------------------|--|---------------------------------|
| China | 382,282,330 | 315,661,497 |
| Other countries/regions | 17,832,293 | 22,976,112 |
| Total | <u>400,114,623</u> | <u>338,637,609</u> |

All amounts in RMB'000

| Items | 31 December 2020 | 31 December 2019 |
|-------------------------|---------------------------------|--------------------------|
| China | 68,823,388 | 64,316,350 |
| Other countries/regions | 10,719,054 | 10,765,700 |
| Total | <u>79,542,442</u> | <u>75,082,050</u> |

- (b) The dependency on major customers

There is no 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

| | Amount for the current year | Amount for the prior year |
|---|--|---------------------------------|
| Net profit for the current year attributable to shareholders of the Company | 7,862,185 | 6,599,712 |
| Including: Net profit from continuing operations | 7,862,185 | 6,599,712 |
| Less: Net profit belonging to the perpetual bond holders | <u>1,190,508</u> | <u>1,007,046</u> |
| Net profit for the current year attributable to ordinary shareholders | <u>6,671,677</u> | <u>5,592,666</u> |

- (2) *For the purpose of calculating basic earnings per share, the denominator is the weighted average number of outstanding ordinary shares*

All amounts in thousand shares

| | Amount for the current year | Amount for the prior year |
|--|--|---------------------------------|
| Number of ordinary shares outstanding at the beginning of the year | 20,723,619 | 20,723,619 |
| Add: Weighted average number of ordinary shares issued during the year | – | – |
| Less: Weighted average number of ordinary shares repurchased during the year | <u>–</u> | <u>–</u> |
| Number of ordinary shares outstanding at the end of the year | <u>20,723,619</u> | <u>20,723,619</u> |

(3) *Earnings per share*

All amounts in RMB

| | Amount for the current year | Amount for the prior year |
|--|--|---------------------------------|
| Calculated based on net profit attributable to ordinary shareholders: | | |
| Basic earnings per share | 0.32 | 0.27 |
| Diluted earnings per share | N/A | N/A |
| Calculated based on net profit from continuing operations attributable to ordinary shareholders: | | |
| Basic earnings per share | 0.32 | 0.27 |
| Diluted earnings per share | N/A | N/A |
| Calculated based on net profit from discontinued operations attributable to ordinary shareholders: | | |
| Basic earnings per share | N/A | N/A |
| Diluted earnings per share | N/A | N/A |

XII. DIVIDENDS

The net profit attributable to the Shareholders in the audited consolidated statement of MCC in 2020 amounted to RMB7,862,185,000 and the undistributed profit of MCC headquarters amounted to RMB2,090,245,000. Based on the total share capital of 20,723.62 million shares, the Company proposed to distribute cash dividend of RMB0.75 (tax inclusive) for every 10 shares and total cash dividend will amount to RMB1,554,271,000, the remaining undistributed profit of RMB535,974,000 for the business development and coming year for distribution of the Company. The total cash dividend proposed by such proposal accounts for 19.77% with respect to the net profit attributable to the shareholders of the listed company in the 2020 consolidated statement of MCC. The above preliminary scheme for profit distribution will be implemented subject to consideration and approval of the Shareholders at the general meeting of the Company. The Company will pay dividends on or before 31 August 2021 subject to approval. Details of the arrangement for the distribution of dividends to shareholders will be notified by the Company separately.

XIII. CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

(I) Changes in ordinary shares

During the Reporting Period, the total number of common shares and share capital structure of the Company remained unchanged.

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

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

Unit: share

| Name of Shareholder (full name) | Shareholding of the top 10 Shareholders | | | | Pledged or frozen | | Nature of Shareholder |
|---|---|--|----------------|--|-------------------|--------|--------------------------|
| | Change during the Reporting Period | Number of Shares held at the end of the period | Percentage (%) | Number of Shares subject to selling restrictions | Status of Shares | Amount | |
| China Metallurgical Group Corporation (中國冶金科工集團有限公司) | -1,227,760,000 | 10,190,955,300 | 49.18 | 0 | Nil | 0 | State-owned legal person |
| HKSCC Nominees Limited (香港中央結算(代理人)有限公司) ⁽²⁾ | 422,950 | 2,841,522,051 | 13.71 | 0 | Nil | 0 | Others |
| China National Petroleum Corporation (中國石油天然氣集團有限公司) | 1,227,760,000 | 1,227,760,000 | 5.92 | 0 | Nil | 0 | State-owned legal person |
| China Securities Finance Corporation Limited (中國證券金融股份有限公司) | 0 | 620,195,642 | 2.99 | 0 | Nil | 0 | State-owned legal person |
| Hong Kong Securities Clearing Company Limited (香港中央結算有限公司) | 18,759,541 | 239,044,402 | 1.15 | 0 | Nil | 0 | Others |

| Name of Shareholder (full name) | Shareholding of the top 10 Shareholders | | | | Pledged or frozen | | Nature of Shareholder |
|--|---|--|----------------|--|-------------------|--------|--------------------------|
| | Change during the Reporting Period | Number of Shares held at the end of the period | Percentage (%) | Number of Shares subject to selling restrictions | Status of Shares | Amount | |
| | | | | | | | |
| Central Huijin Assets Management Company Limited (中央滙金資產管理有限責任公司) | 0 | 90,087,800 | 0.43 | 0 | Nil | 0 | State-owned legal person |
| Dalian Tonghe Investment Co., Ltd. – Tonghe Macro-hedged Phase I Private Equity Fund (大連通和投資有限公司–通和宏觀對沖一期私募投資基金) | 65,000,000 | 65,000,000 | 0.31 | 0 | Nil | 0 | Others |
| Bosera Funds – Agricultural Bank of China – Bosera CSI Financial Assets Management Scheme (博時基金–農業銀行–博時中證金融資產管理計劃) | 0 | 63,516,600 | 0.31 | 0 | Nil | 0 | Others |
| EFund – Agricultural Bank – EFund China Securities and Financial Assets Management Program (易方達基金–農業銀行–易方達中證金融資產管理計劃) | 0 | 63,516,600 | 0.31 | 0 | Nil | 0 | Others |
| Da Cheng Fund – Agricultural Bank – Da Cheng China Securities and Financial Assets Management Program (大成基金–農業銀行–大成中證金融資產管理計劃) | 0 | 63,516,600 | 0.31 | 0 | Nil | 0 | Others |
| 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 |

| Name of Shareholder (full name) | Shareholding of the top 10 Shareholders | | | | Pledged or frozen | | Nature of Shareholder |
|--|---|--|----------------|--|-------------------|--------|-----------------------|
| | Change during the Reporting Period | Number of Shares held at the end of the period | Percentage (%) | Number of Shares subject to selling restrictions | Status of Shares | Amount | |
| 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) | 10,190,955,300 | RMB-denominated ordinary shares | 10,190,955,300 |
| HKSCC Nominees Limited ⁽²⁾ (香港中央結算(代理人)有限公司) | 2,841,522,051 | Overseas-listed foreign shares | 2,841,522,051 |
| China National Petroleum Corporation (中國石油天然氣集團有限公司) | 1,227,760,000 | RMB-denominated ordinary shares | 1,227,760,000 |
| China Securities Finance Corporation Limited (中國證券金融股份有限公司) | 620,195,642 | RMB-denominated ordinary shares | 620,195,642 |
| Hong Kong Securities Clearing Company Limited (香港中央結算有限公司) | 239,044,402 | RMB-denominated ordinary shares | 239,044,402 |
| Central Huijin Assets Management Company Limited (中央滙金資產管理有限責任公司) | 90,087,800 | RMB-denominated ordinary shares | 90,087,800 |

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 |
| Dalian Tonghe Investment Co.,Ltd. – Tonghe Macro-hedged Phase I Private Equity Fund (大連通和投資有限公司–通和宏觀對沖一期私募投資基金) | 65,000,000 | RMB-denominated ordinary shares | 65,000,000 |
| Bosera Funds – Agricultural Bank – Bosera China Securities and Financial Assets Management Program (博時基金–農業銀行–博時中證金融資產管理計劃) | 63,516,600 | RMB-denominated ordinary shares | 63,516,600 |
| EFund – Agricultural Bank – EFund China Securities and Financial Assets Management Program (易方達基金–農業銀行–易方達中證金融資產管理計劃) | 63,516,600 | RMB-denominated ordinary shares | 63,516,600 |
| Da Cheng Fund – Agricultural Bank – Da Cheng China Securities and Financial Assets Management Program (大成基金–農業銀行–大成中證金融資產管理計劃) | 63,516,600 | RMB-denominated ordinary shares | 63,516,600 |
| Harvest Fund – Agricultural Bank – Harvest China Securities and Financial Assets Management Program (嘉實基金–農業銀行–嘉實中證金融資產管理計劃) | 63,516,600 | RMB-denominated ordinary shares | 63,516,600 |
| GF Fund – Agricultural Bank – GF China Securities and Financial Assets Management Program (廣發基金–農業銀行–廣發中證金融資產管理計劃) | 63,516,600 | RMB-denominated ordinary shares | 63,516,600 |
| Zhong Ou Fund – Agricultural Bank – Zhong Ou China Securities and Financial Assets Management Program (中歐基金–農業銀行–中歐中證金融資產管理計劃) | 63,516,600 | RMB-denominated ordinary shares | 63,516,600 |
| China AMC Fund – Agricultural Bank – China AMC China Securities and Financial Assets Management Program (華夏基金–農業銀行–華夏中證金融資產管理計劃) | 63,516,600 | RMB-denominated ordinary shares | 63,516,600 |

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 |
| Yinhua Fund – Agricultural Bank – Yinhua China Securities and Financial Assets Management Program (銀華基金–農業銀行–銀華中證金融資產管理計劃) | 63,516,600 | RMB-denominated ordinary shares | 63,516,600 |
| China Southern Fund – Agricultural Bank – China Southern China Securities and Financial Assets Management Program (南方基金–農業銀行–南方中證金融資產管理計劃) | 63,516,600 | RMB-denominated ordinary shares | 63,516,600 |
| ICBC Credit Suisse Fund – Agricultural Bank – ICBC Credit Suisse China Securities and Financial Assets Management Program (工銀瑞信基金–農業銀行–工銀瑞信中證金融資產管理計劃) | 63,516,600 | RMB-denominated ordinary shares | 63,516,600 |

| | |
|---|--|
| Explanations on the connections or parties acting in concert among the aforesaid Shareholders | The Company is not aware of the existence of any connections or parties acting in concert among the aforesaid Shareholders |
| Explanations on the shareholders of preferred shares whose voting rights have been restored and the number of Shares held | Not applicable |

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

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

(III) Particulars of Controlling Shareholder and de facto controllers

1. Controlling Shareholder

(1) Legal person

| | |
|-----------------------|---------------------------------------|
| Name | China Metallurgical Group Corporation |
| Person in charge | Guo Wenqing |
| Date of incorporation | 1982-12-18 |

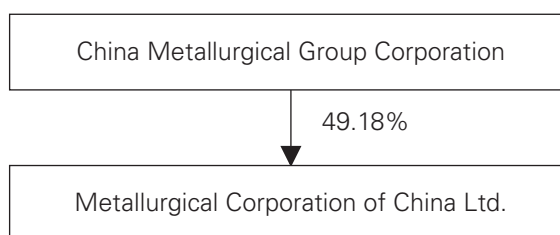
Principal business operations

Scope of business operations: General contracting of various kinds of domestic and international engineering; various kinds of engineering and technology consulting services and leasing of engineering equipment; technology development, technical services, technical exchange and transfer of technology of new materials, new techniques, and new products related to engineering and construction; development, production and sales of equipment required for the metallurgical industry; property development and operation; bidding agent; undertaking various types of international industrial and civilian construction, engineering consulting, surveying, design and leasing of equipment; import and export business; sales of mechanical and electrical products, cars, building materials, instrument and apparatus, and hardware and electric materials; research, planning, survey, design, supervision and services for construction and installation projects of mechanical and electrical equipment and related technology; development and sale of raw materials and products of papermaking; resources development, processing and utilization of metallic mineral products and relevant services.

Equity interests in other domestic and overseas listed companies controlled and held by the Company during the Reporting Period

As at the end of the Reporting Period, CMGC had equity interests of 27% in MCC Huludao Nonferrous Metals Group Co., Ltd., which in turn had a shareholding of 23.59% in Huludao Zinc Industry Co., Ltd. (000751).

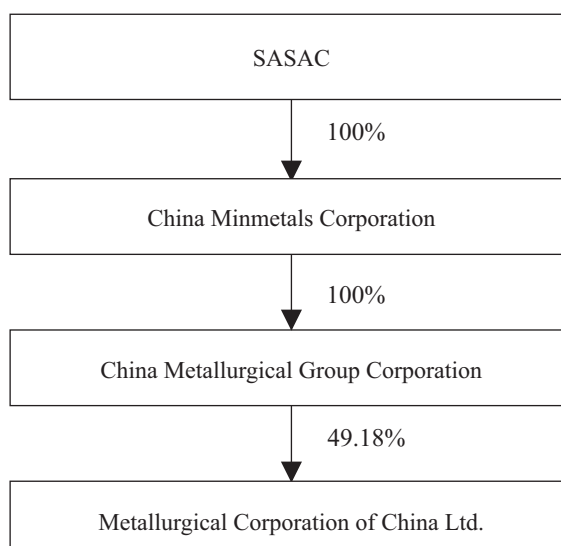
(2) *Diagram of the equity and controlling relationship between the Company and the controlling shareholder*



2. De Facto Controller

The de facto controller of the Company is the SASAC.

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

BASIC INFORMATION ON CORPORATE BONDS

In order to optimize the capital structure of the Company, the Company issued the following corporate bonds. All of the Company's corporate bonds, which are publicly offered and listed on a stock exchange and have not yet expired as of the date of approval of this 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 of paying principal and interest | Stock exchange |
|--|------------|------------|------------------------------------|-----------------|-------------------|-------------------|---|----------------|
| 2017 Corporate Bonds (First Tranche) under the Public Issuance | 17 MCC 01 | 144361 | 24 October 2017 to 25 October 2017 | 25 October 2022 | 5.7 | 4.99 | This tranche of bonds shall bear interest on a yearly basis at single rate rather than compound rate and interest shall be paid each year. Upon expiry at the end of such period, the principal shall be repaid on one-off basis and the interest for the last tranche shall also be paid at the same time | SSE |
| 2018 Corporate Bonds (First Tranche) under the Public Issuance | 18 MCC 01 | 143634 | 7 May 2018 to 8 May 2018 | 8 May 2021 | 8.7 | 4.78 | This tranche of bonds shall bear interest on a yearly basis at single rate rather than compound rate and interest shall be paid each year. Upon expiry at the end of such period, the principal shall be repaid on one-off basis and the interest for the last tranche shall also be paid at the same time. | SSE |
| | 18 MCC 02 | 143635 | | 8 May 2023 | 2.2 | 4.98 | | |

Payment of interest principal amount of corporate bonds

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

Other explanation on corporate bonds

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

XVI. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company continued to comply strictly with the laws and regulations including the PRC Company Law, the PRC Securities Law, the relevant requirements of regulatory authorities such as the CSRC, as well as the relevant requirements of the SSE and the Hong Kong Stock Exchange, constantly standardized the corporate governance and optimized the corporate systems and mechanisms. The Shareholders' Meeting, the Board, the Supervisory Committee, as well as the management of the Company operated in compliance with the laws and regulations in an efficient manner, and further improved the corporate governance level of the Company, laying a favorable foundation for promoting company development and improving shareholder value.

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

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

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 2020.

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

The auditor for 2019 financial report and internal control auditor of the Company is Deloitte Touche Tohmatsu Certified Public Accountants LLP(德勤華永會計師事務所(特殊普通合夥)). Since it has served as the auditor of the Company for six years, in view of the needs of the Company's business development and future auditing, the 2019 annual general meeting of the Company approved the appointment of WUYIGE Certified Public Accountants LLP(大信會計師事務所(特殊普通合夥)) as the Company's auditor of 2020 financial report, review auditor of semi-annual financial report and the Company's 2020 internal control auditor, which is responsible for the annual audit and interim review of the Company's financial statements prepared in accordance with China Accounting Standards for Business Enterprises. Meanwhile, WUYIGE Certified Public Accountants LLP also provides the Company with internal control audit services in relation to financial reports and financial statutory audit services for certain subsidiaries. The audit and review fees for the financial statements for the year was RMB8,080,000, and the internal control audit fee was RMB1,500,000. The certified public accountants who signed the 2020 audit report of the Company are Wang Jin and Cai Jinliang.

XXI. PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2020 will be available on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.mccchina.com) on or before 15 April 2021 for inspection by the Shareholders.

XXII. DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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| “A Share(s)” | the domestic shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the SSE and traded in RMB |
| “A Share Listing Rules” | the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange* |
| “Articles of Association” | the articles of association of Metallurgical Corporation of China Ltd.* |
| “Board” | the board of directors of Metallurgical Corporation of China Ltd.* |
| “China Minmetals” | China Minmetals Corporation |
| “Company” or “MCC” | Metallurgical Corporation of China Ltd.* |
| “connected person(s)” | connected party/parties under A Share Listing Rules and connected person(s) under the H Share Listing Rules |
| “Controlling Shareholder” or “CMGC” | China Metallurgical Group Corporation |
| “Corporate Governance Code” | the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules |
| “CSRC” | the China Securities Regulatory Commission |
| “Director(s)” | the director(s) of the Company, including all executive, non-executive and Independent Non-executive Directors |

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| “H Share(s)” | the overseas listed foreign invested shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars |
| “HK\$” or “Hong Kong dollars” | Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region |
| “Hong Kong Listing Rules” or “H Share Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Independent Non-executive Director” | a director who is independent of the Shareholders of the Company and is not an employee of the Company, has no material business connections or professional connections with the Company or its management and is responsible for exercising independent judgment over the Company’s affairs |
| “MCC Real Estate” | MCC Real Estate Group Co., Ltd. |
| “Model Code” | the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules |
| “Renminbi” or “RMB” | Renminbi, the lawful currency of the PRC |
| “Reporting Period” | from 1 January 2020 to 31 December 2020 |
| “SASAC” | the State-owned Assets Supervision and Administration Commission of the State Council |
| “SFO” or “Securities and Futures Ordinance” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Shareholder(s)” | holder(s) of share(s) of the Company |
| “Shareholders’ Meeting” | the shareholders’ meeting of Metallurgical Corporation of China Ltd.* |

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| “SSE” | the Shanghai Stock Exchange |
| “State Council” | the State Council of the People’s Republic of China |
| “Supervisor(s)” | the supervisor(s) of the Company |
| “Supervisory Committee” | the Supervisory Committee of Metallurgical Corporation of China Ltd.* |
| “USD” | United States dollars, the lawful currency of the United States |

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
29 March 2021

As at the Date of this announcement, the Board of the Company comprises two executive directors: Mr. Guo Wenqing and Mr. Zhang Mengxing; three independent non-executive Directors: Mr. Zhou Jichang, Mr. Yu Hailong and Mr. Ng, Kar Ling Johnny; and one non-executive Director: Mr. Yan Aizhong.

* For identification purpose only