



中國冶金科工股份有限公司
METALLURGICAL CORPORATION OF CHINA LTD.*

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

Stock Code: 1618

2019
ANNUAL
REPORT

** For identification
purpose only*



IMPORTANT NOTICE

- I. The Board and the Supervisory Committee of the Company and its Directors, Supervisors and senior management warrant that there are no false representations, misleading statements contained in or material omissions from the information set out in this annual report, and they severally and jointly accept legal responsibility for the truthfulness, accuracy and completeness of its contents.
- II. The Company convened the 14th meeting of the third session of the Board on 31 March 2020. All Directors of the Company attended the meeting.
- III. Deloitte Touche Tohmatsu CPA LLP issued an unqualified audit report to the Company.
- IV. Guo Wenqing, the Chairman and legal representative of the Company, Zou Hongying, the Vice President and the Chief Accountant of the Company, and Fan Wanzhu, the Deputy Chief Accountant and the Head of the Financial Planning Department, have declared that they warrant the truthfulness, accuracy and completeness of the financial report contained in this annual report.
- V. The proposal for profit distribution or transfer of capital reserve to share capital for the Reporting Period was considered by the Board

The net profit attributable to Shareholders of the Company in the audited consolidated statement of MCC in 2019 amounted to RMB6,599,712 thousand and the undistributed profit of MCC headquarters amounted to RMB1,920,906 thousand. Based on the total share capital of 20,723.62 million shares, the Company proposed to distribute to all Shareholders a cash dividend of RMB0.72 (tax inclusive) for every 10 shares and the total cash dividend is RMB1,492,101 thousand, the remaining undistributed profit of RMB428,805 thousand will be used for the operation and development of the Company and rolled over to the coming year for distribution. The total cash dividend proposed by the plan accounts for 22.61% of the net profit attributable to the Shareholders of the Company in the consolidated statement of MCC in 2019.

- VI. Statement for the risks involved in the forward-looking statements

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

- VII. Is there any misappropriation of non-operating funds by the Controlling Shareholder and its related parties

No

- VIII. Is there any external guarantee made in violation of the required decision-making procedures

No

- IX. Warning of major risks

1. International and domestic macroeconomic trends

All business operations of the Company are affected by the international and domestic macroeconomic environment. Macroeconomic trends inside or outside China may have an impact on various business segments of the Company, including procurement, production and sale, thereby causing fluctuations in the Company's operating performance. Since the Company's operating income is mainly derived from the domestic market, its business operations may perform differently in various domestic economic cycles.

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

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

- X. Others

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

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DEFINITIONS

I. DEFINITIONS

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

Definitions of terms frequently used

“the Company” or “MCC”	Metallurgical Corporation of China Ltd.*
“State Council”	the State Council of the People’s Republic of China
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council
“CSRC”	the China Securities Regulatory Commission
“SSE”	the Shanghai Stock Exchange
“A Share Listing Rules”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange*
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules” or “H Share Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Controlling Shareholder” or “CMGC”	China Metallurgical Group Corporation
“China Minmetals”	China Minmetals Corporation
“MCC Real Estate”	MCC Real Estate Group Co., Ltd.
“Shareholders’ Meeting”	the shareholders’ meeting of Metallurgical Corporation of China Ltd.*
“Shareholder(s)”	holder(s) of share(s) of the Company
“Board”	the board of directors of Metallurgical Corporation of China Ltd.*
“Director(s)”	the director(s) of the Company, including all executive, non-executive and Independent Non-executive Directors
“Independent Director” or “Independent Non-executive Director”	a director who is independent of the Shareholders of the Company and is not an employee of the Company, has no material business connections or professional connections with the Company or its management and is responsible for exercising independent judgment over the Company’s affairs

DEFINITIONS

“Supervisory Committee”	the Supervisory Committee of Metallurgical Corporation of China Ltd.*
“Supervisor(s)”	the supervisor(s) of the Company
“Articles of Association”	the articles of association of Metallurgical Corporation of China Ltd.*
“Rules of Procedures for Board Meetings”	Rules of Procedures of Board Meetings of Metallurgical Corporation of China Ltd.*
“Reporting Period”	from 1 January 2019 to 31 December 2019
“A Share(s)”	the domestic shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the SSE and traded in RMB
“H Share(s)”	the overseas listed foreign invested shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“connected person(s)”	connected party/parties under A Share Listing Rules and connected person(s) under the H Share Listing Rules
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“USD”	United States dollars, the lawful currency of the United States
“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
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Hong Kong Listing Rules



CHAIRMAN'S STATEMENT

Chairman
Guo Wenqing



CHAIRMAN'S STATEMENT

Dear Shareholders,

Life is but a melodious journey on a chromatic long march. In 2019, MCC adhered steadfastly to the strategic positioning of "being the national team for metallurgical construction, the main force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for development with advanced technologies and high quality". The Company ensured its steady growth in proper and clear directions while endeavouring to advance in its development. Results of our operation have again reached a historical new height with steady advancement in the quality of development.

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

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

In terms of enhancing the influence and the core competitiveness in the industry, the Company will accelerate the formation of systematic strength and continuously enhance the core competitiveness of metallurgical construction. We will speed up the optimization of the national team organizational system layout; firmly aim at the "world first target", and highlight the development of the top-tier core businesses; speed up systematic integration and give full play to the advantages of the whole industrial chain integration. The Company will accelerate the enhancement of new momentum and continue to build the core competitiveness of fundamental infrastructure and emerging industries. We will also speed up the creation of a number of first-class enterprises, focus on building a number of first-class brands, and strive to create the unique advantages of multi-sector business integration.

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

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

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

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

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

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

田文清

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

MCC was jointly established by China Metallurgical Group Corporation and Baosteel Group Corporation on 1 December 2008 and was listed on the main board of the SSE and the Hong Kong Stock Exchange on 21 September 2009 and 24 September 2009, respectively, which is one of the largest comprehensive conglomerate of engineering and construction in the PRC and the world.

At present, the A Shares of the Company have been selected to be a constituent stock of the SSE Central State-owned Enterprises Index, MSCI Concept Index, Central State-owned Enterprises Innovation Index and 300 Innovation Index, etc.; while the H Shares have been selected to be a constituent stock of Hang Seng Composite Index, Hang Seng Stock Connect Hong Kong Index, Hang Seng Mainland Composite Index and Hang Seng Infrastructure Index, etc. Specific information of the Company is set out below:

I. CORPORATE INFORMATION

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

II. CONTACT PERSONS AND CONTACT METHOD

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

III. BASIC INFORMATION

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

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

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

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

V. SHARES OF THE COMPANY

Shares of the Company

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

VI. OTHER RELEVANT INFORMATION

Auditor appointed by the Company	Name	Deloitte Touche Tohmatsu CPA LLP
	Office address	12th Floor, China Life Financial Center, Building 23, Knitting Road, Chaoyang District, Beijing
	Signing auditors	Chen Wenlong, Dong Xin
Sponsor performing continuous supervisory duty during the Reporting Period	Name	CITIC Securities Company Limited
	Office address	23/F, CITIC Securities Tower, 48 Liangmaqiao Road, Chaoyang District, Beijing, PRC
	Signing representatives of sponsor	Yang Bin, Chen Shumian
	Period of continuous supervision	CITIC Securities Company Limited acted as the sponsor for the initial public offering of A Shares of MCC on 21 September 2009, and its continuous supervisory period expired on 31 December 2011. As the A Shares proceeds raised by MCC have not been fully utilized, CITIC Securities Company Limited continues to supervise MCC on the use of A Shares proceeds, and performs the relevant continuous supervisory duties after the expiry of continuous supervisory period. CITIC Securities Company Limited, acting as the sponsor for the non-public issuance of A Shares of MCC (the share registration was completed on 6 January 2017), performed sponsoring duty for the management and use of proceeds from the non-public issuance of A Shares of the Company and carried out continuous supervisory work.
PRC legal advisor appointed by the Company	Name	Beijing Jia Yuan Law Offices
	Office address	F408 Ocean Plaza, 158 Fu Xing Men Nei Avenue, Xicheng District, Beijing
Overseas legal advisor appointed by the Company	Name	Latham & Watkins LLP
	Office address	18th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

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

(I) Major accounting data

Unit: RMB'000

Major accounting data	2019	2018	Increase/decrease for the period as compared to the corresponding period of the previous year (%)	2017
Operating revenue	338,637,609	289,534,523	16.96	243,999,864
Net profit attributable to Shareholders of the Company	6,599,712	6,371,580	3.58	6,061,488
Net profit attributable to Shareholders of the Company after deducting non-recurring profits and losses	5,812,260	6,152,241	-5.53	5,466,980
Net cash flow generated from operating activities	17,577,933	14,049,970	25.11	18,417,847

	At the end of 2019	At the end of 2018	Increase/decrease at the end of the period as compared to the corresponding period of the previous year (%)	At the end of 2017
Net assets attributable to Shareholders of the Company	97,949,725	83,943,362	16.69	82,499,829
Total assets	458,506,213	438,915,843	4.46	414,565,174

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

(II) Major financial indicators

Major financial indicators	2019	2018	Increase/decrease for the period as compared to the corresponding period of the previous year (%)	2017
Basic earnings per share (RMB/Share)	0.27	0.26	Increased by RMB0.01	0.26
Diluted earnings per share (RMB/Share)	N/A	N/A	N/A	N/A
Basic earnings per share after deducting non-recurring profits and losses (RMB/Share)	0.23	0.25	Decreased by RMB0.02	0.23
Weighted average return on net assets (%)	7.99	8.25	Decreased by 0.26 percentage point	8.44
Weighted average return on net assets after deducting nonrecurring profits and losses (%)	6.87	7.92	Decreased by 1.05 percentage points	7.49

(III) Financial Highlights

1. Overview

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

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

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

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

2. *Revenue from Principal Business Segments*

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

(1) Engineering Contracting Business

Operating revenue amounted to RMB311,837 million, representing an increase of RMB53,506 million or 20.71% from RMB258,331 million in 2018.

(2) Property Development Business

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

(3) Equipment Manufacturing Business

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

(4) Resources Development Business

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

(5) Other Businesses

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

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

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

3. Summary of financial statements

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

(1) Consolidated Income Statement

Unit: RMB'000

Item	Note	Amount for the year of 2019	Amount for the year of 2018
I. Total operating revenue		338,637,609	289,534,523
Including: Operating revenue	VII 52	338,637,609	289,534,523
II. Total operating costs		325,246,672	276,008,889
Including: Operating costs	VII 52	299,247,115	253,121,966
Taxes and levies	VII 53	1,896,372	2,412,583
Selling expenses	VII 54	2,315,815	2,108,541
Administrative expenses	VII 55	9,354,662	8,569,093
Research and development expenses	VII 56	9,934,444	7,182,666
Financial expenses	VII 57	2,498,264	2,614,040
Including: Interest expenses		4,149,873	3,887,553
Interest income		2,393,377	2,063,982
Add: Other gains	VII 58	241,945	237,653
Investment losses	VII 59	(987,178)	(262,199)
Including: Gains from investments in associates and joint ventures		14,461	1,857
Losses from derecognition of financial assets at amortised cost		(945,269)	(334,841)
Losses from changes in fair values	VII 60	(12,810)	28,999
Impairment losses of credit	VII 61	(2,418,539)	(2,671,338)
Impairment losses of assets	VII 62	(939,749)	(1,165,150)
Gains from disposal of assets	VII 63	67,810	138,415
III. Operating profit		9,342,416	9,832,014
Add: Non-operating income	VII 64	523,777	449,866
Less: Non-operating expenses	VII 65	84,035	757,436
IV. Total profit		9,782,158	9,524,444
Less: Income tax expenses	VII 66	2,205,339	1,953,837
V. Net profit		7,576,819	7,570,607
(I) As classified by continuity of operation			
Net profit from continuing operations		7,576,819	7,570,607
Net profit from discontinued operations		-	-

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

Item	Note	Amount for the year of 2019	Amount for the year of 2018
(II) As classified by vested ownership			
Net profit attributable to Shareholders of the Company		6,599,712	6,371,580
Profit or loss of minority Shareholders		977,107	1,199,027
VI. Other comprehensive income, net of income tax	VII 67	222,207	(64,288)
Other comprehensive income attributable to Shareholders of the Company, net of income tax		214,714	(134,606)
(I) Items that will not be reclassified subsequently to profit or loss		225,096	(342,483)
1. Re-measurement of defined benefit obligations		163,322	(193,430)
2. Changes in fair value of investments in other equity instruments		61,774	(149,053)
(II) Items that may be reclassified subsequently to profit or loss		(10,382)	207,877
1. Other comprehensive income to be reclassified into profit or loss under equity method		(5)	(4)
2. Changes in fair value of receivables financing		(91,861)	–
3. Exchange differences on translating foreign currency statements		81,484	207,881
Other comprehensive income attributable to non-controlling interests, net of tax		7,493	70,318
VII. Total comprehensive income		7,799,026	7,506,319
Total comprehensive income attributable to Shareholders of the parent company		6,814,426	6,236,974
Total comprehensive income attributable to non-controlling interests		984,600	1,269,345
VIII. Earnings per share	XV3		
(I) Basic earnings per share (RMB/share)		0.27	0.26
(II) Diluted earnings per share (RMB/share)		N/A	N/A

(2) Summary of Consolidated Total Assets and Total Liabilities at the end of December 2019

Unit: RMB'000

	31 December 2019	31 December 2018
Total assets	458,506,213	438,915,843
Total liabilities	341,600,705	336,246,399
Total Shareholders' equity	116,905,508	102,669,444

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

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

Applicable Not applicable

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

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

IX. MAJOR FINANCIAL DATA IN 2019 ON A QUARTERLY BASIS

Unit: RMB'000

	The first quarter (January–March)	The second quarter (April–June)	The third quarter (July–September)	The fourth quarter (October– December)
Operating revenue	63,106,772	95,910,607	69,067,577	110,552,653
Net profit attributable to Shareholders of the Company	1,766,899	1,389,983	877,920	2,564,910
Net profit attributable to Shareholders of the Company after deducting non-recurring profits and losses	1,682,490	1,279,799	761,799	2,088,172
Net cash flow generated from operating activities	-13,935,490	8,703,462	-5,402,642	28,212,603

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

Applicable Not applicable

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

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

Unit: RMB'000

Non-recurring profit and loss items	Amount in 2019	Note (if applicable)	Amount in 2018	Amount in 2017
Profit or loss on disposal of non-current assets	67,810	Note XVII	138,415	99,013
Tax refund or exemption in relation to documents of unauthorized approval or without formal approval or of incidental nature	-	-	-	-
Government grants recognized in current profit or loss (except for the government grants that are closely related to the normal operating business of the Company and received in a certain amount or fixed quantity in accordance with the state's regulations)	593,562	Note XVII	635,756	634,548
Fund possession cost paid by non-financial enterprises and recorded under current profit and loss	-	-	-	-
The excess of the fair value of identifiable net assets acquired over the cost for acquisition of subsidiaries, associates and joint ventures	-	-	-	599
Profit/loss of non-monetary asset swap	-	-	-	-
Profit/loss from entrusted investment or asset management	-	-	-	-
Provision for impairment of assets due to force majeure, i.e. natural disaster	-	-	-	-
Profit/loss from debt restructuring	-	-	-	-
Corporate restructuring expenses, i.e. expenses on employee placement, integration costs, etc.	-	-	-	-
Profit/loss from the excess of the fair value of a transaction of unfair consideration	-	-	-	-
Current net profit/loss of subsidiaries resulting from merger of enterprises under common control from the beginning of the period to the date of merger	-	-	-	-
Profit/loss from contingencies irrelevant to the normal operating business of the Company	-	-	-	-

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

Non-recurring profit and loss items	Amount in 2019	Note (if applicable)	Amount in 2018	Amount in 2017
Profit/loss from the change of fair value of financial assets held for trading and financial liabilities held for trading and investment income from the disposal of financial assets held for trading and financial liabilities held for trading and available-for-sale financial assets except for those gain/loss relating to the hedging transactions under the Company's normal operating business	/	-	/	43,932
Profit/loss from the change of fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, and investment income from the disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments except for those gain/loss relating to the hedging transactions under the Company's normal operating business	78,500	Note XVII	51,934	/
Write back of the provision for impairment of accounts receivable that is individually tested for impairment	/	-	/	-
Write back of the provision for impairment of accounts receivable and contract assets that is individually tested for impairment	-	-	-	/
Profit/loss from external entrusted loans	-	-	-	-
Profit/loss from changes in fair value of investment properties using the fair value model for subsequent measurement	-	-	-	-
Effects of one-off adjustment to current profit/loss in accordance with laws and regulations on taxation and accounting, etc.	-	-	-	-
Income of entrustment fees from entrusted operations	-	-	-	-
Other non-operating income and expenses other than the above items	227,720	Note XVII	-465,729	27,713
Other profit or loss items that fall within the meaning of non-recurring profit and loss	107,797	Note XVII	32,071	64,525
Impact on non-controlling interests	-106,881	Note XVII	-90,758	-99,952
Impact on income tax	-181,056	Note XVII	-82,350	-175,870
Total	787,452	Note XVII	219,339	594,508

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

XI. ITEMS MEASURED UNDER FAIR VALUE

Unit: RMB'000

Item	Balance at the beginning of the period	Balance at the end of the period	Changes during the period	Impact on the profit of the current period
Financial assets held for trading	1,124,150	2,162,432	1,038,282	44,831
Receivables financing	2,072,511	7,855,940	5,783,429	-424,221
Other investments in equity instruments	1,867,964	1,871,747	3,783	63,648
Other non-current financial assets	4,214,624	4,171,068	-43,556	131,810
Derivative financial assets	2,365	401	-1,964	3,043
Derivative financial liabilities	-496	-4,230	-3,734	-3,734
Total	9,281,118	16,057,358	6,776,240	-184,623

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

(I) Engineering Contracting Business

1. Industry Overview

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

In 2019, the iron and steel sector showed relatively steady development where the production rose and demand plateaued at a high level, which led to a year-on-year increase of 26% in the fixed asset investment of the ferrous metallurgy, smelting and rolling processing industry for the year. As green development and intelligent manufacturing are the focused areas for future steel industry investment, iron and steel enterprises are attaching more importance to technological innovation and the development of high-end products, and strived to speed up structural adjustments, transformation and upgrade and environmental protection reforms. There are increasing new opportunities for transformation and upgrade, energy saving and environmental protection and operation service in the domestic iron and steel industry, and the whole sector has relatively strong market demand for green development, smart development and high-level operation service, which provided numerous opportunities for the Company to strive for achieving "further advancement, further optimization and further re-creation of the national team for metallurgical construction" in its traditional core business.

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

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

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According to statistics from the Ministry of Commerce and State Administration of Foreign Exchange, in 2019, China's overseas direct investment of the entire industry amounted to RMB807.95 billion, down 6% year on year (equivalent to USD117.12 billion, down 9.8% year on year), among which, domestic investors conducted non-financial direct investment with an accumulated amount of RMB762.97 billion, down 4.3% year on year (equivalent to USD110.6 billion, down 8.2% year on year), in 6,535 foreign enterprises based in 167 countries and regions in the world. According to statistics from the Ministry of Commerce, in 2019, the total amount of turnover of completed overseas contracting projects amounted to RMB1,192.75 billion, increased by 6.6% year on year (equivalent to USD172.9 billion, increased by 2.3% year on year); the value of newly signed contracts amounted to RMB1,795.33 billion, increased by 12.2% year on year (equivalent to USD260.25 billion, increased by 7.6% year on year); the externally dispatched labours through external labour cooperation numbered 487,000, down 5,000 as compared with the corresponding period last year, of which, 211,000 were dispatched under contracting projects, and 276,000 were dispatched under labour corporation. Various labours staying overseas as at the end of 2019 numbered 0.992 million, down 4,000 as compared with the corresponding period last year.

2. Operating Results of the Business

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

Overall operating results of the engineering contracting business in 2019

Unit: RMB'000

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

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

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(1) Metallurgical Engineering Construction Business

As the largest and most capable metallurgical construction contractors and operating service providers of metallurgical enterprises in the world, during the Reporting Period, the Company regarded being the national team of the world's top metallurgical construction as the target. By strictly following the pace of green development and intelligent manufacturing in domestic iron and steel industry, the Company has re-constructed a new supply system of metallurgical construction service, which was in line with future sustainable development, standing firmly on the top of the world's technology and the high end of industry chain value, undertook the national responsibility of guiding the metallurgy in China to a higher level and to the central world stage, and establish the core technology and control capabilities in eight major parts and nineteen units of the traditional metallurgical procedures of the Company, thereby providing overall solutions for the entire industry chain of iron and steel enterprises. The Company also accelerated the transformation and upgrade of traditional technology to form irreplaceable technology strength by focusing on sections such as green, intelligent and high-end operation services. In terms of market expansion, the Company paid attention to leveraging the advantages of the entire industry chain, grasped opportunities and took the initiative to implement central coordination and arrangement. While ensuring that large and medium-sized projects of major iron and steel companies kept up with pace, the Company firmly consolidated the absolute status of being the "national team for metallurgical construction".

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

Unit: RMB'000

Items of revenue	2019		2018		2017	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Metallurgical engineering	70,286,830	22.54	64,836,330	25.10	48,097,655	23.06

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

REPORT OF DIRECTORS

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

No.	Name of Project	Contractual Amount (RMB100 million)
Domestic Projects		
1	EPC General Contracting Project of Coking System for Jiahua Chemical Industry Park of Tangshan Jiahua Coal Chemical Co., Ltd. (唐山佳華煤化工有限公司佳華公司化工園區項目煉焦系統EPC總承包工程項目)	19.6
2	Engineering General Contracting Project for Major and Ancillary Steel Making Facilities (Phase I) of Fangchenggang Steel Base in Guangxi Province (廣西省防城港鋼鐵基地項目(一期)一煉鋼主體設施及輔助設施工程總承包項目)	17.5
3	EPC General Contracting Project for Industrial Upgrading of HBIS Group Co., Ltd. and Production Capacity Transfer of HBIS Group Xuansteel Company (Long Product – Rebar, 3# Line and Medium Rebar Area) (河鋼產業升級及宣鋼產能轉移項目(長材工程棒材、3#線、中棒區域)EPC總承包項目)	16.6
4	3,800mm Middle and Thick Plate Production Line Redevelopment Project for Yingkou Jinghua Iron and Steel Co., Ltd. in Liaoning Province (遼寧省營口京華鋼鐵有限公司3800mm中厚板生產線續建項目)	15.4
5	General Contracting Project of Steelmaking Engineering for Environmental Protection Product Upgrading of HBIS Shijiazhuang Iron & Steel Co., Ltd. (河鋼集團石家莊鋼鐵有限責任公司環保搬遷產品升級改造項目煉鋼工程總承包項目)	15.4
6	EPC General Contracting Project for Upgrade and Renovation of Coke Oven of Fujian Sangang Minguang Co., Ltd. (福建三鋼閩光股份有限公司焦爐升級改造EPC總承包項目)	13.0
7	New Steel-making (Phase 1) Project of Baosteel Desheng Luoyuan Stainless Steel Co., Ltd. in Luoyuan County, Fujian Province (福建省羅源縣寶鋼德盛不銹鋼有限公司新煉鋼(一步)項目)	11.2
8	EPC General Contracting Project for Production Capacity Replacement (Luoyuan Minguang) and Ancillary Project of H-shaped Steel Production Line with Annual Output of 1.3 Million Tons of San Gang Group of Fujian Luoyuan Minguang Iron & Steel Co., Ltd. (福建羅源閩光鋼鐵有限責任公司三鋼集團產能置換(羅源閩光部分)及配套項目年產130萬噸H型鋼生產線EPC總承包項目)	10.5
9	EPC General Contracting Project for Industrial Upgrading of HBIS Hegang and Production Capacity Transfer of Xuangang (long product-steel making and continuous casting) (河鋼產業升級及宣鋼產能轉移項目長材工程-煉鋼連鑄EPC總承包項目)	10.1
10	General Contracting Project for Design, Supply and Construction of Steelmaking for Reorganization, Relocation, Renovation of Hebei Taihang Iron and Steel Group Co., Ltd. (河北太行鋼鐵集團有限公司重組搬遷改造項目煉鋼工程設計、供貨、施工總承包項目)	9.3
11	Construction Project (Section II) for Hot Rolling Engineering of No. 3 Blast Furnace System of Baosteel Zhanjiang Iron & Steel (寶鋼湛江鋼鐵三高爐系統項目熱軋工程2標施工項目)	9.0
12	Contracting Project of Design, and Supply, Construction and Installation of Public Auxiliary Equipment of ESP Endless Strip Steel and Deep Processing Plant for Reorganization, Relocation and Renovation of Hebei Taihang Iron and Steel Group Co., Ltd. (河北太行鋼鐵集團有限公司重組搬遷改造項目ESP無頭帶鋼及深加工工程工廠設計、公輔設備供貨、建安施工承包項目)	9.0
13	EPC General Contracting Supplemental Agreement on 5# and 6# Coke Oven Environmental Protection Relocation Project of Tangshan Ganglian Coking Co., Ltd. (唐山鋼聯焦化有限責任公司5#、6#焦爐環保搬遷工程EPC總承包補充協議)	9.0
14	EPC General Contracting Project for Production Capacity Replacement (Luoyuan Min Guang) and 1 × 120t Converter Steel-making Project of Ancillary Project for San Gang Group (三鋼集團產能置換(羅源閩光部分)及配套項目1 × 120t轉爐煉鋼工程EPC總承包項目)	8.8
15	General Contracting Project for Design, Supply and Construction of 2 × 300m ² Sintering Machine for Reorganization, Relocation, Renovation of Hebei Taihang Iron and Steel Group Co., Ltd. (河北太行鋼鐵集團有限公司重組搬遷改造項目2 × 300m ² 燒結機工程設計、供貨、施工總承包項目)	8.8

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No.	Name of Project	Contractual Amount (RMB100 million)
Overseas Projects		
1	The Metallurgical Project of Li Bai Metal Co., Ltd with an Annual Output of 300,000 Tons of Nickel Iron in Indonesia (印度尼西亞李白金屬有限公司年產30萬噸鎳鐵冶煉項目)	21.8
2	Nachu Graphite Mine Project in Tanzania (坦桑尼亞Nachu石墨礦項目)	19.1
3	The Project of 800,000 tons of Clean type, Heat-recovery Coke Oven of Eastern Steel in Malaysia (馬來西亞東鋼80萬噸清潔型熱回收焦爐項目)	17.1
4	OBI Nickel-Cobalt Project in Indonesia (印度尼西亞OBI鎳鈷項目)	12.6
5	Steel Rolling Project with Annual Output of 1,500,000 Tons for Indonesia New-Asia International Co., Ltd. (印尼新亞洲國際有限公司年產150萬噸軋鋼項目)	10.8

(2) Non-Steel Engineering Construction Business

① Fundamental Construction

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

PPP model, a new investment model, is a concrete measure for comprehensive and deep reforms across the country. Launching PPP business is advantageous to the acquisition of large-scale and high-quality projects, the Company's entry into new markets and business fields, the enhancement of its negotiation capabilities, the gain of better project conditions, the increase of project profit rates and the consolidation and improvement of its market competitiveness and shares. During the Reporting Period, on the one hand, with reference to market conditions and regulatory requirements, the Company timely adjusted and implemented its approach of the PPP business, further tightened risk control, strengthened project access management, expanded the scale and improved the quality of individual projects and controlled the total number of projects; on the other hand, priority was put on the implementation of projects at hand. The Company continued to implement engineering projects under PPP model and seized the strategic opportunity to strengthen market development, expand its business scale, raise its new contract amount, and drive its transformation and upgrade. For the entire year 2019, the Company won the bids for 24 new PPP projects and the total investment amount was RMB138.7 billion. In terms of industry distribution, the PPP projects mainly included municipal engineering, transportation, water conservancy construction, tourism, sports and technology.

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

REPORT OF DIRECTORS

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

Unit: RMB'000

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

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

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

No.	Name of Project	Contractual Amount (RMB100 million)
Domestic Projects		
1	Construction Project of Living Environment Improvement in Zhanxi District, Tangshan City, Hebei Province (河北省唐山市站西片區人居环境整治建設工程項目)	78.0
2	General Contracting Project of PPP Project (Contract Phase II) for Kaizhou, Chongqing to Yunyang Expressway (Jiangkou – Yunyang – Longgang Section) (重慶開州至雲陽高速(江口-雲陽-龍缸段)PPP項目工程施工總承包(第二合同段)項目)	68.0
3	General Contracting Construction of PPP Project for Construction of Yongde (Lianziqiao) – Gengma (Mengjian) Highway in Yunnan Province (雲南省永德(鏈子橋)至耿馬(勐簡)高速公路建設PPP項目施工總承包項目)	61.5
4	EPC Project for Eight Convenient Service Centers for Citizens at Nongye East Road and Ruyi East Road in Zhengdong New Area, Zhengzhou City, Henan Province (河南省鄭州市鄭東新區農業東路、如意東路等八個便民服務中心EPC項目)	50.0
5	Construction General Contracting (EPC) Project for Renovation (Phase II) of Shanty Towns in High-tech Zone, Xiaogan City, Hubei Province, in 2018 (湖北省孝感高新區2018年棚戶區改造項目(二期工程)工程總承包(EPC)項目)	45.7
6	Construction Project of Olympic Center Project in Lanzhou City, Gansu Province (甘肅省蘭州奧體中心工程施工項目)	45.1
7	General Contracting (EPC) Project for Comprehensive Renovation of High-tech Avenue (Third Ring Road – Outer Ring Road) in Wuhan City, Hubei Province (湖北省武漢市高新大道(三環線外環線)綜合改造工程總承包(EPC)項目)	40.9
8	Municipal Road Construction Project (Section II) for Qinghu South Section of Meiguan Expressway in Shenzhen City (深圳市梅觀高速清湖南段市政道路工程施工二標段項目)	39.6
9	New Construction (G107RX-SG-2 Section) Project of First-class Highway of G107 Line (Xinyang City Section) in Henan Province (河南省G107線繞信陽市區段一級公路新建工程(G107RX-SG-2標段)項目)	38.5
10	Investment and Construction of Modern Logistics and Cross-border Trade Project in Comprehensive Bonded Zone in Chengdu City, Sichuan Province (四川省成都市綜保區現代物流和跨境貿易項目投資建設)	35.0
11	Construction Project for Renovation of Vulnerable Buildings in Chuiyangliu, Beijing (北京垂楊柳危改項目施工項目)	30.0

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No.	Name of Project	Contractual Amount (RMB100 million)
12	Construction Project of Tongluowan No. 1 in Laibin City, Guangxi Zhuang Autonomous Region (廣西壯族自治區來賓市銅鑼灣1號施工項目)	29.8
13	Shanhu Park Project of Phase III Ronghu Yihao in Zhecheng County, Shangqiu City, Henan Province (河南省商丘市柘城縣容湖壹號三期山湖公園工程)	29.4
14	EPC General Contracting Project of Renovation Project of Shanty Town for the year 2018 (Sunshine City Hu'an) in Jining City, Shandong Province (山東省濟寧市2018年棚戶區改造項目(陽光城市濡岸) EPC總承包項目)	29.2
15	Weifang Tourism & Holiday Integrated Project (Integrated Commercial District) for Century Shengda Golden Peony Global Carnival in Weifang City, Shandong Province (山東省濰坊世紀盛達金牡丹環球嘉年華濰坊旅遊度假綜合項目(綜合商業區)工程)	29.0
Overseas Project		
1	Contracting Project of SKY VILLA in Cambodia (柬埔寨SKY VILLA工程承包項目)	6.3
2	General Contracting Project of Sindeli JKT LIVING STAR Apartment in Jakarta, Indonesia (新得利印尼雅加達JKT LIVING STAR 公寓樓總承包項目)	5.9
3	General Contracting Project of Property Development on Bernam Street, Tanjong Pagar, Singapore (新加坡丹戎巴葛柏南街地產開發項目總承包項目)	5.6
4	The First Contracting Project for Section I of Central Expressway in Sri Lanka (斯里蘭卡中部高速公路第一標段第一合同承包項目)	5.6

② Emerging Industries

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

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

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

In the area of special theme projects, the Company, as the world’s largest contractor for theme park construction with the only professional design institute for theme parks in China, is the country’s one and only enterprise qualified for both theme park design and the execution of entire construction projects.

In the healthcare and senior care field, the Company conformed to the development trend of the industry and the urging demand of the market by adopting the double innovative mode of “research institute + healthcare and senior care investment platform”. Leveraging the technological advantage of the Healthcare and Senior Care Industry Technology Research Institute of MCC, the Company offered owners with all-round and comprehensive services of “healthcare, rehabilitation, senior care, health-consciousness, fitness, travel and culture” with professional and full-range perspectives. During the Reporting Period, the Company won the bid for and newly signed several key projects, striving to boost the brand influence of “Healthcare and Senior Care +”.

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

No.	Name of Project	Contractual Amount (RMB100 million)
Urban Integrated Subterranean Pipeline Corridor Projects		
1	EPC General Contracting Project of Comprehensive Pipe Corridor and Supporting Structure of Guangzhou Knowledge City (廣州知識城綜合管廊及配套設施工程項目EPC總承包項目)	23.3
2	Main Construction for Comprehensive Development in Underground Area of Keyuan Avenue, Shenzhen City (深圳市科苑大道地下空間綜合開發主體工程項目)	16.6
3	Construction General Contracting for PPP Project of Beichen East Road, Integrated Piping System and Ancillary Engineering in Beichen District, Tianjin City (天津市北辰區北辰東道道路、綜合管廊及附屬工程PPP項目施工總承包項目)	14.9
4	General Contracting (Main Project of Part A) Project of No. 16 Line Co-constructed Pipe Corridor (Integrated Well No. 10 – Integrated Well No. 17) in Shenzhen City (深圳市16號線共建管廊(綜合井10-綜合井17)工程施工承包合同(A部分主體工程)項目)	12.6
5	General Contracting Project of Construction for PPP Project of Integrated Corridor in South Unit 03 of Donglihu Area, Dongli District, Tianjin City (天津市東麗區東麗湖地區03單元南區管廊道路綜合配套PPP項目施工總承包項目)	10.2

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No.	Name of Project	Contractual Amount (RMB100 million)
Theme Park Projects		
1	Construction Project for Major and Ancillary Facilities for the Theme Park in Evergrande Cultural and Tourism Town in Cangzhou, Hebei Province (河北省滄州恒大文化旅遊城主題樂園主體及配套建設項目)	20.0
2	Construction Project for Main Body and Supporting Facilities of Children's Paradise of Evergrande Cultural Tourism City in Shenyang City (瀋陽恒大文化旅遊城童世界樂園主體及配套建設項目)	20.0
3	Main Structure and Supporting Engineering of Evergrande Cultural & Tourism Theme Park in E'zhou City, Hubei Province (湖北省鄂州恒大文化旅遊主題樂園主體及配套建設工程施工項目)	20.0
4	Engineering General Contracting Project (After Capital Contribution) for the Culture Park Project of "Journey to the West" in Huai'an, Jiangsu Province (江蘇省淮安西遊記文化體驗園(增資後)工程總承包項目)	15.4
5	Pile Foundation Project for the year 2019– 2020 of Jiangsu Company of Tongshijie Construction Group (童世界建設集團江蘇公司2019–2020年度樁基工程項目)	7.0
Sponge City Project		
1	Construction Project for Urban Infrastructure and Ancillary Facilities and Environmental Improvements in Boxing County of Binzhou, Shandong Province (山東省濱州市博興縣城區基礎設施配套及環境提升建設項目)	10.9
Special Town Projects		
1	(EPC) General Contracting Project of Health Care Small Town in Cihu High-tech Zone, Ma'anshan City, Anhui Province (安徽省馬鞍山市慈湖高新區健康小鎮工程(EPC)總承包項目)	29.5
2	Phase I Project of Yanqi Lake Town for International Tourism, Vacation and Research and Pastoral Complex in Shijiazhuang, Hebei Province (河北省石家莊燕棲湖國際旅遊度假研學小鎮及田園綜合體一期項目)	28.8
3	Engineering Construction Project of Bailulin Town Project in Hubei Province (湖北白鷺林小鎮項目建設工程施工項目)	28.0
4	EPC Projects for Jinji Lake and Surrounding Municipal Roads, Connecting Roads between New District and Old District, etc. of Shipai Xiqu Cultural Characteristic Town in Huaining County, Anhui Province (安徽省懷寧縣石牌戲曲文化特色小鎮—金雞湖及周邊市政道路、新區及老區連接道路等EPC項目)	7.6
Water Environment Treatment Projects		
1	EPC+O (Survey and Design, Procurement, Construction + Operation) Project for Black and Odorous (Substandard) Water Control and Improvement (Project III) in the Central Part of Zhongshan City, Guangdong Province (廣東省中山市中心組團黑臭(未達標)水體整治提升工程(項目三)EPC+O(勘察設計、採購、施工+運營)項目)	29.8
2	Phase I of Comprehensive Habitat Restoration Project (East and West Zones) and Phase II of Collaborative Project by Social Joint Venture (South Zone) (Shaxi Line to Chuan-Shan Road Section) for the Around-city Ecological Zone in Chengdu City, Sichuan Province (四川省成都市環城生態區生態修復綜合項目(東、西片區)一期、(南片區)二期社會合資合作方沙西線至川陝路標段合作項目)	14.3
3	Design and Construction (EPC) General Contracting Project for Integration, Development and Construction of Ecological Restoration and Green Industry in Lushui City, Yunnan Province (雲南省瀘水市生態修復與綠色產業融合發展建設項目設計-施工總承包(EPC)項目)	12.9
4	Design and Construction (EPC) General Contracting Project for Overall Improvement of Livelihood in Lushui City, Yunnan Province (雲南省瀘水市人居環境整體提升項目設計-施工總承包(EPC)項目)	12.7
5	Construction Project for Comprehensive Improvement in Water Ecology (Phase II) in High-end Business Zone of Baoliansi, Wenfeng Area, Anyang City, Henan Province (河南省安陽市文峰區寶蓮寺高端商務區水生態綜合整治一期工程施工項目)	11.7

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(II) Property Development Business

1. Industry Overview

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

In 2019, the national investment in real estate development amounted to RMB13.219426 trillion, up 9% year on year. The construction area of real estate development enterprises was 8,938.2089 million sq.m., up 8% as compared with last year. The completed area of real estate was 959.4153 million sq. m., up 2.5% as compared with last year. The new construction area of real estate was 2,271.5358 million sq. m., up 7.8% as compared with last year, among which new construction area for residential was 1,674.6343 million sq. m., up 8.4% as compared with last year. The area for the sale of commercial housing reached 1,715.5787 million sq. m., down 0.1% as compared with last year, whilst the sale volume of commercial housing amounted to RMB15.972512 trillion, up 6.1% as compared with last year. Land transaction premiums totalled RMB1.470928 trillion, down 9.5% as compared with last year. Land acquisition from property developers amounted to an aggregate area of 258.2229 million sq. m., down 12.9% as compared with last year.

2. Operating Results of the Business

Weighted by the policies relating to “de-stocking” and “restrictions on property purchase and credit grant”, the Company adopted different policies that were tailored to characteristics of each category and of each city during the Reporting Period. MCC Real Estate, a subsidiary of the Company, carried on accomplishing the strategic layout that Yangtze River Delta, Pearl River Delta and the Beijing-Tianjin-Hebei Region are taken as core development areas with coverage nationwide by speeding up works on reserving quality land parcels in key areas. For the year 2019, through open tender, it acquired 4 land parcels with site area and permissible gross floor area of 372,600 sq.m. and 749,900 sq.m., respectively.

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

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During the Reporting Period, the amount invested by the Company in property development was RMB19.223 billion, representing a year-on-year decrease of 12.75%. The construction area was 11.6474 million sq.m., representing a year-on-year increase of 1.46%, among which new construction area accounted for 1.7383 million sq.m., representing a year-on-year decrease of 32.78%; completed area accounted for 1.6149 million sq.m., representing a year-on-year increase of 2.67%.

The overall operating results of the property development business in 2019

Unit: RMB'000

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

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

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

- (1) Various projects received market recognition: On 23 October, the Nanjing Zhongye • Shengshi Binjiang Jinxiu Jiangshan project was opened for sale, achieving 80% of sales on that day. On 26 October, the opening ceremony for the Qinhuangdao Zhongye • Dexian Huaifu project took place, and were sold out immediately upon opening. On 30 December, the Nanjing Zhongye • Shengshi Binjiang Jinxiu Tianxi project was officially opened for sale, and as at the end of the Reporting Period, most of the upmarket residences were sold out.
- (2) MCC Xinglong Xincheng • Hongshijun Project. On 2 November 2017, MCC Real Estate won the land use rights through bidding for parcels located at Hongshili Village and Nantumen Village of Xinglong County at RMB1.291 billion. The project is located in Xinglong County, Chengde City, Hebei Province, which has been elected as the “2017 100 Best Counties for Summer Resort in China” and “100 Best Small Towns for Deep Breaths in China”, with a total planning site area of 12,000 mu and total construction land of 3,000 mu. The planning site area, construction land area and floor area for phase I of the project are 4,000 mu, 1,847 mu and 1.76 million sq.m., respectively, with a planning plot ratio of 1.2. The project represents the transformation of MCC Real Estate from a single-mode real estate developer to an urban integrated operator. The project will, with no doubt, become the work of the time created by a stronger MCC brand. The project was launched for initial sale on 23 June 2018, with the first batch completed and delivered at the end of 2019. The remaining batches are currently in the progress of main structure construction and internal and external decoration.

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

(III) Equipment Manufacturing Business

1. Industry Overview

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

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

2. The Operating Results of the Business

The business of the Company's equipment manufacturing segment mainly includes research and development, design, manufacturing, sale, installation, fine-tuning, inspection and repair of metallurgical equipment and its spare parts, steel structures and other metal products as well as other related services.

The overall operating results of the equipment manufacturing business in 2019

Unit: RMB'000

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

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

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

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

(IV) Resources Development Business

1. Industry Overview

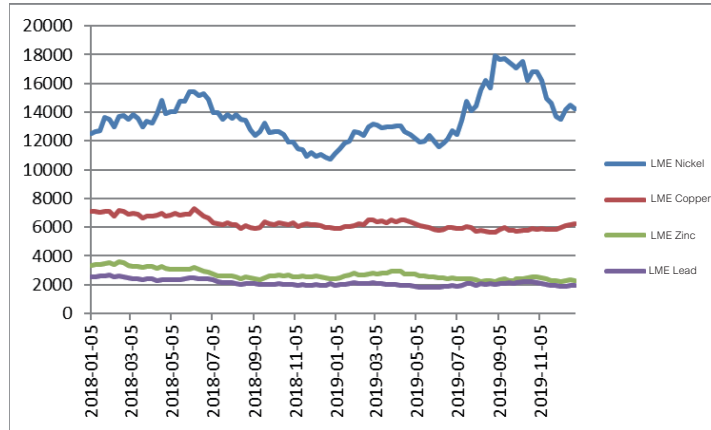
In 2019, the pressure in the metal mining market mainly derived from macro turbulence. The intensifying trade wars amongst prominent countries and regions deepened the market’s concerns regarding the global economy, leading to rapid reduction of risk appetite and downward pressure on all basic metal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

Particularly looking at the metal price trends in 2019, nickel, copper, zinc and lead widely fluctuated in prices. Among them, the price for nickel was affected by the policy of banning nickel exports imposed by the Indonesian government, making it surge from approximately USD10,525/ton in January to over USD18,000/ton in September, before falling back to approximately USD14,000/ton towards the end of the year; the price for copper reached its highest for the year at USD6,600/ton and the lowest at USD5,500/ton, before rebounding to USD6,200/ton by the end of the year; nudging as high as USD2,958/ton and as low as USD2,190/ton, the zinc price rallied to approximately USD2,400/ton at the end of the year; with its highest and lowest price at USD2,262.5/ton and USD1,773.5/ton, the price of lead fluctuated around USD1,900 at the end of the year.

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

Unit: USD/ton



Source: Wind

2. The Operating Results of the Business

During the Reporting Period, the business of the Company's resources development mainly focuses on mining, selection and refining of metal resources of nickel, copper, zinc, lead and other metals. In line with the objective of "refining management, enhancing quality, reducing costs, controlling risks and making profits", the Company strived to improve the development and operating levels of its own mineral resources. Producing nickel mines, lead-zinc mines and copper mines continue to remain profitable, all of which exceeded the annual profit target.

The overall operating results of the resources development business in 2019

Unit: RMB'000

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

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

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

(1) Papua New Guinea Ramu Nico Project

During the Reporting Period, the average ratio of production capacity of the project for the year reached 101.5%, and the project produced Ni-Co hydroxide that contained 33,091 tons of nickel and 2,915 tons of cobalt in aggregate, achieving overproduction for three consecutive years.

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

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

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

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

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

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

(5) **Argentina Sierra Grande Iron Ore Mine Project**

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

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

Applicable Not applicable

III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

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

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

IV. TECHNOLOGICAL INNOVATION

In 2019, scientific and technological innovation work conducted by the Company focused strictly on the strategic positioning of "being the national team for metallurgical construction, the main force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for development with advanced technologies and high quality". Relying on green iron and steel, smart iron and steel, intelligent construction and short production process as focal points of research, we strived to overcome the "bottleneck" technological hurdle of the national team of metallurgical construction, promoted the national team of metallurgical construction to be "higher, stronger, and more pioneering", and effectively channeled the "soft power" of technological innovation into a "hard support" for industrial and market competition.

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1. Investment in science and technology has been continuously augmented.

In 2019, the Company's investment in science and technology amounted to RMB10.993 billion in aggregate, accounting for 3.25% of the annual operating income; among which, investment in research and development amounted to RMB10.313 billion, accounting for 3.05% of the annual operating income. The Company actively implemented and made good use of research and development investment, so that the investment would provide us an edge on transformation and upgrade. It will also be used to strengthen our shortcomings, and to arouse the enthusiasm of researchers and recruiting talents. The Company had over 5,000 research and development staff, providing an adequate talent guarantee for scientific and technological innovation and achievement transformation.

2. The strength of research and development has been continuously enhanced.

In 2019, the Company proactively promoted the implementation of relevant work deployment for the acceleration of the development of the "national team" of the world's top metallurgical construction and operational services. Relying on green iron and steel, smart iron and steel, intelligent construction and short production process as focal points of research, the Company comprehensively integrated research and development resources, and actively promoted synergies between scientific research and design units and construction units. A total of 25 major research and development projects under the "2020 Plan" of MCC were issued in two individual batches. The Group has accelerated the introduction of a number of applicable technologies urgently needed by the state and the industry, striving to make major breakthroughs in systematic technological innovation on the two major themes of environmental protection and intelligence. At the same time, the Company actively organized subsidiaries to report on the National Key Research and Development Project of China (Key Special Projects), and continued to consolidate the Company's influence and rights to give opinions in the relevant technical field. In 2019, the Company organized the reporting of two national-level research and development projects. Through leading or participating in the reporting of national scientific research projects, the Company has greatly enhanced both its influence and rights to give opinions in the relevant technical fields.

3. We have reached new heights in terms of technological awards.

In 2019, the Company won 3 national science and technology awards in total. Among them were one first prize in "National Technological Innovation" for "Theory, Technology and Engineering Application of High-rise Steel-Concrete Hybrid Structure", and two second prizes in "National Technological Innovation" for the "Development and Application of Technology and Equipment for Green Electric Arc Furnace Steel-making" and "Technological Innovation and Engineering Application of Large-span Structures". The Company won 9 Metallurgical Science and Technology Awards in 2019, including 4 first prizes, 5 science and technology awards in China non-ferrous metal industry (of which 2 were first prizes); the Company also received 2 awards in the 17th China Civil Engineering Zhan Tianyou Award; the Company received 13 engineering and technology awards, including three first prizes; 12 technology awards from China Installation Association, including three first prizes. These honours have further expanded the Company's influence and its rights to give opinions in the industry.

4. Continued improvement in the technological platform.

In 2019, MCC Capital Engineering & Research Incorporation Limited (hereinafter referred to as "CERI") was recognized as one of the 25th batch of National Enterprise Technology Centers by the NDRC, China ENFI Engineering Co., Ltd. (hereinafter referred to as "China ENFI") was approved to establish the "National Technical Standards Innovation Base" (Non-ferrous Metals), CERI and China MCC 20 Group Co., Ltd. were awarded "2019 State Technology Innovation Model Enterprise", and Huatian Engineering & Technology Corporation, MCC (hereinafter referred to as "MCC Huatian") was awarded the third batch of Pilot Model Enterprise for Smart Health Care for the elderly in the Ministry of Industry and Information Technology. As at the end of 2019, the Company established 26 state-level science and technology innovation platforms jointly approved by the Ministry of Science and Technology and the NDRC and other ministries and commissions, and continued to be at the forefront among central enterprises. At the same time, we will continue to strengthen the construction of nine major MCC research institutes, promote innovation in research and development and the transformation of results, and further enhance the institute's ability to support and serve the expansion of emerging markets by the Company.

5. The intellectual property protection system has been improved.

In 2019, the Company took the opportunity of cultivating state-owned intellectual property rights model enterprises to further enhance the quality of patents and strengthen the promotion and application of patented technologies. By strengthening the strategic management of intellectual property rights, promoting the concept of commercial planning of patents, the level of knowledge and application of intellectual property as a business rule was improved. This year, the Company received 2 silver awards and 7 merit awards in the China Patent Awards, and the quality of patents has been improved significantly. As at the end of 2019, the Company had over 29,700 valid patents on an accumulated basis, including 7,957 invention patents, which continued to rank amongst the top central enterprises in the PRC, and the first among central enterprises in the category of all market competition. The Company has also been awarded six State Intellectual Property Rights Model Enterprises, and the number of State-level Intellectual Property Rights Model Enterprises increased to 16.

6. The level of “first-class enterprise standards” continued to improve.

In 2019, the Company actively promoted the preparation of international standards, providing technical support for the Company to compete in the global market. The establishment of its National Technology Standard Innovation Base (Non-ferrous Metals) was recently approved while the Company continued to promote the construction of the “National Technology Standard Innovation Base (International Standardization of Metallurgical Engineering)”, from which 1 newly commissioned leading international standard was established, 1 leading international standard was announced, 13 edited national standards were announced, 26 newly commissioned MCC enterprise standards were established while 8 standards were announced. It was another outstanding achievement of the Company in the active implementation of the standardized strategy, and the Company’s rights to give opinions and dominance of rule in related technical fields were further enhanced, providing technical support for the Company to open up relevant markets.

7. The formulation of market and efficiency technologies has accelerated.

The Company has adhered to the market orientation of technological innovation, and continuously increased the efforts in the promotion and application of scientific and technological achievements. The Group actively promoted the application of 10 new technologies in the construction industry, and continuously enhanced the brand influence of the “demonstration projects for new technology application undertaken by the Central Research Institute of Building and Construction Co., Ltd., MCC Group”. There were 60 new demonstration projects for new technology application to be undertaken by the Central Research Institute of Building and Construction Co., Ltd., MCC Group, among which 36 projects were inspected and approved, constantly increasing the brand impact in the construction industry and the society. At the same time, the Company vigorously promoted BIM technology and organized our BIM competition, which enabled the full lifecycle application of BIM from single-stage application, from intra-unit usage to inter-unit collaborative development, and from the promotion of traditional function to advanced technology innovation and application, which further increased the intelligent construction level and market competitiveness of the Company.

V. MAJOR CUSTOMERS AND SUPPLIERS

For details, please refer to “(5) Information of major customers and major suppliers” on pages 44 of this report.

VI. RESERVES AND DISTRIBUTABLE RESERVES

Movements in the reserves of the Company during the Reporting Period are set out in the consolidated statement of changes in shareholders’ equity from pages 155 to 156 of this report and Note VII 51 to the consolidated financial statements on page 274.

Pursuant to the Company Law of the People’s Republic of China (the “Company Law”), undistributed profits could be distributed as dividend upon deducting statutory surplus reserve. As at 31 December 2019, the undistributed profit of the Company amounted to RMB1,920.906 million.

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VII. DONATIONS

During the Reporting Period, the Company did not make charitable and other donations. For details of poverty alleviation, please refer to “I. Performance of poverty alleviation by the Company” on page 79 of this report.

VIII. DIVIDENDS

For the details of the cash dividend distribution proposal of the Company during the Reporting Period, please see “I. Proposal for Profit Distribution for Ordinary Shares or Transfer of Capital Reserve to Share Capital” on page 63 of this report.

IX. PROPERTIES HELD FOR DEVELOPMENT AND SALE

Locations	Current use of land	Site area (sq.m.)	Floor area (sq.m.)	Status of project	Progress towards completion	Estimated completion date	Percentage of the interest attributable to the Company in the development projects
To the west of Jiangbian Road, east of Huilong Bridge, west of Jiangbian Road, north of Yangtze River Bridge, south of Guihua Road, Xiaguan District, Nanjing.	Sales after development, planned use are mainly residential, commercial, etc.	330,464.66	909,834.15	Under construction	48.00%	2020	98.52%
Nantumen Village, Hongshila Village, Xinglong Town, Xinglong County, Chengde City, Hebei Province	Sales after development, planned use are mainly residential, commercial, etc.	676,748.00	786,333.00	Under construction	22.18%	2023	100.00%
111 Tampines Street 86, Singapore 528535	Built apartment	17,102.90	48,235.00	Under construction	99.99%	2020	100.00%
Qingshuitang control gate plot in Qinhuai District, Nanjing	Sales after development, planned use are mainly residential, commercial, etc.	22,607.79	43,674.00	Under construction	40.00%	2020	51.00%
Jiangbei District, Chongqing	Commercial & residential	312,957.07	357,115.00	Under construction	70.79%	2020	100.00%

X. RISK FACTORS

For risk factors faced by the Company, please refer to “(IV) Possible risks and measures adopted by the Company” on page 58 of this report.

XI. PERFORMANCE OF SOCIAL RESPONSIBILITIES WITH RESPECT TO ENVIRONMENTAL PROTECTION

MCC has been adhering to the scientific outlook of development of “serving environmental protection by technology, promoting development by energy conservation and emission reduction”. Focusing on the “Four-Five” development planning goal of the Company, MCC has been fully complied with the laws and regulations, standards and policies of the state, ministries and commissions on energy conservation and environmental protection. In term of environmental protection, guided by the Opinion on Strengthening Ecological Environment Protection in a Comprehensive Manner to Facilitate Pollution Prevention and Control (《關於全面加強生態環境保護堅決打好污染防治攻堅戰的意見》), the Company has assigned responsibilities, strengthened assessments, improved the system, refined tasks and formulated measures to vigorously develop green environmental protection industry, practically implement the major deployment and important tasks of the ecological civilization construction of the Central Committee of the Communist Party of China, earnestly implement the main responsibility of ecological environmental protection, proactively advocate energy conservation and emission reduction of the Company, and promote green construction and related work.

As a national innovative enterprise, MCC has 13 A grade research and design institutes, and 15 large-scale construction enterprises. Over the years, the Company has been actively putting into practice the five development ideas – “innovation, coordination, green, openness and sharing”. It has been committed to the research of energy conservation and environmental protection technology and the research and development of equipment in the area of metallurgical engineering and emerging business. The Company leveraged its technology advantages, focused on the commencement of research on emerging technology and technological innovation of pollution treatment in the metallurgical industry, sewage treatment, atmospheric treatment, solid waste treatment and soil remediation in municipal and other fields, and formed a large number of energy conservation and environmental protection technologies meeting domestically leading and internationally advanced standards. In order to strive for pollution prevention, we proactively contributed to enhancing ecological civilization and building a beautiful China.

The Company has been in a leading position in respect of the sewage treatment in the industry, and is the industry leader in respect of municipal water supply and drainage, reuse of recycled water, disposal of industrial wastewater, water treatment of lakes and urban rivers, desalination and other fields, forming high calibre and influential enterprises in the scope of water environment treatment, with MCC Huatian, China ENFI, and WISDRI Engineering & Research Incorporation Limited (“WISDRI”) as the representatives. The Company, which developed a large number of core technologies and over a hundred of authorized patents, is the supporting entity for the “development of major environmental protection technologies and equipment encouraged by the state”, with multiple wastewater treatment technological achievements reaching an advanced level both domestically and abroad, and multiple national and industrial technology research and development platforms, such as national enterprise technology center, MCC water environment technology research institute. Among them, the new technology of synergistic removal of biological nitrogen and phosphorus from municipal wastewater, which is a domestic initiative by MCC Huatian, has reformed the traditional methods of dephosphorization, in particular dephosphorization with drugs; the new technology of destabilization and decolorization of high-color industrial wastewater, which is a domestic initiative, has been successfully applied to practice; the non-stop maintenance system and technology products of sewage treatment plant has aroused great response in the industry. MCC effectively promoted the synergy between high-quality environmental protection and high-quality economic development by environmental protection stewards of enterprises and industrial parks. The independent self-priming hybrid inverted umbrella aerator developed by MCC Huatian is the only product in the original aeration equipment in China that has obtained a US patent. MCC Huatian has established in succession 14 water management companies and over 10 water environment comprehensive treatment project SPV company or departments in Hebei, Anhui, Hubei, Shandong, Jiangsu and Fujian, etc.,

REPORT OF DIRECTORS

undertaking over 300 industrial wastewater treatment projects. In 2019, the total scale of daily sewage and black and odorous water treatment reached approximately 6 million tons, and multiple projects has carried out integrated plant-network operations. The development of water environment treatment business has transformed from point-form and linear development to horizontal development, following the connotative development road of “technology + service”.

In terms of waste incineration power generation, China ENFI, a subsidiary of the Company, invested in the construction and operation of the waste incineration power generation BOT projects in Xiangyang and Ganzhou, respectively, effectively eliminating the phenomenon of “Garbage Siege” and achieving the harmless treatment, recycling and reduction of urban domestic waste. In 2019, China ENFI successfully entered into consulting and design contracts with high industry influence, such as the Phase I Project for Comprehensive Waste Disposal Facility in Xiong’an New Area and the Phase II Waste Incineration Facility in Tongzhou District, Beijing. Among them, the Xiong’an New Area Project is the first hidden waste incineration power generation facility in China, which deeply embodies the concept of “World Vision, International Standards, Chinese Characteristics, and High Point Positioning” in Xiong’an New Area, which will play a benchmark role in the national waste incineration and disposal field. China ENFI has undertaken over 70 waste incineration power generation and solid waste treatment consultation and design projects, accounting for nearly 30% of total waste incineration power generation throughout the country, ranking the first place in the domestic design industry.

MCC has continuously achieved technological innovation in building the national team for metallurgical construction, construction of technology platforms, patent application and operation of energy conservation and environmental protection, and standardization, and has actively established benchmarking enterprise for green development. In order to promote green construction work, MCC has comprehensively implemented the “Green Construction Demonstration Atlas of MCC” to enhance the standardization management level of engineering projects of the Company and promote green construction through the use of new technologies such as the Internet and big data. In 2019, MCC has applied to Green Construction and Intelligent Building Branch of China Construction Industry Association for 35 green construction projects and applied to China Construction Enterprise Management Association for 25 green construction level evaluation projects.

For further details of the environmental policy and performance of the Company, please refer to “(III) Information on environmental protection of the Company” on page 81 of this report. For details of the performance of social responsibilities by the Company, please refer to the 2019 Social Responsibility Report as separately prepared and disclosed by the Company.

XII. EMPLOYEES

For details of the employees, please refer to “VI. Employees of the Company and Principal Subsidiaries” on page 117 of this report.

XIII. LEGAL LIABILITIES WHICH HAVE SIGNIFICANT IMPACT ON THE COMPANY

During the Reporting Period, the Company was not under investigation by judicial authorities or subject to administrative penalties by relevant government authorities due to violation of laws, regulations and policies which have significant impact on the businesses of the Company. For details of the quality control system, compliance with laws and regulations in relation to production safety and operation of the production safety system of the Company, please refer to “8. The Operation of the Quality Control System and Production Safety System of the Company” on page 52 of this report.

XIV. LIST OF DIRECTORS

For the list of Directors during the Reporting Period and as at the date of this report, please refer to “Particulars of Directors, Supervisors, Senior Management and Staff” on page 101 of this report.

XV. LIABILITY INSURANCE PURCHASED FOR DIRECTORS AND SUPERVISORS

In 2019, the Company renewed the liability insurance of Directors, Supervisors and senior management with Huatai Property Insurance Co., Ltd. and People's Insurance Company of China Limited for Directors, Supervisors, senior management and management personnel with management and supervising responsibilities.

XVI. EQUITY-LINKED AGREEMENTS

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

XVII. INFORMATION OF TAX DEDUCTION FOR HOLDERS OF LISTED SECURITIES

The shareholders of the Company are taxed and/or enjoy tax relief for the dividend income received from the Company in accordance with the Individual Income Tax Law of the People's Republic of China, the Enterprise Income Tax Law of the People's Republic of China, and relevant administrative rules, governmental regulations and normative documents. Please refer to the announcement published by the Company on the website of Shanghai Stock Exchange on 11 July 2019 for the information on income tax in respect of the dividend distributed to the holders of A Shares and on the HKEXnews website of the Hong Kong Exchanges and Clearing Limited on 10 July 2019 for the information on income tax in respect of the dividend distributed to the holders of H Shares during the Reporting Period.

BUSINESS DISCUSSION AND ANALYSIS

I. PRINCIPAL OPERATION RESULTS DURING THE REPORTING PERIOD

During the Reporting Period, the operating revenue of the Company amounted to RMB338,637,609 thousand, representing a year-on-year growth of 16.96%, the total profit amounted to RMB9,782,158 thousand, representing a year-on-year growth of 2.71% and the net profit attributable to shareholders of parent company amounted to RMB6,599,712 thousand, representing a year-on-year growth of 3.58%.

(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	338,637,609	289,534,523	16.96
Operating costs	299,247,115	253,121,966	18.22
Selling expenses	2,315,815	2,108,541	9.83
Administrative expenses	9,354,662	8,569,093	9.17
Research and development expenses	9,934,444	7,182,666	38.31
Financial expenses	2,498,264	2,614,040	-4.43
Net cash flows from operating activities	17,577,933	14,049,970	25.11
Net cash flows from investing activities	-9,835,377	-11,737,447	N/A
Net cash flows from financing activities	-9,150,117	-5,930,183	N/A

1. Analysis on revenue and costs

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

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

1) Trend of macro-economy internationally and domestically

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

BUSINESS DISCUSSION AND ANALYSIS

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

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

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

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

- ① Impact from changes in the tax policy

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

The preferential tax policy for the Development of the Western Regions and the preferential tax policies for high and new technology enterprises currently enjoyed by some of the Company's subsidiaries, as well as the resources tax, the property development tax, and other taxes may undergo some changes following the changes in the PRC's tax policies. Changes in the relevant preferential tax policies would affect the Company's financial performance.

- ② Impact of the fluctuation in exchange rate and monetary policy

Part of the Company's business revenue came from overseas markets. Changes in the exchange rates may bring exchange rate risks to the Company's overseas business revenue and currency settlement.

In addition, adjustment in banks' deposit reserve ratio and changes in deposit benchmark interest rates and lending benchmark rates would impact on the Company's financing costs and interest income.

- 4) Overseas tax policies and their changes

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

BUSINESS DISCUSSION AND ANALYSIS

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.

BUSINESS DISCUSSION AND ANALYSIS

(2) Major business by segment, product and region

Unit: RMB'000

Segments	Operating revenue	Operating costs	Explanation on Major Business by Segment			
			Gross margin (%)	Increase or decrease in the operating revenue as compared to that of last year (%)	Increase or decrease in the operating costs as compared to that of last year (%)	Increase or decrease in the gross margin as compared to that of last year (%)
Engineering contracting	311,836,814	280,215,442	10.14	20.71	21.23	Decreased by 0.38 percentage point
Property development	19,961,558	14,780,917	25.95	-12.72	-9.63	Decreased by 2.53 percentage points
Resources development	5,184,624	3,876,340	25.23	-1.86	9.79	Decreased by 7.94 percentage points
Equipment manufacturing	7,232,276	6,493,846	10.21	3.49	5.61	Decreased by 1.81 percentage points

Region	Operating revenue	Operating costs	Explanation on Major Business by Region			
			Gross margin (%)	Increase or decrease in the operating revenue as compared to that of last year (%)	Increase or decrease in the operating costs as compared to that of last year (%)	Increase or decrease in the gross margin as compared to that of last year (%)
PRC	315,661,497	279,708,159	11.39	18.22	19.45	Decreased by 0.91 percentage point
Other countries/ regions	22,976,112	19,538,956	14.96	2.03	3.06	Decreased by 0.85 percentage point

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

Description of major business by segment, product and region

BUSINESS DISCUSSION AND ANALYSIS

1) Explanation on Major Business by Segment

① Engineering contracting business

Engineering contracting business is the traditional core business of the Company which is mainly carried out by way of EPC contract and general financing and construction contracting contract, and is currently the major source of income and profits of the Company. The gross profit margins of the engineering contracting business for the year 2019 and 2018 were 10.14% and 10.52%, respectively, with a year-on-year decrease of 0.38 percentage point. The decrease was mainly due to fierce competition of projects, decrease in gross profit from new projects and an increase in the price of subcontracting and materials.

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

Unit: RMB'000

Items of revenue	2019		2018		2017	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Metallurgical engineering	70,286,830	22.54	64,836,330	25.10	48,097,655	23.06
Housing construction engineering	147,049,726	47.16	107,540,465	41.63	93,677,430	44.90
Transportation infrastructure	67,393,860	21.61	54,016,566	20.91	43,856,822	21.02
Other engineering	27,106,398	8.69	31,937,562	12.36	22,980,953	11.02
Total engineering contracting	311,836,814	100.00	258,330,923	100.00	208,612,860	100.00

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

② Property development business

For the years of 2019 and 2018, the total gross profit margins of the Company's property development business were 25.95% and 28.48%, respectively, with a year-on-year decrease of 2.53 percentage points. The decrease was mainly due to factors such as the macro-control environment of the property market

③ Equipment manufacturing business

The Company's equipment manufacturing business mainly included metallurgical equipment, steel structures and other metal products. For the years of 2019 and 2018 the gross profit margin of the Company's equipment manufacturing business were 10.21% and 12.02%, respectively, representing a decrease of 1.81 percentage points as compared with the same period last year. The decrease was mainly due to factors such as increase in price of raw materials.

BUSINESS DISCUSSION AND ANALYSIS

④ Resources development business

The Company's resources development business included mining and processing. MCC Tongsin Resources Limited (MCCT) (中冶銅鋅有限公司) and MCC-JJJ Mining Development Company Limited (中冶金吉礦業開發有限公司) were mainly engaged in the mining business while China Silicon Co., Ltd. (洛陽中矽高科技有限公司), the polysilicon manufacturing enterprise, was mainly engaged in the processing business. For the years of 2019 and 2018, the gross profit margin of the Company's resources development business were 25.23% and 33.17%, respectively, representing a decrease of 7.94 percentage points as compared with the same period last year, which was mainly due to market fluctuations in prices such as polycrystalline silicon and nickel-cobalt

2) Explanation on Major Business by Region

For the years of 2019 and 2018, the Company realized overseas operating revenue of RMB22,976,112,000 and RMB22,519,038,000 respectively. The revenue mainly came from the engineering contracting business including the Sri Lanka Highway Project, Kuwait 6th Ring Road and 6.5th Ring Road Construction Project, property development business in Singapore, and the resources development business including the Ramu Nico Laterite Mine Project in Papua New Guinea.

(3) Table of production and sales volume analysis

Applicable Not Applicable

(4) Table of cost analysis

Unit: RMB'000

Segment	Costs component	By segment			Percentage change in the	
		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 (%)	current period as compared to that for the same period in the previous year (%)
Engineering contracting	operating costs	280,215,442	90.65	231,142,277	88.81	21.23
Property development	operating costs	14,780,917	4.78	16,356,370	6.28	-9.63
Resources development	operating costs	6,493,846	2.10	6,148,745	2.36	5.61
Equipment manufacturing	operating costs	3,876,340	1.25	3,530,708	1.36	9.79

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

Description of other results in the analysis on costs

Applicable Not Applicable

BUSINESS DISCUSSION AND ANALYSIS

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

Unit: RMB'000

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

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

(5) Information of major customers and major suppliers

The sales of top five major customers amounted to RMB17,297,430 thousand, accounting for 5.11% of the total annual sales; of which, the sales of top five major customers derived from the sales to related parties amounted to RMB0 thousand, accounting for 0% of the total annual sales.

Unit: RMB'000

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

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

BUSINESS DISCUSSION AND ANALYSIS

Unit: RMB'000

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

2. Expenses

(1) Selling expenses

The Company's selling expenses mainly include employee compensation costs, travelling expenses, transportation expenses, advertising and sale services expenses. In 2019 and 2018, the Company's selling expenses were RMB2,315,815 thousand and RMB2,108,541 thousand respectively, representing a year-on-year increase of 9.83%, which was mainly due to the company intensified market development and related expenses increased.

(2) Administrative expenses

The Company's administrative expenses mainly include employee compensation costs, depreciation expenses and office expenses. In 2019 and 2018, the Company's administrative expenses were RMB9,354,662 thousand and RMB8,569,093 thousand respectively, representing a year-on-year increase of 9.17%, which was mainly due to the increase in labour costs.

(3) Financial expenses

The Company's financial expenses include costs of borrowing, exchange gains or losses, bank charges, etc. incurred in operating business. In 2019 and 2018, the Company's financial expenses were RMB2,498,264 thousand and RMB2,614,040 thousand respectively, representing a year-on-year decrease of 4.43%, which was mainly due to the company makes overall arrangements for interest-bearing liabilities, reducing capital costs.

(4) Research and development expenses

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

BUSINESS DISCUSSION AND ANALYSIS

3. Research and development expenditure

(1) Table of research and development expenditure

Unit: RMB'000

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

(2) Description

Applicable Not Applicable

4. Cash flow

The cash flows of the Company are as follows:

Unit: RMB'000

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

(1) Operating activities

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

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

(2) Investing activities

In 2019 and 2018, the Company's net cash flows generated from investing activities amounted to RMB-9,835,377 thousand and RMB-11,737,447 thousand respectively. The investing activities of the Company mainly relate to engineering contracting and property development business.

BUSINESS DISCUSSION AND ANALYSIS

The Company's cash inflow generated from investing activities mainly consisted of cash receipts from recovery of investments, investment income and disposal of assets. In 2019 and 2018, the respective investing of such cash inflow with respect to the cash inflow generated from investing activities accounted for 7.52%, 9.98%, 15.77% and 3.84%, 11.31%, 20.02% respectively. Cash outflow mainly included cash payments to acquire or construct fixed assets, intangible assets and other long-term assets and cash payments to acquire investments. In 2019 and 2018, such cash outflow accounted for 30.05%, 69.95% and 40.68%, 57.11% respectively with respect to the cash outflow generated from investing activities.

(3) Financing activities

In 2019 and 2018, the Company's net cash flows generated from financing activities amounted to RMB-9,150,117 thousand and RMB-5,930,183 thousand respectively. A large amount of net cash outflow from financing activities was mainly due to the higher amount of cash paid for debt repayment, together with the cash for distributed dividend, profit and interest paid for the current period than that of cash received from borrowings. The Company's cash inflow from financing activities mainly consisted of cash receipts from borrowings which accounted for 89.66% and 94.82% respectively of the cash inflow generated from financing activities for the years 2019 and 2018. The Company's cash outflow from financing activities mainly consisted of cash repayments of borrowings and cash payments for distribution of dividends, profits or settlement of interest expenses, accounting for 90.76%, 6.50% and 85.55%, 7.11% respectively of the cash outflow from financing activities for the years 2019 and 2018.

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

Applicable Not Applicable

BUSINESS DISCUSSION AND ANALYSIS

(III) Analysis on assets and liabilities

1. Assets and liabilities

Unit: RMB'000

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

(1) Analysis on the structure of assets

Cash and bank balances

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

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

BUSINESS DISCUSSION AND ANALYSIS

Accounts receivable

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

Inventories

The inventories of the Company mainly consisted of properties under development, completed properties held for sale, raw materials, work in process and finished goods, etc. The inventory structure of the Company reflected the characteristics of the engineering and contracting, property development, equipment manufacturing and resources development businesses in which the Company was engaged. As at 31 December 2019 and 31 December 2018, the Company's net inventories were RMB60,636,905 thousand and RMB57,608,321 thousand respectively. The net inventories increased by 5.26%, which was mainly due to the slight increase in property development products and development costs for the year.

Contract assets

Contract assets of the Company are mainly completed and unsettled inventories and construction quality guarantee deposits with regard to the engineering contracting service contracts. As at 31 December 2019, the net contract assets of the Company amounted to RMB72,800,575 thousand and as at 31 December 2018, the net contract assets of the Company amounted to RMB66,719,549 thousand, representing a year-on-year increase of 9.11%, which was mainly due to the increase in contract assets of engineering contracting services contracts.

Intangible assets

As at 31 December 2019 and 31 December 2018, the aggregated carrying value of the Company's intangible assets were RMB15,796,873 thousand and 16,133,729 thousand respectively, representing a year-on-year decrease of 2.09%. The Company's intangible assets mainly included land use rights, franchise right, patent and proprietary technology, as well as mining rights etc.

(2) Analysis on the structure of liabilities

Long-term and short-term borrowings

Long-term and short-term borrowings of the Company mainly consisted of credit loans, pledge loans and guaranteed loans from commercial banks and other financial organizations. As at 31 December 2019 and 31 December 2018, the carrying amount of the Company's short-term borrowings were RMB40,476,556 thousand and RMB47,973,564 thousand respectively, with a year-on-year decrease of 15.63%. As at 31 December 2019 and 31 December 2018, the carrying amount of the Company's long-term borrowings were RMB27,219,615 thousand and RMB23,793,236 thousand respectively, with a year-on-year increase of 14.40%.

During the Reporting Period, the long-term loans and short-term loans repaid by the Company amounted to RMB13,493,006 thousand and RMB104,049,936 thousand, respectively. As at the end of the Reporting Period, the balances of fixed-rate short-term borrowings and fixed-rate long-term borrowings amounted to RMB33,739,713 thousand and RMB15,508,529 thousand, respectively.

BUSINESS DISCUSSION AND ANALYSIS

Accounts payable

Accounts payable mainly included such material costs payable to suppliers and engineering costs payable to subcontractors by the Company. As at 31 December 2019 and 31 December 2018, the Company's carrying value of accounts payable were RMB115,855,013 thousand and RMB113,260,891 thousand respectively, representing a year-on-year increase of 2.29%.

Contract liabilities

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

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

For details of the restrictions on assets, please refer to "VII. 70. Assets with title restrictions" on page 288 of this report.

3. *Other explanations*

Applicable Not Applicable

(IV) Analysis on the operational information in the industry

Analysis on the operational information in the construction industry

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

Unit: RMB'000

Sub-segment	Housing Construction	Infrastructure Construction	Metallurgical engineering	Others	Total
Number of projects (Unit)	2,197	606	1,886	1,008	5,697
Total amount	7,754,367	8,135,112	8,102,216	1,939,686	25,931,381

Unit: RMB'000

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

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

BUSINESS DISCUSSION AND ANALYSIS

2. Projects under construction during the Reporting Period

Unit: RMB'000

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

Unit: RMB'000

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

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

3. Substantial projects under construction

Applicable Not Applicable

4. Overseas projects during the Reporting Period

Unit: RMB'000

Project location	Number of projects (Unit)	Total
Asia	460	14,263,032
Africa	72	1,277,756
South America	46	691,895
Europe	36	90,797
Oceania	22	865,682
North America	10	113,327
Total	646	17,302,489

5. Accumulated new projects during the Reporting Period

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

6. Summary of completed and unsettled constructions among the inventory.

Applicable Not Applicable

BUSINESS DISCUSSION AND ANALYSIS

7. Competency for construction projects of the Company

As at the end of the Reporting Period, the Company and its subsidiaries altogether held over 700 qualifications and permits of construction enterprises, covering construction investigation, construction design, construction work, construction supervision, property development etc. The number of subsidiaries with special qualifications for general contracting reached 37, among which 2 subsidiaries held 4 special qualifications, 6 subsidiaries held 3 special qualifications, 4 subsidiaries held 2 special qualifications, and 5 subsidiaries held comprehensive qualifications for construction design.

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

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

In 2019, the operation of the quality control system of the Company was normal and the overall construction quality was under control without occurrence of any significant quality accident. The quality control system of the Company, which comprises three core levels, namely the headquarters, the subsidiaries and the project management department, is operated smoothly. Each of the levels stringently executes the national, industrial and local standards of quality. The Company implemented effective quality control on construction projects by various measures such as promoting self-check by subsidiaries, regional quality check, special inspection, and quality assessment which focused on promoting standardization of quality management and building quality constructions, and commenced publicity and educational activities such as “quality month” activities as safeguard measures. In 2019, 10 of the Company’s projects (including the projects it participated in the construction) won the China Construction Engineering Luban Award (中國建設工程魯班獎), 27 Projects (including the projects it participated in the construction) won the National Quality Engineering Award (國家優質工程獎), and the Company won the first prize in the Competition for the Presentation of Results of the Central Enterprise Quality Management Group (中央企業質量管理小組成果發表賽一等獎) for the first time. 7 projects were awarded prizes at the 4th National Quality Innovation Competition, and 7 achievements were awarded the Excellence Quality and Technology Awards from China Association for Quality, while honorary titles such as “Meritorious Enterprise Celebrating the 70th Anniversary of the Founding of the People’s Republic of China” and “Outstanding Promotion Unit for the 40th Anniversary of Total Quality Management” were also awarded to the Company.

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

BUSINESS DISCUSSION AND ANALYSIS

9. Financing arrangements of the Company

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

As at the end of the Reporting Period, the balance of debt financing and financing by other equity instruments of the Company amounted to RMB113.625 billion, representing a decrease of 0.30% as compared to the beginning of the period, which better satisfied the capital needs for enterprise development and industrial structure adjustment. In particular, the balances of debt financing and financing by other equity instruments amounted to RMB84.529 billion and RMB29.096 billion, respectively, which contributed to the further optimization of financing structure; the balance of financing due within one year and the long-term financing balance amounted to RMB55.348 billion and RMB58.277 billion, respectively.

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

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

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

(V) Investment analysis

1. Overall analysis on external equity investments

Applicable Not Applicable

(1) Substantial equity investments

Applicable Not Applicable

(2) Substantial non-equity investment

Applicable Not Applicable

BUSINESS DISCUSSION AND ANALYSIS

(3) Financial assets measured at fair value

No.	Stock variety	Stock code	Stock abbreviation	Initial investment amount (RMB)	Number of shares held (share)	Carrying amount at the end of the period (RMB)	Percentage in securities investment held at the end of the period (%)	Gain or loss incurred in the Reporting Period (RMB)
1	Shares	601005	Chongqing Iron and Steel (重慶鋼鐵)	402,875	187,661	347,174	37	-16,889
2	Shares	600787	CMST Development Corp (中儲股份)	498,768	57,528	599,442	63	24,162
Total				901,643	/	946,616	100	7,273

Equity interests in other listed companies held by the Company

Unit: RMB'000

Stock code	Stock abbreviation	Initial investment cost	Percentage of shareholding 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	238,928	11,339	-6,790	Investments in other equity instruments
000709	Hesteel	10,337	0.79	0.79	7,341	296	-740	Investments in other equity instruments
600665	Tande	1,122	0.02	0.02	586	23	41	Investments in other equity instruments
600117	Xining Special Steel	1,400	0.20	0.20	5,333	-	269	Investments in other equity instruments
000005	Fountain	420	0.04	0.04	1,153	-	153	Investments in other equity instruments
000939	Kaidi Ecological	2,502	1.10	1.10	21,166	-	-3,225	Investments in other equity instruments
601005	Chongqing Iron and Steel	206,752	1.46	1.46	106,482	-	-5,180	Investments in other equity instruments
600642	Shenergy	188	0.01	0.01	261	9	42	Investments in other equity instruments
Total		316,123	/	/	381,250	11,667	-15,430	/

BUSINESS DISCUSSION AND ANALYSIS

Equity interests in unlisted financial companies held by the Company

Name of investee	Initial investment amount (RMB)	Number of shares held (share)	Percentage of shareholding to the Company (%)	Carrying amount at the end of the period (RMB)	Gain or loss incurred in the Reporting Period (RMB)	Change in owners' equity during the Reporting Period (RMB)	Account category	Source of shares
Changcheng Life Insurance Co., Ltd. (長城人壽保險股份有限公司)	30,000,000	-	0.54	30,000,000	-	-	Investments in other equity instruments	By acquisition
Hankou Bank Company Limited (漢口銀行股份有限公司)	27,696,000	-	0.74	27,696,000	56,426	-	Investments in other equity instruments	By acquisition
Baosteel Group Finance Co., Ltd. (寶鋼集團財務有限公司)	17,097,680	-	-	-	17,445,467	23,422,027	Investments in other equity instruments	By acquisition
Wuhan Iron & Steel Group Financial Corporation Limited (武漢鋼鐵集團財務有限公司)	2,000,000	-	-	-	615,202	4,147,985	Investments in other equity instruments	By acquisition
Total	76,793,680	-	/	57,696,000	18,117,095	27,570,012	/	/

(VI) Disposal of material assets and equity

Applicable Not Applicable

(VII) Analysis on holding company and joint stock company

Applicable Not Applicable

(VIII) Structured entities controlled by the Company

Applicable Not Applicable

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

(I) Landscape and trend of the industry

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

BUSINESS DISCUSSION AND ANALYSIS

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

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

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

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

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

(II) Development strategy of the Company

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

BUSINESS DISCUSSION AND ANALYSIS

National team for metallurgical construction: The Company is committed to building the best national team for metallurgical construction comprising approximately 18,000 members according to the world-class standard in eight major sectors and 19 business units of steel construction, constantly increasing investment in R&D, focusing on major and frontier areas of metallurgical engineering, improving innovation capability in key segments and main areas, making major breakthroughs in a number of key technologies and major equipment, thereby reaching the international advanced level in main units of iron and steel as well as system integration engineering technology. The Company integrates its resources of domestic and foreign strategic customers, core equipment manufacturers and information service providers, as well as the resources of R&D, consulting, design, equipment, construction, operation and others within and outside the Company, so as to improve the overall standard of the Company in metallurgical engineering construction and operation. With top-notch core technologies, incessant reformational and innovation capabilities as well as irreplaceable whole-industry chain integration advantage in metallurgical construction, the Company strives to increase its share of the global metallurgical construction market from 60% to 80% in a short period of time, shoulders the state responsibility for leading China to a higher level of development of metallurgy and builds the best and the largest “national team” of metallurgical construction and operational services in the world.

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

Forerunner of the emerging industries: The Company keeps up with the pace of new industrialized, informationalized, urbanized and agriculturally modernized national construction, and seeks for market opportunities and direction for improving the quality and efficiency of the economic development of emerging industries. The Company, guided by market demand and driven by technological breakthrough, with capital strength and business mode as “multipliers”, obtains the dominant position in the market by constructing urban integrated subterranean piping system, construction of large theme parks, sponge city, smart city, beautiful countryside, healthcare and senior care, environment and new energy (in particular sewage treatment and pipe network operation, reuse of recycled water, solid waste disposal, soil remediation, energy conservation and emission reduction as well as photovoltaic power generation) for capturing market share, arranging layout and pursuing large-scale development. The Company centralizes resources coordination for conducting research on key and generic technologies for emerging industries, proactively takes the lead in compiling relevant specifications and standards, establishing relevant technical systems and standard systems, acquires core technologies, develops core products, comprehensively improves overall planning and execution capabilities, and hence ensures the Company to occupy the market leadership with its state-of-the-art technology and become the industry’s leading enterprise with high-end technologies, products and markets. The Company strives for being the pioneer in the process of national new urbanized construction, especially the idea, design and construction of sponge city, beautiful countryside, smart city and urban piping system, so as to support the successful transformation development of the Company.

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“Long-term adherence to pursuing the path for the quality development with advanced technologies”: Consolidating and building up technological innovation is the primary driver for development of the Company. It covers all-round enterprise management including innovative corporate culture, personnel incentive mechanism, investment in scientific and technological research and development and business development strategies. For the purpose of building the national team for metallurgical construction, the Company has developed the metallurgical engineering technology innovation mechanism based on the MCC technological research institute as the main platform and 19 business units in metallurgical engineering field as the frontier research platform. The Company shoulders the state responsibility for leading China to a higher level of development of metallurgy through continuous technological innovation as well as development of and improvement on the quality of iron and steel industry. With the mission of building the main force for fundamental construction, the Company has replenished national-level scientific and innovation platforms and national-level key laboratories including the “State Research Center for Steel Structure Works Technology”, to effectively perform their functions of technological leadership and quality assurance in the area of infrastructure construction, and to make contributions to raising the overall level of fundamental construction in the PRC as well as promoting the implementation of the “Belt and Road” strategy. With the mission of developing into the forerunner in the emerging industries, the Company has successively established 9 technological research institutes, including an “MCC Technological Research Institute for Piping System”, “MCC Technological Research Institute for Sponge City”, “MCC Technological Research Institute for Beautiful Countryside and Smart City”, “MCC Technological Research Institute for Theme Parks”, etc.. Based on its research on key and generic technologies, the Company proactively takes the lead in compiling relevant specifications and standards, establishing relevant technical systems and standard systems, acquires core technologies, develops core products, highlights professional advantages, emphasizes featured areas and hit products, and hence ensures MCC to occupy the market leadership with its state-of-the-art technology and become the leading enterprise of the related industry.

(III) Operational plan

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

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

(IV) Possible risks and measures adopted by the Company

1. *Risks associated with macro-economy*

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

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

BUSINESS DISCUSSION AND ANALYSIS

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

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

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

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

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

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

BUSINESS DISCUSSION AND ANALYSIS

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

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

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

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

5. *Risks associated with financial segment*

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

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

6. *Risks associated with bulk commodity prices*

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

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

BUSINESS DISCUSSION AND ANALYSIS

7. *Risks associated with international operations*

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

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

8. *Environmental and social risks*

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

9. *Risks associated with data fraud or theft*

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

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

The Company adopts various promotional and educational measures annually in order to raise awareness of information confidentiality of the employees, and urge the employees to be alert. The Company randomly assesses the information confidentiality of its subsidiaries every year, conducts interviews with members from the information confidentiality office of all subsidiaries, investigates and reviews relevant system and recorded documents, retrieves previous confidential documents and on-site investigation to conduct investigation on the employment of personnel in all units, establishment of information confidentiality system, secret classification management, information system management and other aspects, as well as requires the units under investigation to submit rectification reports within a time limit.

BUSINESS DISCUSSION AND ANALYSIS

10. *Cyber risk and security*

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

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

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

Applicable Not Applicable

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

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

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

1. *Basic Principles for the Profit Distribution Policy*

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

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

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

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

Special occasions shall refer to one of the followings:

- ① the Company's operating net cash flow is negative;
- ② such other occasions occur when upon approval by the Shareholders' Meeting, less than 15% of the Company's profit available to be distributed for the current year is to be distributed in the form of cash dividend, including but not limited to no distribution of cash dividend due to major investment needs of the Company. The criteria of such major investment: the Company's expected total investment for next year exceeds 15% of the net assets in the Company's consolidated statement for the current year.
- (3) Specific conditions for the Company's distribution of share dividend:

The Company is under favourable operation and the Board believes that the Company's share price does not match the Company's share capital scale and that the distribution of share dividend can benefit the interests of all Shareholders of the Company as a whole. Subject to satisfying the foregoing conditions for cash dividend, the proposal for share dividend distribution can be put forward.

SIGNIFICANT EVENTS

3. *Procedures for Considering the Distribution Policy*

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

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

5. *2019 Profit Distribution Proposal*

The net profit attributable to Shareholders of the Company in the audited consolidated statement of MCC in 2019 amounted to RMB6,599,712 thousand and the undistributed profit of MCC headquarters amounted to RMB1,920,906 thousand. Based on the total share capital of 20,723.62 million shares, the Company proposed to distribute to all Shareholders a cash dividend of RMB0.72 (tax inclusive) for every 10 shares and the total cash dividend is RMB1,492,101 thousand, the remaining undistributed profit of RMB428,805 thousand will be used for the operation and development of the Company and rolled over to the coming year for distribution. The total cash dividend proposed by the plan accounts for 22.61% of the net profit attributable to the Shareholders of the Company in the consolidated statement of MCC in 2019.

6. *Explanation on 2019 Profit Distribution Proposal and Opinions of Independent Directors*

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

The profit distribution proposal has satisfied the requirements of the relevant laws and regulations, and Articles of Association, and the distribution amount of each share recorded a growth as compared with last year. The annual cash dividend of MCC has achieved growth for 6 consecutive years since 2014, demonstrating a sound development and a sustained dividend distribution capability of MCC, and MCC's determination to return Shareholders with its operating results and safeguard Shareholders' investment interests. Meanwhile, after the profit distribution, the retained portion will be used in supporting the operating development of the Company, and advancing the value of the Company as a whole, which meets the fundamental interests of the Shareholders. MCC has actively explored the market

SIGNIFICANT EVENTS

and innovation development, vigorously promoted PPP business, proactively participated in the construction of Xiong'an New District, vigorously expanded business areas such as urban integrated piping system, sponge city, beautiful countryside and smart city. accelerated the pace of "going out" by relying on "the Belt and Road" national initiative, which has received satisfactory results and laid foundation for sustainable and steady development of the Company.

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

All entities comprising MCC actively participated in the development of Xiong'an New Area, construction of urban infrastructure and PPP projects in order to further reinforce the market competitiveness and sustainability of such entities. Retained profit will be used for capital support and liquidity necessary for daily operations in such entities. The Company will continue to enhance the efficiency of fund operation so as to enhance the overall profitability of the Company and to have returns rewarded to Shareholders in a better manner.

(3) Opinions of the Independent Directors

The Company's 2019 profit distribution proposal complies with the provisions of the relevant laws, regulations and the Articles of Association, reflects the rationality and moderate growth of the profit distribution, and also takes into the account the reasonable returns to investors and the sustainable development of the Company, fulfilling the long-term interests of investors and the needs of the Company's development. The interests of minority Shareholders are not impaired. We agree to the Resolution regarding MCC's 2019 Profit Distribution (《關於中國中冶2019年度利潤分配的議案》) and agree to submit the same to the 2019 annual general meeting for consideration and approval.

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

Unit: RMB'000

Dividend year	Number of bonus shares to be distributed for every 10 shares <i>(in share)</i>	Amount of dividend to be distributed for every 10 shares <i>(Yuan) (tax inclusive)</i>	Number of shares to be transferred/ added for every 10 shares <i>(in share)</i>	Amount of cash dividend <i>(tax inclusive)</i>	Net profit attributable	Ratio accounted for
					to the holders of ordinary shares of the listed company in the consolidated statement for the dividend year	to holders of ordinary shares of the listed company in the consolidated statement <i>(%)</i>
2019	0	0.72	0	1,492,101	6,599,712	22.61
2018	0	0.70	0	1,450,653	6,371,580	22.77
2017	0	0.68	0	1,409,206	6,061,488	23.25

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

Applicable Not Applicable

SIGNIFICANT EVENTS

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

Applicable Not Applicable

II. PERFORMANCE OF UNDERTAKINGS

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

Undertaking background	Type of undertaking	Undertaking party	Details of undertaking	Date and duration of undertaking	Whether there is a time limit for performance	Whether it is strictly performed in a timely manner	If not performed timely, specify the reasons in details	If not performed timely, specify further plans
Undertakings in relation to the initial public offering	Solution to horizontal competition	CMGC	CMGC, the Controlling Shareholder of MCC, undertook to avoid being engaged in or taking part in any business which may compete horizontally with the principal business of MCC.	5 December 2008	No	Yes	-	-
Undertakings in relation to the strategic restructuring	Solution to and prevention of horizontal competition	China Minmetals	1. In respect of businesses carried out by China Minmetals and other controlled companies which overlap with those of MCC, China Minmetals will, according to its actual situations and the characteristics and development trend of the industry in which it operates, actively adopts different methods such as entrusted management, asset restructuring, equity swap and business adjustment to minimize the business overlap between the two parties.	17 February 2016	No	Yes	-	-

SIGNIFICANT EVENTS

Undertaking background	Type of undertaking	Undertaking party	Details of undertaking	Date and duration of undertaking	Whether there is a time limit for performance	Whether it is strictly performed in a timely manner	If not performed timely, specify the reasons in details	If not performed timely, specify further plans
			<p>2. Upon the completion of the acquisition, China Minmetals and other controlled companies will not, in whatever form, directly or indirectly, engage in new businesses competing with MCC, and will not establish controlling subsidiaries who engage in the same or similar businesses that will constitute substantial horizontal competition with China Minmetals. China Minmetals will supervise its controlled companies and adopt certain measures when necessary.</p> <p>3. Subject to the above principles 1 and 2 and upon the completion of the acquisition, if the products or services that will be operated by the unlisted subsidiaries controlled by or other unlisted related enterprises of China Minmetals are likely to compete with the main products or services of MCC, China Minmetals will agree that MCC shall be entitled to preferentially acquire the assets in relation to these products or services or 100% equity of China Minmetals in the subsidiaries. MCC shall be entitled to determine the time to request China Minmetals to sell the abovementioned competing businesses at its discretion.</p> <p>4. China Minmetals will abstain from voting at the Board meeting or general meeting at which MCC reviews whether its new businesses constitute horizontal competition with China Minmetals and whether to exercise the above option right and pre-emptive rights.</p> <p>5. China Minmetals undertook that it will strictly comply with the relevant regulations of the CSRC and the SSE, and the Articles of Associations and other rules and regulations of MCC, and equally exercise the shareholder's rights and perform the shareholder's obligations. It also undertook not to take advantage of its privileged positions as the substantial shareholder nor impair the legal interests of MCC or other shareholders. The commitments continue to be valid, cannot be altered and is irrevocable during the period in which China Minmetals has control over MCC or there is relatively material impact. If there is any breach of the above commitments, China Minmetals shall undertake all losses to MCC.</p>					
Undertakings in relation to the corporate bonds	Others	MCC	During the term of Renewable Corporate Bonds (First Tranche) for 2017 under the Public Issuance, Renewable Corporate Bonds (Second Tranche) for 2017 under the Public Issuance, Renewable Corporate Bonds (Third Tranche) for 2017 under the Public Issuance, Renewable Corporate Bonds (Fourth Tranche) for 2017 under the Public Issuance (collectively, "2017 Renewable Corporate Bonds"), if the Company does not expect to pay the principal of and interest on such bonds on time or fails to pay the principal and interest on time at the maturity date of such bonds, at least the following measures will be taken: (1) no distribution of profits to the ordinary Shareholders; (2) no reduction in registered capital.	From the issuance date of 2017 Renewable Corporate Bonds to the maturity date of such bonds	Yes	Yes	-	-

SIGNIFICANT EVENTS

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

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

Realised Not Realised Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

IV. EXPLANATION ON THE “NON-STANDARD AUDIT REPORT” ISSUED BY THE ACCOUNTING FIRM

Applicable Not Applicable

V. ANALYSIS ON REASONS AND IMPACT OF ACCOUNTING POLICY, CHANGES TO ACCOUNTING ESTIMATE OR CORRECTION TO MATERIAL ACCOUNTING ERRORS**(I) Analysis of reasons and impact of accounting policy and changes to accounting estimate**

In 2018, the Ministry of Finance newly revised the Accounting Standards for Business Enterprises No. 21 – Leases, and revised the Accounting Standards for Business Enterprises No. 7 – Non-monetary Assets Exchange and Accounting Standards for Business Enterprises No. 12 – Debt Restructuring in 2019, and issued the Notice on Revising and Issuing the Format of Financial and Statements of General Enterprises for the Year 2019 on 30 April 2019. For details of the impact on the financial statements of the Company, please refer to Note V 28 to the Section XI “Financial Statements and Review Report” of this report.

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

Applicable Not Applicable

(III) Communication with former accounting firm

Applicable Not Applicable

(IV) Other explanations

Applicable Not Applicable

VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

Unit: RMB

Current Appointment

Name of domestic accounting firm	Deloitte Touche Tohmatsu CPA LLP (Special General Partnership)
Remuneration of domestic accounting firm	18,350,000
Term of audit by domestic accounting firm	6 years

	Name	Remuneration
Accounting firm for internal control audit	Deloitte Touche Tohmatsu CPA LLP (Special General Partnership)	2,000,000

SIGNIFICANT EVENTS

Description of appointment and dismissal of accounting firm

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

The audit and review fees for the financial statements for the year are RMB18.35 million, while the internal control audit fees for the year are RMB2.0 million.

Deloitte Touche Tohmatsu has provided annual audit services for the Company for 6 consecutive years. The signing certified public accountants for the 2019 audit report are Chen Wenlong and Dong Xin, who have acted as the signing certified public accountants and have been providing audit services for the Company for 6 consecutive years and 1 year, respectively.

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

Applicable Not Applicable

VII. RISK EXPOSURES TO SUSPENSION OF LISTING

(I) Reasons for suspension of listing

Applicable Not Applicable

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

Applicable Not Applicable

VIII. SITUATION OF AND REASONS FOR DELISTING

Applicable Not Applicable

IX. EVENTS IN RELATION TO BANKRUPTCY AND REORGANISATION

Applicable Not Applicable

X. MATERIAL LITIGATION AND ARBITRATION

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

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

Applicable Not Applicable

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

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

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

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

Event overview

Enquiry index

After CISDI Group Co., Ltd. ("CISDI"), a wholly-owned subsidiary of the Company, has been included in the list of "Double Hundred Enterprises", China ENFI Engineering Co., Ltd., China MCC 17 Group Co., Ltd. and WISDRI Engineering & Research Incorporation Limited, subsidiaries of the Company, have been newly added to the list of "Double Hundred Enterprises" in 2019. In addition, MCC Urban Investment Holding Co., Ltd. was listed as one of the enterprises for the Pilot Mixed-ownership Reform by the NDRC. Many subsidiaries of MCC are benefiting from profound state-owned enterprise reforms and mid- to long-term dividend incentives.

For details, please refer to the relevant announcement disclosed by the Company on 15 May 2019.

The Company will thoroughly study and understand "1+N" documents on reform of state-owned enterprises, and will consider and develop equity incentive plan and employee stock ownership plan as stipulated by relevant documents based on the actual conditions of the Company. As the plan is in the process of research and development, specific contents and schedule are to be determined. Such plan is to be implemented subject to approval by the SASAC. The Company will perform the obligation of information disclosure in a timely manner in due course.

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

Equity incentives

Applicable Not Applicable

Other explanations

Applicable Not Applicable

Employee stock ownership plan

Applicable Not Applicable

Other incentives measures

Applicable Not Applicable

SIGNIFICANT EVENTS

XIV. MATERIAL CONNECTED TRANSACTIONS

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

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

Overview of the Matter

Query Indexes

The Company convened the 2018 annual general meeting on 26 June 2019, at which the Resolution related to the Application of Annual Caps for Daily Connected Transaction/Continuing Connected Transaction for 2020 to 2022 and Signing of Connected Transaction Agreement was considered, approving the Mutual Supply of Comprehensive Raw Materials, Products and Services Agreement entered into by the Company with China Minmetals on 28 April 2019, and approving the annual caps of daily connected transactions with China Minmetals and its subsidiaries (other than MCC) for 2020 to 2022.

For details, please refer to the relevant announcements disclosed by the Company on 28 April 2019 and 26 June 2019.

The Company convened the sixth meeting of the third session of the Board on 30 August 2019, at which the amount of caps in relation to the daily connected transactions of financial services for the year 2020 to 2022, entered into by the Company and MCC Ruimu Amperex Technology Limited (hereinafter referred to as "MCC Amperex"), was approved. The Financial Services Agreement in relation to the daily connected transactions of financial services for the year 2020 to 2022 entered into by the MCC Finance Corporation Ltd. and MCC Amperex was approved. The Finance Lease Services Agreement in relation to the daily connected transactions of financial services for the year 2020 to 2022 entered into by MCC Financial Leasing Co., Ltd. and MCC Amperex was also approved.

For details, please refer to the relevant announcement disclosed by the Company on 30 August 2019.

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

Applicable Not Applicable

SIGNIFICANT EVENTS

3. Events not disclosed in interim announcements

Unit: RMB'000

Party to connected transaction	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Annual caps for 2019	Price of connected transaction	Amount of connected transaction during the Reporting Period	Percentage to similar transactions (%)	Payment method for connected transaction	Market Price	Reason for the significant difference between transaction price and reference market price
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Purchase of commodities	Purchase and sales of materials – expense	Agreed price	23,470,000	-	5,812,727	6.04	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Sales of commodities	Purchase and sales of materials – income	Agreed price	6,910,000	-	757,559	6.41	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of labour services	Engineering construction – income	Agreed price	24,170,000	-	2,571,470	0.90	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Acceptance of labour services	Engineering construction – expense	Agreed price	1,320,000	-	576,436	0.40	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of labour services	Production maintenance and repair – income	Agreed price	146,000	-	7,548	0.31	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of labour services	Management service – income	Agreed price	99,000	-	12,000	0.23	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of labour services	Management service – expense	Agreed price	75,000	-	7,868	1.12	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of labour services	Metallurgical service – income	Agreed price	434,000	-	24,159	0.32	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Interest expenses	Industrial financing services – financing costs – finance leasing	Agreed price	330,000	-	2,497	33.92	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Interest expenses	Industrial financing services – financing costs – credit services	Agreed price	1,140,000	-	134,261	3.56	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Other outflow	Property leasing – expenses	Lease contracts	82,000	-	46,498 ^{Note}	20.80	-	-	-
MCC Ruimu Ampere Technology Limited	Under common control by CMGC	Borrowings to related parties	Financial services- daily maximum balance of provision of loan and bill discounting services	Agreed price under lease contracts	800,000	-	400,000	-	-	-	-
MCC Ruimu Ampere Technology Limited	Under common control by CMGC	Borrowings to related parties	Financial services- daily maximum balance of provision of financial leasing services	Agreed price under lease contracts	500,000	-	430,589	-	-	-	-

SIGNIFICANT EVENTS

Party to connected transaction	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Annual caps for 2019	Price of connected transaction	Amount of connected transaction during the Reporting Period	Percentage to similar transactions (%)	Payment method for connected transaction	Market Price	Reason for the significant difference between transaction price and reference market price
MCC Ruimu Amperex Technology Limited	Under common control by CMGC	Interest income	Interest income	Agreed price under lease contracts	88,000	-	25,914	1.87	-	-	-
Total				/		/	10,809,526	/	/	/	
Details of return of sold goods in large quantities					Not Applicable						
Description of connected transaction					Not Applicable						

Note: Since 1 January 2019, the Company has implemented the Accounting Standards for Business Enterprises No. 21 – Leases modified by the MOF in 2018. In 2019, the Company recognized the fees in relation to property lease trading amounting to RMB46,498 thousand. For details of the amount of right-of-use assets recognized by the Company as lessee due to the newly signed property leasing contract, please refer to note “related party transactions” in the financial report.

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

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

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

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

- (1) nothing has come to the auditor’s attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Company’s Board;
- (2) for transactions involving the provision of goods or services by the Company, nothing has come to the auditor’s attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

SIGNIFICANT EVENTS

- (3) nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (4) nothing has come to the auditor's attention that causes the auditor to believe that the amount of such continuing connected transactions have exceeded the total annual caps set by the Company.

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

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

Overview of the Matter

Query Indexes

The Resolution in relation to the Proposed Acquisition of 10% Equity Interest in China Minmetals Group (Tangshan Caofeidian) Ore Holdings Co., Ltd.* and Request for Capital Increase by was considered and approved by the eighth meeting of the third session of the Board convened by the Company, at which the acquisition of 10% of equity interest in China Minmetals Group (Tangshan Caofeidian) Ore Holdings Co., Ltd.* (held by Hebei Zongheng Iron & Steel Group Co., Ltd.*) by China 22MCC Group Co., Ltd., a subsidiary of the Company, was approved. China 22MCC Group Co., Ltd. will assume the rights and obligations corresponding to the entire equity interest in the acquired company and will have to fulfill the obligation of capital contribution of RMB79.389 million.

For details, please refer to the relevant announcement disclosed by the Company on 30 October 2019.

The Resolution in relation to the Application of MCC Communication for the Establishment of Accounts Receivable Asset-backed Securities Business with Minmetals Securities was considered and approved by the eighth meeting of the third session of the Board of the Company, at which the establishment of accounts receivable assets-backed business by MCC Communication Construction Group Co., Ltd.* with Minmetals Securities Co., Ltd.* (hereinafter referred to as "Minmetals Securities", a connected party of the Company) was approved.

For details, please refer to the relevant announcement disclosed by the Company on 30 October 2019.

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

The Resolution on the Non-daily Connected Transactions on Commencement of Asset Securitization Business of Property Charges Between MCC Real Estate and China Minmetals was considered and approved at the 45th meeting of the second session of the Board of the Company, at which the asset securitization business of property charges between MCC Real Estate and China Minmetals was approved. For details, please refer to the relevant announcement disclosed by the Company on 30 October 2018.

During the Reporting Period, the Property Charges Assets-backed Special Plan of Minmetals Securities – MCC Communication has been fully subscribed for the proceeds raised have been fully transferred to the account of the Special Plan on 26 February 2019. Having met the requirements for its establishment, the Special Plan has been established officially on 26 February 2019 with an issue size of RMB803 million and a term not exceeding 9 years. For details, please refer to the relevant announcement disclosed by the Company on 27 February 2019.

SIGNIFICANT EVENTS

3. *Events undisclosed in an interim announcement*

Applicable Not Applicable

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

Applicable Not Applicable

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

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

Overview of the Matter

Query Indexes

The Resolution in relation to the Adjustment of the Shareholding Structure of the Project Company and the Fund Subscription Scheme for Phase II Construction Project of Guiyang City Rail Transit Line 2 by Shanghai Baoye was considered and approved at the sixth meeting of the third session of the Board of the Company, at which the shareholding structure of the project company and the fund subscription scheme of the PPP project by Shanghai Baoye Group Corp., Ltd. and the connected party was approved.

For details, please refer to the relevant announcement disclosed by the Company on 30 August 2019.

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

The Resolution in relation to the Establishment of a Joint-stock Project Company by MCC Consortium to Implement the PPP Project of Nayong-Qinglong Expressway and Lu'an Expressway in Guizhou was considered and approved by the 48th session of the second session of the Board of the Company, and it was approved that a consortium that comprises the Company, its subsidiaries and other parties including the 23rd Metallurgical Construction Group Co., Ltd. of Minmetals (a connected party of the Company) shall be formed to jointly participate in the PPP projects of Guizhou Nayong-Xingyi National Expressway Nayong-Qinglong Section and Liuzhi-Anlong Expressway. On 7 August 2019, the consortium received a notice in relation to the bid-winnings of the Naqing Project and Liuan Project by the consortium from the Ministry of Transportation of Guizhou Province.

Due to the change of external conditions, the consortium failed to enter into the investment agreement within the agreed period of time, and received subsequently a notice issued by the Ministry of Transportation of Guizhou Province, setting forth its decision to cancel the bid-winning status of the consortium after due consideration. As a result of the cancellation of the above-mentioned bid-winning by the consortium, the connected transactions entered into by the Company, its subsidiaries and the connected party, 23rd Metallurgical Construction Group Co., Ltd., will cease to be implemented. For details, please refer to the Announcement on the Progress of Connected Transactions disclosed by the Company on 9 August 2019 and 6 March 2020, respectively.

3. *Events undisclosed in an interim announcement*

Applicable Not Applicable

(IV) Related creditors' rights and debt transactions

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

Applicable Not Applicable

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

Applicable Not Applicable

3. *Events undisclosed in an interim announcement*

Applicable Not Applicable

(V) Others

Applicable Not Applicable

XV. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF**(I) Trusteeship, contracting and leasing**

1. *Trusteeship*

Applicable Not Applicable

2. *Contracting*

Applicable Not Applicable

3. *Leasing*

Applicable Not Applicable

(II) Guarantees

Unit: RMB

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

Total amount of guarantees incurred during the Reporting Period (excluding guarantees to subsidiaries)	0
Total balance of guarantees as at the end of the Reporting Period (A) (excluding guarantees to subsidiaries)	0

Guarantees provided by the Company and its subsidiaries to their subsidiaries

Total amount of guarantees provided to its subsidiaries during the Reporting Period	2,754,387,349.78
Total balance of guarantees provided to its subsidiaries as at the end of the Reporting Period (B)	20,748,649,826.74

SIGNIFICANT EVENTS

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

Total amount of guarantees (A+B)	20,748,649,826.74
Total amount of guarantees as a percentage of the Company's net assets (%)	21.18
Including:	
Amount of guarantees provided to Shareholders, the de facto controllers and their related parties (C)	0
Debt guarantees directly or indirectly provided to guaranteed parties with gearing ratio of over 70% (D)	19,994,037,226.74
Guarantees with the total amount exceeding 50% of the net assets (E)	0
Total amount of guarantees of the three above items (C+D+E)	19,994,037,226.74
Explanation on the potential joint repaying liability arising from outstanding guarantees	Nil
Explanation on guarantees	Nil

(III) Entrusting third parties with cash asset management

1. Entrusted financial management

(1) Overall entrusted wealth management

Applicable Not Applicable

Others

Applicable Not Applicable

(2) Individual entrusted wealth management

Applicable Not Applicable

Others

Applicable Not Applicable

(3) Provisions for impairment of entrusted wealth management

Applicable Not Applicable

2. Entrusted loans

(1) Overall entrusted loans

Unit: RMB'0,000

Type	Source of funding	Amount	Outstanding balance	Amount overdue but uncollected
One-to-one entrusted loans	Self-owned fund	-70,000	0	0

SIGNIFICANT EVENTS

(2) Individual entrusted loans

Unit: RMB'0,000

Trustee	Type of entrusted loan	Amount of entrusted loan	Commencement date of entrusted loan	Termination date of entrusted loan	Source of funding	Investment direction of funding	Form of determining return	Annualised rate of return	Expected income (if any)	Actual income or loss recoverability	Whether comply with statutory procedures	Whether there is a plan for entrusted loan in the future	Provisions for impairment (if any)
Bank of Shanghai Co., Ltd. Puxi Sub-branch	One-to-one entrusted loan	70,000	13 October 2017	14 October 2019	Self-owned fund	Project development and construction	Contractually agreed	5.7%	7,980	8,068.67	70,000 Yes	No	-

Note: Interest of such loan entrusted by the Bank of Shanghai is collected quarterly, and the principal will be collected upon maturity.

(3) Provisions for impairment of entrusted wealth management

Applicable Not Applicable

(IV) Other material contracts

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

XVI. EXPLANATIONS ON OTHER MAJOR EVENTS

Applicable Not Applicable

XVII. ACTIVE PERFORMANCE OF SOCIAL RESPONSIBILITIES

(I) Performance of poverty alleviation by the Company

1. Targeted poverty alleviation programmes

Applicable Not Applicable

SIGNIFICANT EVENTS

2. *Overview of annual targeted poverty alleviation*

(1) Implementation of poverty alleviation through consumption

The Company actively responded to calls for poverty alleviation through consumption from units of higher levels. In 2019, the Company strengthened its efforts in purchasing agricultural specialties from counties under targeted poverty alleviation while calling upon the staff unions of its subsidiaries to vigorously carry out poverty alleviation through consumption. Many enterprises were in contact with our temporary cadres and supported poverty alleviation efforts with real actions. As of December 2019, the Company and its subsidiaries supported poverty alleviation through consumption of over RMB5 million. The Company extensively mobilised members of its staff unions to take part in poverty alleviation through consumption and actively conducted promotion to allow members of trade unions to understand the meaning behind targeted poverty alleviation through consumption and motivate them to participate with practical actions.

(2) Other support tasks

China ENFI and CISDI, being subsidiaries of the Company, supported Qilian County of Gansu province in support tasks such as commencing the treatment of its tailings reservoir and building beautiful countryside and special towns, and arranged for the Beautiful Countryside & Smart Cities Institute of MCC and CISDI Countryside Development Division to pair with counties under targeted poverty alleviation and their temporary deputy heads, with the relevant subsidiaries developing long-term and effective partnership mechanism with the supporting counties in such aspects as building beautiful countryside and countryside redevelopment plans.

3. *Achievements of targeted poverty alleviation*

Applicable Not Applicable

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

Applicable Not Applicable

(II) **Social Responsibilities**

In early 2020, a pneumonia outbreak of a novel coronavirus infection broke out in Wuhan City, Hubei Province, and spread rapidly throughout the country. In the face of the epidemic, MCC resolutely follows the orders, listens to orders, and strictly enforcing orders. MCC bravely assumes its due responsibilities and duties, cooperates with the local government to successfully complete the defense battle against the epidemic, and at the same time does a good job in epidemic prevention and control and resumes work and production, and has been praised by all sectors of society and mainstream media.

For details of the Company fulfilling each social responsibilities, please refer to the 2019 Social Responsibility Report disclosed by the Company separately.

(III) INFORMATION ON ENVIRONMENTAL PROTECTION OF THE COMPANY**1. *Environmental protection of the Company and its subsidiaries categorised as major sewage discharge enterprises as published by the environmental protection department***

In accordance with the Name List of Enterprises under Special Supervision and Enterprises with Significant Waste Disposal published by the Ministry of Environmental Protection and provincial and municipal departments of environmental protection, among all subsidiaries of the Company, Xiangyang Enfi Environmental Protection Energy Co., Ltd., a subsidiary of China Nonferrous Engineering Co., Ltd. (hereinafter referred to as "China Non-ferrous"), Ganzhou Enfi Environmental Protection Energy Co., Ltd. (贛州恩菲環保能源有限公司) and China City New Energy Development Dafeng Co., Ltd. (都市環保新能源開發大豐有限公司), a subsidiary of WISDRI Engineering & Research Incorporation Limited, were included in the list of enterprises under special supervision of exhaust gas, China Silicon Corporation Ltd. (洛陽中硅高科技有限公司), a subsidiary of China Non-ferrous, was included in the list of enterprises under special supervision of wastewater treatment plants, and 27 sewage treatment plants under MCC Huatian, China Non-ferrous and WISDRI were included in the list of enterprises under special supervision of sewage treatment.

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

SIGNIFICANT EVENTS

(1) Information about pollution discharge

① 27 enterprises under special supervision of sewage treatment

No.	Company name	Discharge vent	Major pollutants and characteristic pollutants		Emission standard ¹⁰⁰⁹ (mg/L)	Actual emission (mg/L)	Total emission rate (10,000t/day)	Discharge flow
			Executive standard					
1	Chuzhou Huatian Water Corporation MCC (滁州市中冶華天水務有限公司)	Main vent from Chuzhou Huatian Water Corporation MCC WS-01904	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002)	50	29	11.47	Qingliu River (清流河)
			Ammoniacal nitrogen	Level I Standard A	5(8)	0.63		
2	Lai'an Huatian Water Corporation MCC (來安縣中冶華天水務有限公司)	Vent from Lai'an Huatian Water Corporation MCC Wastewater	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002)	50	35	5.44	Lai River (來河)
			Ammoniacal nitrogen	Level I Standard A	5(8)	0.7		
3	MCC Qinhuangdao Water Co., Ltd. (中冶秦皇島水務有限公司)	Vent from Shanhaiguang Water Treatment Plant (山海關污水廠出水口)	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002)	50	19	3.25	Chao River (潮河)
			Ammoniacal nitrogen	Level I Standard A	5(8)	0.2		
4	Shouguang North Water Corporation MCC (壽光市城北中冶水務有限公司)	Vent outside Shouguang North Water Corporation MCC	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002)	40	23.7	5.3	Zhangseng River (張營河)
			Ammoniacal nitrogen	Level I Standard A	2	0.49		
5	Tianchang Huatian Water Corporation MCC (Tianchang Wastewater Treatment Plant) (天長市中冶華天水務有限公司 (天長市污水處理廠))	Vent No. WS-009	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002)	50	24.6	4.82	Chuanqiao River (川橋河)
			Ammoniacal nitrogen	Level I Standard A	5(8)	1.44		
6	Qinlan Wastewater Treatment Plant of Tianchang Huatian Water Corporation MCC (天長市中冶華天水務有限公司 (秦欄鎮污水處理廠))	Mixed inflow of sewage emission in Qinlan Town and Jiangwei County of Tianchang City	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002)	50	25.5	0.59	Qinlan River (秦欄河)
			Ammoniacal nitrogen	Level I Standard A	5(8)	0.91		
7	Yangcun Water Treatment Plant of Tianchang Huatian Water Corporation MCC (天長市中冶華天水務有限公司(楊村鎮污水處理廠))	Mixed inflow of sewage emission in Yangcun Wastewater Treatment Plant of Tianchang City	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002)	50	26.7	0.44	Yangcun River (楊村河)
			Ammoniacal nitrogen	Level I Standard A	5(8)	1.3		
8	Wastewater Treatment Plant of Tianchang Economic Development Zone of Tianchang Huatian Water Corporation MCC (天長市中冶華天水務有限公司 (天長市經濟開發區污水處理廠))	Vent No. WS-04303	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002)	50	30.25	1.39	New Chuanqiao River (新川橋河)
			Ammoniacal nitrogen	Level I Standard A	5(8)	0.76		
9	Tongcheng Water Treatment Plant of Tianchang Huatian Water Corporation MCC (天長市中冶華天水務有限公司(銅城鎮污水處理廠))	Vent No. WS-04305	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002)	50	18.4	0.56	Tonglong River (銅龍河)
			Ammoniacal nitrogen	Level I Standard A	5(8)	0.19		
10	MCC Xinglong Water Co., Ltd. (興隆縣中冶水務有限公司)	Vent of disinfecting tank WS-001	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002)	50	14.76	2.39	Liu River (柳河)
			Ammoniacal nitrogen	Level I Standard A	5(8)	0.92		

SIGNIFICANT EVENTS

No.	Company name	Discharge vent	Major pollutants and characteristic pollutants		Emission standard ^{note} (mg/L)	Actual emission (mg/L)	Total Discharge emission rate (10,000t/day)	Discharge flow
			pollutants	Executive standard				
11	MCC Dingyuan Water Co., Ltd. (定遠縣中治水務有限公司)	Wastewater discharge vent WS-50004	COD	Discharge Standard of Pollutants for Municipal	50	19.58	2.86	Maqiao River (馬橋河)
			Ammoniacal nitrogen	Wastewater Treatment Plant (GB18918-2002) Level I Standard A	5(8)	0.68		
12	Lu'an Water Corporation MCC (六安市中治水務有限公司)	Main vent WS00075	COD	Discharge Standard of Pollutants for Municipal	50	22	1.56	Su Da Yan (蘇大堰)
			Ammoniacal nitrogen	Wastewater Treatment Plant (GB18918-2002) Level I Standard A	5(8)	0.64		
13	Cha He Water Treatment Plant of Lai'an Huatian Water Corporation MCC (來安縣中 治華天水務有限公司漢河污水處理廠)	Vent from Cha He Water Treatment Plant (漢河污水處理廠污水排出口)	COD	Discharge Standard of Pollutants for Municipal	60	22.6	1.23	Chu River (滁河)
			Ammoniacal nitrogen	Wastewater Treatment Plant (GB18918-2002) Level I Standard A	8(15)	0.52		
14	Ma'anshan Water Corporation MCC (馬鞍山中治水務有限公司)	Ma'anshan Huatian Water Corporation MCC (馬鞍山市中治華天水務有限公 司) WS-090801	COD	Discharge Standard of Pollutants for Municipal	50	14.9	1.67	Xiangcheng River (襄城河)
			Ammoniacal nitrogen	Wastewater Treatment Plant (GB18918-2002) Level I Standard A	5(8)	0.35		
15	Huangshi Water Corporation MCC (黃石中治水務有限公司)	Vent from Huangshi Tuanchengshan Wastewater Treatment Plant (黃石 團城山污水處理廠排出口)	COD	Discharge Standard of Pollutants for Municipal	50	16	3.52	Ci-hu Lake (磁湖)
			Ammoniacal nitrogen	Wastewater Treatment Plant (GB18918-2002) Level I Standard A	5(8)	1.1		
16	Shouguang MCC Huatian Water Co., Ltd. (壽光市中治華天水務有限公司)	Vent from Shouguang MCC Huatian Water Co., Ltd. WS-37078309	COD	Discharge Standard of Pollutants for Municipal	40	33.72	12.93	Xiaoqing River (小清河)
			Ammoniacal nitrogen	Wastewater Treatment Plant (GB18918-2002) Level I Standard A ^{note}	2	0.89		
17	Qinhuangdao Funing District MCC Water Co., Ltd. Wastewater (秦皇島市撫寧區中治水務有限公司)	Vent from Funing Wastewater Treatment Plant (撫寧污水廠出口)	COD	Discharge Standard of Pollutants for Municipal	50	28.9	4.38	Discharged into artificial river
			Ammoniacal nitrogen	Wastewater Treatment Plant (GB18918-2002) Level I Standard A	5(8)	0.7		
18	Fuzhou MCC Changle District Water Co., Ltd. (福州市長樂區中治水務有限公司)	Vent from Fuzhou MCC Changle District Water Co., Ltd. (福州市長 樂區中治水務有限公司排出口) WS- 26616	COD	Discharge Standard of Pollutants for Municipal	50	34.24	5.34	Min River (閩江)
			Ammoniacal nitrogen	Wastewater Treatment Plant (GB18918-2002) Level I Standard A	5(8)	0.28		
19	MCC Xuancheng Water Co., Ltd. (宣城市中治水務有限公司) ^{note}	Vent from Xuancheng Wastewater Treatment Plant (宣城污水廠出口)	/	/	/	/	/	Shuiyang River (水陽江)
20	Beijing Zhongshe Water Treatment Co., Ltd. (北京中設水處理有限公司)	Main vent (Phase I)	COD	Discharge Standard of Pollutants for Municipal	50	21.7	4.2	Ciwei River (刺渭河)
			Ammoniacal nitrogen	Wastewater Treatment Plant (Level 1 Standard A of current wastewater plant) DB11/890-2012	5(8)	0.6		
			Total phosphorus		0.5	0.3		
			Ammoniacal nitrogen	Wastewater Treatment Plant (Level 1 Standard A of new wastewater plant) DB11/890-2012	1.0(1.5)	0.3		
21	Lanzhou Zhongtong Water Corporation (蘭州中 投水務有限公司)	Main vent	COD	Discharge Standard of Pollutants for Municipal	60	21.7	24	Yellow River
			Ammoniacal nitrogen	Wastewater Treatment Plant (GB18918-2002) Level I Standard B	8(15)	0.9		
			Total phosphorus		1	0.2		

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No.	Company name	Discharge vent	Major pollutants and characteristic		Emission standard ^{100%} (mg/L)	Actual emission (mg/L)	Total emission rate (10,000t/day)	Discharge flow
			pollutants	Executive standard				
22	Xiaogan Zhongshe Water Co., Ltd. (孝感中設水務有限公司)	Main vent	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002)	60	18	12.9	Gunzi River (滾子河)
			Ammoniacal nitrogen	Level I Standard B	8(15)	1.1		
			Total phosphorus		1	0.6		
23	Wenxian Zhongtou Water Co., Ltd. (溫縣中投水務有限公司)	Main vent of the First Wastewater Treatment Plant	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002)	50	16.4	4	Laomang River (老蟒河)
			Ammoniacal nitrogen	Level I Standard A	5(8)	0.5		
			Total phosphorus		0.5	0.1		
		Main vent of the Second Wastewater Treatment Plant	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002)	50	17.5	2.1	
			Ammoniacal nitrogen	Level I Standard A	5(8)	0.8		
			Total phosphorus		0.5	0.2		
24	Changzhou Enfi Water Co., Ltd. (常州恩菲水務有限公司)	Main vent	COD	Discharge Standard of Main Water Pollutants for Municipal Wastewater Treatment Plant & Key Industries of Taihu Area	60	44.5	2.4	Cailing Port (採菱港)
			Ammoniacal nitrogen	DB32/1072-2007	5	0.4		
			Total phosphorus		0.5	0.1		
25	Zhejiang Chunnan Sewage Treatment Co., Ltd. (浙江春南污水處理有限公司)	Main vent	COD	Discharge Standard of Main Water Pollutants for Pulp and Paper Industry of Zhejiang Province	60	48.1	6.4	Yang Pu Qu (洋浦渠)
			Ammoniacal nitrogen		5	0.5		
			Total phosphorus	DHJB1-2001	0.5	0		
26	Wuhan Baoxie Wastewater Treatment Plant (武漢市豹澥污水處理廠)	Vent from Wuhan Baoxie Wastewater Treatment Plant (武漢市豹澥污水處理廠廢水排出口)	PH	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002)	6~9	7.60	1.91	Yangtze River (長江)
			COD		50	8.55		
			Ammoniacal nitrogen	Level I Standard A	5(8)	0.09		
			Total phosphorus		0.5	0.18		
27	Wuhan Urban Environmental Water Co., Ltd. (都市環保武漢水務有限公司)	Main vent of Zuoling Wastewater Treatment Plant of Wuhan Urban Environmental Water Co., Ltd.	PH	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002)	6~9	7.62	5.18	
			COD		50	11.5		
			Ammoniacal nitrogen	Level I Standard A	5(8)	0.10		
			Total phosphorus		0.5	0.18		
			Total nitrogen		15	10.0		
			Fluoride		10	4.92		

Note: The values outside the brackets of the standard GB18918-2002 represent control objectives when water temperature is higher than 12 degrees Celsius. The value inside the brackets of the standard GB18918-2002 is control objectives whose water temperature is equal to or below 12 degrees Celsius. Pursuant to Shou Huan Wei Fa [2018] No. 4 Document issued by Shouguang City Environmental Protection Committee, the required water output indicators of COD and ammoniacal nitrogen for Shouguang North Water Corporation MCC and Shouguang MCC Huatian Water Co., Ltd. were 40mg/L and 2mg/L, respectively. As Xuancheng Water Treatment Plant of MCC Xuancheng Water Co., Ltd. is currently being monitored but not in operation, no wastewater discharge statistic can be recorded.

SIGNIFICANT EVENTS

② Enterprise under special supervision of wastewater treatment plants (1 enterprise)

No.	Company name	Discharge vent	Key pollutants and characteristic pollutants		Discharge standard	Actual discharge	Overall rate of discharge	Discharge flow (kg/h)
				Executive standard				
1	China Silicon Corporation Ltd. – The First Subsidiary (洛陽中硅高科技有限公司一分公司)	Main vent of wastewater	pH	Integrated Wastewater Discharge Standard (GB8978-1996) (Level Three)	6~9	7.88	/	Sewage treatment plant of New District, Luoyang
			SS	Integrated Wastewater Discharge Standard (GB8978-1996) (Level Three)	400mg/L	44.30	0.33	
			COD	Integrated Wastewater Discharge Standard (GB8978-1996) (Level Three)	500mg/L	46.51	0.28	
			Ammoniacal nitrogen	Integrated Wastewater Discharge Standard (GB8978-1996) (Level Three)	/	0.14	0.00	
			Cl-	Discharge Standard of Chlorides for Salt and Alkali Industry DB41/276-2011	350mg/L	253.75	1.60	
			F-	Integrated Wastewater Discharge Standard (GB8978-1996) (Level Three)	20mg/L	1.50	0.01	
		Chimney of Exhaust Washing Tower	HCl	Integrated Emission Standards of Air Pollutants Level Two	100mg/Nm ³ 0.915kg/h	12.16 0.00	/ 0.01	Atmosphere
		Chimney of Acid Fume Purification Tower	HF	Integrated Emission Standards of Air Pollutants Level Two	9mg/Nm ³ 0.38kg/h	2.71 0.09	/ 0.09	
			NOx	Integrated Emission Standards of Air Pollutants Level Two	240mg/Nm ³ 2.85kg/h	31.00 1.47	/ 1.47	

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

No.	Company name	Discharge vent	Key pollutants and characteristic pollutants		Emission standard	Actual emission	Overall rate of Emission	Emission flow (kg/h)
				Executive standard				
1	Xiangyang Enfi Environmental Protection Energy Co., Ltd. (襄陽恩菲環保能源有限公司)	Xiangyang Enfi Household Waste Incineration Power Plant (Wastewater vent)	COD	Integrated wastewater discharge standard (GB8978-1996) Level Three Emission limit	500mg/L	38.59mg/L	0.62	Wastewater Treatment Plant of Yujiahu
			PH	Integrated wastewater discharge standard (GB8978-1996) Level Three Emission limit	6~9	/	/	

SIGNIFICANT EVENTS

No.	Company name	Discharge vent	Key pollutants and characteristic pollutants	Executive standard	Emission standard	Actual emission	Overall rate of Emission (kg/h)	Emission flow
		Exhaust vent from Xiangyang Enfi Waste Incineration Power Plant #1	SO ₂	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm ³	23.07mg/m ³	1.90	Atmosphere
			NO _x	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm ³	123.51mg/m ³	10.49	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm ³	3.18mg/m ³	0.26	
		Exhaust vent from Xiangyang Enfi Waste Incineration Power Plant #2	SO ₂	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm ³	29.7mg/m ³	3.87	
			NO _x	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm ³	134.52mg/m ³	18.14	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm ³	3.31mg/m ³	0.83	
		Exhaust vent from Xiangyang Enfi Waste Incineration Power Plant #3	SO ₂	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm ³	23.475mg/m ³	1.94	
			NO _x	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm ³	151.84mg/m ³	12.44	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm ³	2.3mg/m ³	0.19	
2	Ganzhou Enfi Environmental Protection Energy Co., Ltd. (贛州恩菲環保能源有限公司)	Exhaust vent #1 from Ganzhou Enfi Waste Incineration Power Plant	SO ₂	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm ³	10.8	0.8269	Atmosphere
			NO _x	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm ³	147.6	11.5398	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm ³	4.1	0.2962	
		Exhaust vent #2 from Ganzhou Enfi Waste Incineration Power Plant	SO ₂	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm ³	6.9	0.6095	
			NO _x	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm ³	178.4	15.2382	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm ³	5.5	0.451	
3	China City New Energy Development Dafeng Co., Ltd. (郴市環保新能源開發大豐有限公司)	China City 1# gas exhaust gas	SO ₂	Discharge Standard of Pollutants for Thermal Power Plant (GB13223-2011)	100mg/m ³	2.59	0.28	Atmosphere
			NO _x		100mg/m ³	51.52	6.03	

(2) Construction and operation of pollution prevention facilities

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

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The subsidiaries reinforced their technology innovation and continued to develop new techniques and products. For example, China Non-ferrous “high quality reclaimed water treatment technology-urban sewage biochemical-physicochemical multi-section coupling” (城鎮污水生化-物化多級耦合的高品質再生水處理技術) has been successfully operated in Phase II Engineering Project of Wastewater Treatment Plant in Liangxiang, Fangshan District, Beijing (北京市房山區良鄉污水處理廠污水二期工程) for nearly 3 years, with stable water output, which has made outstanding contribution to the capital’s environmental protection. Upon the application of such technology, the concentrations of CODCr, BOD5, SS, TN, NH3-N and TP in relation to water output were reduced by 60.0%, 60.0%, 50.0%, 33.3%, 80.0% and 60.0%, respectively as compared with those adopting national emission standard of Level I Standard A. Taking Phase II Wastewater Engineering Project in Liangxiang, Beijing (北京市良鄉污水二期工程) as an example, the reduction of CODCr was 4,088 tons/year; the reduction of BOD5 was 2,278 tons/year; the reduction of SS was 2,555 tons/year; the reduction of TN was 730 tons/year while the reduction of TP was 77 tons/year. In addition, such technology has good economic benefits, and the water treatment cost per ton has been reduced by more than 15% as compared with the conventional high-quality water treatment process.

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

All enterprises with significant waste disposal have obtained approvals from relevant environmental protection departments in respect of environmental impact assessment.

(4) Contingency plans for environmental emergencies

The contingency plan for environmental emergencies set out by a subsidiary of Luoyang Silicon High Technology Company Limited (洛陽中硅高科技有限公司) was filed with Luoyang Environmental Protection Bureau, Luoyang Urban and Rural Integration Commission and Bureau of Land and Resources of Luoyang on 9 January 2017, with reference number of 410311-2017-H-1.

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

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

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

All 27 sewage treatment companies have worked out contingency plans for environmental emergencies.

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(5) **Environmental self-monitoring plans**

Luoyang China Silicon Corporation Ltd., Xiangyang ENFI Environmental Protection Energy Co., Ltd., Ganzhou Enfi Environmental Protection Energy Co., Ltd., China City New Energy Development Dafeng Co., Ltd. (都市環保新能源開發大豐有限公司) and 27 sewage treatment companies have worked out environmental self-monitoring plans. All sewage treatment plants have installed online COD and ammoniacal nitrogen monitoring facilities at their intakes and vents, respectively, ensuring that monitoring data is transmitted and monitored in real time by local environmental protection authorities via the Internet. At the same time, the local monitoring station regularly selects and tests samples from sewage treatment plants to ensure understanding and handling the sewage treatment situation of the plants.

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

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

In 2019, Ganzhou Enfi Environmental Protection Energy Co., Ltd. (贛州恩菲環保能源有限公司) joined hands with local environmental organisations, members of the National People's Congress, local villagers and regulatory committees on power plants in organising public events, which welcomed 714 visitors throughout the year. It has been awarded the title of "Unit with Open Environmental Protection Facilities and Urban Sewage Treatment Facilities" from the Ministry of Ecology and Environment and Ministry of Housing and Urban-Rural Development.

Beijing Enfi Environmental Protection Co., Ltd. (北京恩菲環保股份有限公司) has obtained the authorisation of 2 new and practical patents, namely: sewage treatment facilities and sewage treatment system for integrated use of ozone.

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

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable



SIGNIFICANT EVENTS

(IV) Other explanations

In 2019, CISDI Equipment Co., Ltd. (中冶赛迪装备有限公司), a subsidiary of CISDI, was not included in the Name List of Enterprises under Special Supervision or Enterprises with Significant Waste Disposal published by the governments at the national, provincial, municipal and county level and departments of environmental protection, and therefore, it was not included in the information disclosed above.

In August 2019, China ENFI publicly transferred 80% equity interest and RMB233 million in relevant creditors' rights of Xidong Environmental; on 24 November, China Everbright International Limited acquired the entrusted operation rights of Xidong Domestic Waste Power Generation Project ("Xidong Project") in Wuxi City, Jiangsu province; China ENFI exited from the management of Xidong Environmental thereafter, and it was not included on list of enterprises with significant waste disposal.

XVIII. CONVERTIBLE CORPORATE BONDS

Applicable Not Applicable

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

I. CHANGES IN ORDINARY SHARE CAPITAL

(I) Changes in ordinary shares

1. Changes in ordinary shares

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

2. Explanation on the changes in ordinary shares

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

(II) Changes in shares subject to selling restrictions

Applicable Not Applicable

II. ISSUANCE AND LISTING OF SECURITIES

(I) Issuance of securities for the Reporting Period

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

(III) Existing internal employee shares

Applicable Not Applicable

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLER

(I) Total number of Shareholders

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

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

Unit: share

Name of Shareholder (full name)	Shareholding of the top 10 Shareholders				Pledged or frozen status		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	Shares	Amount	
China Metallurgical Group Corporation (中國冶金科工集團有限公司)	-224,684,800	11,418,715,300	55.10	0	Nil	0	State-owned legal person
HKSCC Nominees Limited ⁽²⁾ (香港中央結算(代理人)有限公司)	-366,899	2,841,099,101	13.71	0	Nil	0	Others
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	0	620,195,642	2.99	0	Nil	0	State-owned legal person
Hong Kong Securities Clearing Company Limited (香港中央結算有限公司)	107,571,701	220,284,861	1.06	0	Nil	0	Others
Bank of China Limited – Harvest CSI State-owned Enterprises Innovation-driven Index ETF Security Investment Fund (中國銀行股份有限公司 – 嘉實中證央企創新驅動交易型開放式指數證券投資基金)	113,402,500	113,402,500	0.55	0	Nil	0	Others
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	0	90,087,800	0.43	0	Nil	0	State-owned legal person
Zhang Jingchun (張景春)	-1,247,512	79,571,988	0.38	0	Nil	0	Others
Bosera Funds – Agricultural Bank of China – Bosera CSI Financial Assets Management Scheme (博時基金 – 農業銀行 – 博時中證金融資資產管理計劃)	0	63,516,600	0.31	0	Nil	0	Others
E-Fund – Agricultural Bank – E-Fund China Securities and Financial Assets Management Programme (易方達基金 – 農業銀行 – 易方達中證金融資資產管理計劃)	0	63,516,600	0.31	0	Nil	0	Others
Da Cheng Fund – Agricultural Bank – Da Cheng China Securities and Financial Assets Management Programme (大成基金 – 農業銀行 – 大成中證金融資資產管理計劃)	0	63,516,600	0.31	0	Nil	0	Others

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

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

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

Shareholding of top 10 Shareholders not subject to selling restrictions

Name of Shareholder	Number of tradable Shares held not subject to selling restrictions	Types and number of Shares	
		Types of shares	Number of shares
China Metallurgical Group Corporation (中國冶金科工集團有限公司)	11,418,715,300	RMB-denominated ordinary shares	11,418,715,300
HKSCC Nominees Limited ⁽²⁾ (香港中央結算(代理人)有限公司)	2,841,466,000	Overseas-listed foreign shares	2,841,466,000
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	620,195,642	RMB-denominated ordinary shares	620,195,642
Hong Kong Securities Clearing Company Limited (香港中央結算有限公司)	220,284,861	RMB-denominated ordinary shares	220,284,861
Bank of China Limited – Harvest CSI State-owned Enterprises Innovation-driven Index ETF Security Investment Fund (中國銀行股份有限公司 – 嘉實中證央企創新驅動交易型開放式指數證券投資基金)	113,402,500	RMB-denominated ordinary shares	113,402,500
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	90,087,800	RMB-denominated ordinary shares	90,087,800
Zhang Jingchun (張景春)	79,571,988	RMB-denominated ordinary shares	79,571,988
Bosera Funds – Agricultural Bank – Bosera China Securities and Financial Assets Management Programme (博時基金 – 農業銀行 – 博時中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
E-Fund – Agricultural Bank – E-Fund China Securities and Financial Assets Management Programme (易方達基金 – 農業銀行 – 易方達中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
Da Cheng Fund – Agricultural Bank – Da Cheng China Securities and Financial Assets Management Programme (大成基金 – 農業銀行 – 大成中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
Harvest Fund – Agricultural Bank – Harvest China Securities and Financial Assets Management Programme (嘉實基金 – 農業銀行 – 嘉實中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
GF Fund – Agricultural Bank – GF China Securities and Financial Assets Management Programme (廣發基金 – 農業銀行 – 廣發中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
Zhong Ou Fund – Agricultural Bank – Zhong Ou China Securities and Financial Assets Management Programme (中歐基金 – 農業銀行 – 中歐中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

Shareholding of top 10 Shareholders not subject to selling restrictions

Name of Shareholder	Number of tradable Shares held not subject to selling restrictions	Types and number of Shares	
		Types of shares	Number of shares
China AMC Fund – Agricultural Bank – China AMC China Securities and Financial Assets Management Programme (華夏基金－農業銀行－華夏中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
Yinhua Fund – Agricultural Bank – Yinhua China Securities and Financial Assets Management Programme (銀華基金－農業銀行－銀華中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
China Southern Fund – Agricultural Bank – China Southern China Securities and Financial Assets Management Programme (南方基金－農業銀行－南方中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
ICBC Credit Suisse Fund – Agricultural Bank – ICBC Credit Suisse China Securities and Financial Assets Management Programme (工銀瑞信基金－農業銀行－工銀瑞信中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
Explanations on the connections or parties acting in concert among the aforesaid Shareholders	The Company is not aware of the existence of any connections or parties acting in concert among the aforesaid Shareholders		
Explanations on the shareholders of preferred shares whose voting rights have been restored and the number of Shares held	Not applicable		

Note (1): Figures in the table were extracted from the Company's register of Shareholders as at 31 December 2019.

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

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

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

Applicable Not Applicable

(III) **Strategic investors or general legal persons became one of the top 10 Shareholders as a result of the placing of the new Shares**

Applicable Not Applicable

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

IV. OTHER SITUATIONS ON CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLERS

(I) Controlling Shareholder

1 *Legal person*

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

2 *Natural person*

Applicable Not Applicable

3 *Special explanation on the Company not having any controlling shareholder*

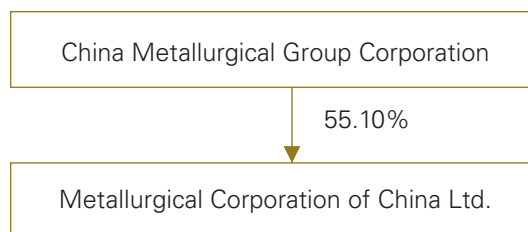
Applicable Not Applicable

4 *Index and date of changes in controlling shareholder during the Reporting Period*

Applicable Not Applicable

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

- 5 *Diagram of the equity and controlling relationship between the Company and the controlling shareholder*



(II) De Facto Controller

1 *Legal person*

The de facto controller of the Company is the SASAC.

2 *Natural person*

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

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



CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

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

Applicable Not Applicable

(III) Other explanation regarding the controlling shareholder and the de facto controller

Applicable Not Applicable

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

Applicable Not Applicable

VI. RESTRICTION ON REDUCTION IN SHAREHOLDING

Applicable Not Applicable

VII. DISCLOSURE OF INTERESTS

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

As at 31 December 2019, as far as the Company is aware, interests or short positions of the Directors, Supervisors and the chief executive of the Company or their associates in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Hong Kong Stock Exchange by the Directors and Supervisors pursuant to the Model Code or the rights granted for the purchase of shares or debentures of the Company or any of its associated corporations are as follows:

Unit: share

Name	Position	Class of Shares	Long/short position	Capacity	Number of shares	Percentage of the relevant class of shares in issue (%)	Percentage of the total number of shares in issue (%)
Directors							
Guo Wenqing	Chairman and Executive Director	A Shares	Long position	Beneficial owner	130,000	0	0
Zhang Zhaoxiang	Vice Chairman and Executive Director	A Shares	Long position	Beneficial owner	80,000	0	0
Lin Jinzhen	Employee Representative Director (Non-executive Director)	A Shares	Long position	Beneficial owner	60,000	0	0
Chief executive (President)							
Zhang Mengxing	President	A Shares	Long position	Beneficial owner	60,032	0	0

Save as disclosed above, as at 31 December 2019, as far as the Company is aware, none of the Directors, Supervisors or the chief executive of the Company or their associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise required to be notified to the Company and the Hong Kong Stock Exchange by the Directors and Supervisors pursuant to the Model Code.

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

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

As at 31 December 2019, as far as the Company is aware, interests of other senior management of the Company in the Shares of the Company are as follows:

Unit: share

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

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

As at 31 December 2019, the Company was informed that the following persons had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Holders of A Shares

Unit: share

Name of substantial Shareholder	Capacity	Number of A Shares	Nature of interest	Approximate percentage of the total issued	Approximate percentage of the total
				A Shares (%)	issued shares (%)
China Minmetals Corporation	Interest of a controlled corporation	11,418,715,300	Long position	63.96	55.10
China Metallurgical Group Corporation	Beneficial owner	11,418,715,300	Long position	63.96	55.10

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

Holders of H Shares

Unit: share

Name of substantial Shareholder	Capacity	Number of H Shares	Nature of interest	Approximate percentage of the total issued H Shares	Approximate percentage of the total issued shares
				(%)	(%)
BlackRock, Inc.	Interest of a controlled corporation	171,952,775	Long position	5.99	0.83

Save as disclosed above, as far as the Directors, Supervisors and chief executives of the Company are aware, as at 31 December 2019, in accordance with the register required to be kept under Section 336 of the SFO, no other person or corporation has an interest or short position in the Company's share capital that would require disclosure to the Company under Divisions 2 and 3 of Part XV of the SFO.

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

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

IX. MINIMUM PUBLIC FLOAT

During the Reporting Period and as of the latest practicable date prior to the publication of this report (i.e. 31 March 2020), the Company has maintained sufficient public float, based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company.

X. PRE-EMPTIVE RIGHTS AND SHARE OPTION ARRANGEMENTS

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

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

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

I. PARTICULARS OF CHANGES IN SHAREHOLDING AND REMUNERATION

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

Unit: share

Name	Position (Note)	Gender	Age	Commencement date of term of office	End date of term of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in shares during the year	Reason for the changes	Total remuneration before tax obtained from Company during the Reporting Period (RMB'000)	Whether obtained remuneration from the connected parties of the Company
Current											
Guo Wenqing	Chairman and executive Director	Male	55	2019-03-12	Till the expiry date of the term of office of the third session of the Board	130,000	130,000	0	-	0.00	Yes
Zhang Zhaoxiang	Vice chairman and executive Director	Male	56	2019-03-12	Till the expiry date of the term of office of the third session of the Board	80,000	80,000	0	-	0.00	Yes
Zhou Jichang	Independent Non-executive Director	Male	69	2019-03-12	Till the expiry date of the term of office of the third session of the Board	0	0	0	-	10.35	No
Yu Hailong	Independent Non-executive Director	Male	69	2019-03-12	2020-11-12	0	0	0	-	14.80	No
Ren Xudong	Independent Non-executive Director	Male	66	2019-03-12	2020-11-12	0	0	0	-	14.00	No
Chan Ka Keung Peter	Independent Non-executive Director	Male	68	2019-03-12	2020-11-12	0	0	0	-	14.20	Yes
Lin Jinzhen	Employee representative Director	Male	58	2019-03-12	Till the expiry date of the term of office of the third session of the Board	60,000	60,000	0	-	110.84	No
Cao Xiuyun	Chairman of Supervisory Committee	Male	58	2019-03-12	Till the expiry date of the term of office of the third session of the Supervisory Committee	0	0	0	-	93.57	No
Zhang Yandi	Supervisor	Female	40	2019-03-12	Till the expiry date of the term of office of the third session of the Supervisory Committee	0	0	0	-	73.98	No
Chu Zhiqi	Employee representative Supervisor	Male	49	2019-03-12	Till the expiry date of the term of office of the third session of the Supervisory Committee	0	0	0	-	68.99	No
Zhang Mengxing	President	Male	56	2019-03-12	Till the appointment of the next session of senior management by the next session of the Board	60,032	60,032	0	-	170.54	No

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Position (Note)	Gender	Age	Commencement date of term of office	End date of term of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in shares during the year	Reason for the changes	Total remuneration before tax obtained from Company during the Reporting Period <i>(RMB'000)</i>	Whether obtained remuneration from the connected parties of the Company
Wang Shilei	Vice President	Male	52	2019-03-12	Till the appointment of the next session of senior management by the next session of the Board	0	0	0	-	153.80	No
Zou Hongying	Vice President and Chief Accountant	Female	55	2019-03-12	Till the appointment of the next session of senior management by the next session of the Board	40,000	40,000	0	-	152.23	No
Qu Yang	Vice President	Male	49	2019-03-12	Till the appointment of the next session of senior management by the next session of the Board	70,000 ⁽¹⁾	70,000 ⁽¹⁾	0	-	146.92	No
Zeng Jianzhong	Vice President	Male	54	2019-03-12	Till the appointment of the next session of senior management by the next session of the Board	0	0	0	-	125.60	No
Zhang Ye	Vice President	Male	54	2019-03-12	Till the appointment of the next session of senior management by the next session of the Board	0	0	0	-	126.28	No
Liu Fuming	Vice President	Male	56	2019-03-12	Till the appointment of the next session of senior management by the next session of the Board	0	0	0	-	0.00	No
Zeng Gang	Secretary to the Board	Male	55	2019-03-12	Till the appointment of the next session of senior management by the next session of the Board	0	0	0	-	92.26	No

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Position (Note)	Gender	Age	Commencement date of term of office	End date of term of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in shares during the year	Reason for the changes	Total remuneration before tax obtained from Company during the Reporting Period <i>(RMB'000)</i>	Whether obtained remuneration from the connected parties of the Company
Resigned											
Jing Tianliang	Non-executive Director	Male	74	2014-11-13	2019-03-12	117,500	117,500 ⁽¹⁾	0	-	2.06	No
Yan Aizhong ⁽²⁾	Supervisor	Male	52	2016-08-23	2019-03-12	0	0 ⁽³⁾	0	-	21.96	No
	Vice President			2019-03-12	2019-10-21					87.40	No
Peng Haiqing ⁽³⁾	Supervisor	Male	48	2014-11-13	2019-03-12	41,500	41,500 ⁽³⁾	0	-	0.00	Yes
Shao Bo	Employee representative Director	Male	56	2014-11-13	2019-03-12	34,800 ⁽⁴⁾	34,800 ⁽⁴⁾	0	-	0.00	Yes
Li Yuzhuo	Secretary to the Board	Female	47	2016-10-26	2019-03-12	55,000	55,000 ⁽³⁾	0	-	0.00	Yes
Total	/	/	/	/	/	688,832	688,832	0	/	1,479.76	/

Note: (1): The Shares of the Company held by Mr. Qu Yang are H Shares.

(2): On 3 April 2018, the Supervisory Committee of the Company received the written resignation tendered by Mr. Yan Aizhong, a Supervisor. Due to adjustment of work arrangements, Mr. Yan Aizhong resigned from his position as a Supervisor of the Company. Since the resignation of Mr. Yan Aizhong would result in the number of Supervisors on the Supervisory Committee of the Company falling below the quorum as required by law, Mr. Yan Aizhong, in accordance with the requirements of the Articles of Association and relevant laws and regulations, continued to perform his duty as a Supervisor until Supervisors of the new session of the Supervisory Committee were elected by the Company on 12 March 2019. On 3 April 2018, the Board of the Company approved the resolution in relation to the appointment of Mr. Yan Aizhong as the Vice President of the Company with the term of office commencing on 12 March 2019. On 21 October 2019, the Board received the written resignation tendered by Mr. Yan Aizhong, a Supervisor. Due to adjustment of work, Mr. Yan Aizhong resigned from his position as the Vice President of the Company.

(3): On 30 August 2018, the Supervisory Committee of the Company received the written resignation tendered by Mr. Peng Haiqing, a Supervisor. Due to adjustment of work arrangements, Mr. Peng Haiqing resigned from his position as a Supervisor of the Company. Since the resignation of Mr. Peng Haiqing would result in the number of Supervisors on the Supervisory Committee of the Company falling below the quorum as required by law, Mr. Peng Haiqing, in accordance with the requirements of the Articles of Association and relevant laws and regulations, continued to perform his duty as a Supervisor until the new session of Supervisory Committee was elected by the Company on 12 March 2019 and a newly elected Supervisor took office.

(4): Mr. Shao Bo directly held 33,800 A Shares of the Company, and his spouse held 1,000 A Shares of the Company.

(5): The appointment dates of the current Director, Supervisors and senior management set out in the above table represent the commencement dates of appointment of the current session. On 12 March 2019, Mr. Guo Wenqing, Mr. Zhang Zhaoxiang, Mr. Zhou Jichang, Mr. Yu Hailong, Mr. Ren Xudong and Mr. Chan Ka Keung Peter were elected as non-employee representative Directors of the third session of the Board on the 2019 first extraordinary general meeting of the Company. On 11 March 2019, Mr. Lin Jinzhen was elected as employee representative Director of the third session of the Board at the employee representative congress convened by the Company. On 12 March 2019, the first meeting of the third session of the Board of the Company approved the appointment of Mr. Zhang Mengxing as the President of the Company, Ms. Zou Hongying as the Vice President and Chief Accountant of the Company, as well as Mr. Wang Shilei, Mr. Qu Yang, Mr. Yan Aizhong, Mr. Zeng Jianzhong, Mr. Zhang Ye and Mr. Liu Fuming as the Vice Presidents of the Company.

(6): The data is the number of shares held at the time of resignation.

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Guo Wenqing	<p>Born in December 1964, Chinese nationality with no right of abode overseas, Mr. Guo is currently the Chairman, executive Director and legal representative of the Company, and concurrently serves as a director, general manager and deputy secretary of the Communist Party Committee of China Minmetals, as well as the Chairman (legal representative) of CMGC. Mr. Guo had served as deputy director, and director and secretary of the Communist Party Committee of the Hebei Province Highways Authority (河北省高速公路管理局), chairman of the board of directors and general manager of Hebei Province Highways Development Company Limited (河北省高速公路開發有限公司) and director of the Hebei Province Ports Authority (河北省港航管理局), and secretary of the Communist Party Committee, executive director and deputy general manager of CRBC International Co., Ltd. (路橋集團國際建設股份有限公司) since 1994. Mr. Guo served as deputy secretary of the Communist Party Committee and Director of the Company from December 2008 to August 2012, during which he served as director and deputy secretary of the Communist Party Committee of CMGC from April 2009 to July 2012. From July 2012 to August 2014, Mr. Guo served as vice chairman, general manager (legal representative) and deputy secretary of the Communist Party Committee of CMGC. Since August 2014, he has served as Chairman (legal representative) of CMGC. From August 2014 to April 2015, he served as general manager and deputy secretary of the Communist Party Committee of CMGC. From April 2015 to June 2018, he served as secretary of the Communist Party Committee of CMGC. From May 2016, he served as Director, general manager and deputy secretary of the Communist Party Group of China Minmetals. Meanwhile, he served as secretary of the Communist Party Committee of the Company from August 2012 to October 2016, and Chairman (executive Director and legal representative) of the Company from September 2013. Mr. Guo graduated from Hebei University of Science and Technology with a bachelor's degree in business administration, and obtained an executive MBA degree from Tsinghua University. Mr. Guo is a professor-level senior engineer and a senior political engineer.</p>
Zhang Zhaoxiang	<p>Born in August 1963, Chinese nationality with no right of abode overseas, Mr. Zhang is currently secretary of the Communist Party Committee, the vice Chairman, and an executive Director of the Company, and concurrently a member of Communist Party Committee, the deputy general manager of China Minmetals, and secretary of the Communist Party Committee and the general manager and of CMGC. Mr. Zhang successively served as engineer, deputy director of the Jinchuan Branch, director of the General Office and vice president of Beijing Central Engineering and Research Institute of Non-ferrous Metallurgical Industries (北京有色冶金設計研究總院), and vice president, president and secretary of the Communist Party Committee of Central Engineering Institute for Non-ferrous Metallurgical Industries (中國有色工程設計研究總院). Mr. Zhang served as the executive director, general manager and secretary of the Communist Party Committee of China Nonferrous from August 2008 to November 2008 (during which he was also the chairman and general manager of China ENFI from December 2005 to February 2008 and the chairman thereof from February 2008 to November 2008). From November 2008 to September 2013, Mr. Zhang was a Vice President of the Company. From September 2013 to October 2016, he served as President of the Company, and served as an executive director of the Company from June 2014. From April 2015 to June 2018, he was the general manager and deputy secretary of the Communist Party of CMGC. From May 2015 to October 2016, he was deputy secretary of the Company. Since June 2016, he has served as the deputy general manager of China Minmetals. Since October 2016, he has served as the vice chairman and deputy secretary of the Communist Party of the Company. Since June 2018, he served as secretary of the Communist Party and the general manager of CMGC. Mr. Zhang obtained his bachelor's and master's degrees in chemical machinery from Tianjin University and an MBA degree from Peking University afterwards. He is a professor-level senior engineer.</p>

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

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

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Ren Xudong	<p>Born in November 1953, Chinese nationality with no right of abode overseas, Mr. Ren currently serves as an Independent Non-executive Director of the Company, executive vice president and deputy secretary of the Communist Party Committee of China Nonferrous Metals Industry Association (中國有色金屬工業協會), independent director of Shenzhen Zhongjin Lingnan Nonfermet Company Limited (深圳市中金嶺南有色金屬股份有限公司), external director of China Aerospace Science and Industry Corporation Limited (中國航天科工集團有限公司) and external director of China Reform Holdings Corporation Limited (中國國新控股有限公司). He served as deputy managing officer and managing officer of the office of China National Non-Ferrous Metals Industry Corporation (中國有色金屬工業總公司) from December 1995 to August 1998, deputy general manager, group deputy general manager, deputy secretary of the Communist Party Committee of China Nonferrous Mining Corporation Limited Zambia NFCA Mining Co., Ltd. (中色建設集團非洲(贊比亞)礦業有限公司), and deputy general manager and executive director of China Non ferrous Group (HK) Co., Ltd. (中國有色金屬(香港)集團有限公司) from August 1998 to May 2002. Mr. Ren served as director, vice president and president of China Mining International Co., Ltd. (中國礦業國際有限公司) and assistant to the president of China Minmetals from May 2002 to December 2005. He also served as assistant to the general manager, deputy general manager and member of the Communist Party Committee of Aluminum Corporation of China (中國鋁業公司) from December 2005 to February 2013 and non-executive director of Chinalco Mining Corporation International from April 2011 to May 2013. He is a senior engineer with an associate degree.</p>
Chan Ka Keung, Peter	<p>Born in April 1951, a citizen of Hong Kong, the PRC. He currently serves as an Independent Non-executive Director of the Company, China Railway Signal & Communication Corporation Limited (中國鐵路通信信號股份有限公司) and Minmetals Resources Co., Ltd. (五礦資源有限公司). Mr. Chan served as a senior assistant of the Audit Department, manager of the Tax Department and senior manager of the China Service Department in Ernst & Young, as well as chief financial officer of Dransfield Group. From January 1994 to December 2008, he served as a Beijing-based partner, a Beijing-based managing partner of the Tax and Investment Advisory Service Department and managing partner of the NPA Transaction Advisory Service Department of Ernst & Young successively. Mr. Chan also served as a member of the executive committee of Hong Kong Chamber of Commerce in China from 1996 to 2003 and the chairman of Hong Kong Chamber of Commerce in China in 2000 and 2003. Mr. Chan served as independent non-executive director of CSR Corporation Limited (中國南車) and CRRC Corporation Limited (中國中車). Mr. Chan graduated from the Hong Kong Polytechnic majoring in accounting. He is a member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants of UK, an associate member of the Institute of Chartered Secretaries and Administrators of UK and a member of CPA Australia.</p>

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Lin Jinzhen	<p>Born in July 1961, Chinese nationality with no right of abode overseas, Mr. Lin is currently an employee representative Director and the chairman of union of the Company and concurrently an employee representative director and the chairman of labour union of CMGC. Mr. Lin successively served as assistant engineer and principal staff member in the business administration office under the Infrastructure Construction Bureau (基建局企業管理處), as well as engineer in the general office of the construction department (建設司綜合處) of the Ministry of Metallurgical Industry (冶金工業部), engineer and senior engineer of China Metallurgical Construction (Group) Corporation (during preparation of its establishment) (中國冶金建設集團公司(籌備)), the deputy chief of the personnel division, the manager of the personnel department II, and deputy head of the human resources department of China Metallurgical Construction (Group) Corporation (中國冶金建設集團公司). He served as the head of the human resources department (head of the organizational department under the Communist Party Committee) of CMGC from November 2003 to September 2013 (and of MCC from May 2009 onwards). He has been serving as employee representative Director of CMGC since November 2006, employee representative Director of MCC since October 2012, and chairman of the labour union (Preparatory) of CMGC and MCC from June 2013 to September 2018. He served as the head of the organizational department under the Communist Party Committee of MCC from September 2013 to July 2014. He has served as the secretary to the Communist Party Committee of CMGC and MCC since April 2014. From July 2014 to March 2015, he served as a director and secretary of the Communist Party of MCC TianGong Group Corporation Limited (中冶天工集團有限公司). Since September 2018, he has served as the chairman of labour union of CMGC and MCC. Mr. Lin graduated from Northeastern University (東北大學) in mining and construction. He is a professor-level senior engineer.</p>
Cao Xiuyun	<p>Born in December 1961, Chinese nationality, with no right of abode overseas. He currently serves as the chairman of the Supervisory Committee of the Company and also serves as the chairman of the Supervisory Committee of CMGC. Since July 1983, Mr. Cao worked successively at Zhuzhou Smelter (株洲冶煉廠) and China Nonferrous Metals Industry Changsha Company (中國有色金屬工業長沙公司). Since July 1989, he served successively as the deputy director of the roasting plant of Zhuzhou Smelter, the deputy director and director of the zinc leaching plant of Zhuzhou Smelter, and the deputy director of Zhuzhou Smelter. Since July 2000, Mr. Cao served successively as the general manager of Hunan Zhuye Torch Metals Co., Ltd. (湖南株冶火炬金屬股份有限公司), and the general manager of Zhuzhou Smelter Group Company Limited (株洲冶煉集團有限責任公司). He served as the general manager and deputy secretary of the Communist Party Committee of Hunan Nonferrous Metal Holding Group Co., Ltd. (湖南有色金屬控股集團有限公司) from September 2004 to January 2011, as the general manager and deputy secretary of the Party Committee of Hunan Nonferrous Metal Holding Group Co., Ltd. from January 2011 to April 2014, concurrently as the president of Zhuzhou Smelter Group Company Limited from August 2012 to December 2016, as the assistant to the general manager of China Minmetals Corporation (中國五礦集團公司), and concurrently as the deputy general manager and a member of the Party Committee of China Minmetals Non-Ferrous Metals Holding Company Limited (五礦有色金屬控股有限公司) from April 2014 to October 2016. He has been the assistant to the general manager of China Minmetals from October 2016 to June 2018. He has served as the chairman of the board of supervisors of CMGC since September 2018. Mr. Cao graduated from Central South Institute of Mining and Metallurgy with a bachelor's degree in nonferrous metallurgy, and from the nonferrous metallurgy department of Central South University of Technology (中南工業大學) with a master's degree of engineering in nonferrous metallurgy (post-graduate). He is a senior engineer at professor/research fellow level.</p>

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Zhang Yandi	<p>Born in March 1979, Chinese nationality, with no right of abode overseas. She currently serves as a Supervisor, the deputy head of the capital department of the Company and concurrently as a supervisor and the deputy head of the capital department of CMGC. Ms. Zhang served successively as a staff member and the business manager of the planning and finance department of CMGC. She served as the deputy head of the planning and finance division of the planning and finance department (head office) of MCC from June 2010 to October 2012, as the deputy head of the accounting information division and the accounting management division of the finance department of MCC from October 2012 to July 2014, as the head of the accounting management division of the planning and finance department (debt clearance office) of MCC from July 2014 to February 2017, and as the general manager of the financial accounting department of MCC Capital Engineering & Research Incorporation Limited (中冶京誠工程技術有限公司) from February 2017 to March 2018. She has been serving as the deputy head of the capital department of the Company since March 2018, and a supervisor of CMGC since August 2018. Ms. Zhang graduated from the accounting department of the School of Economics and Management of North China University of Technology (北方工業大學) with a bachelor's degree in economics in 2000, and from the accounting department of the School of Economics and Management of Beijing Jiaotong University (北京交通大學) with a master's degree of management in 2004. She is a senior accountant and certified accountant (non-practicing).</p>
Chu Zhiqi	<p>Born in December 1970, Chinese nationality with no right of abode overseas, currently serves as an employee supervisor and the deputy director of the discipline inspection department (Office of Discipline Inspection Commission, Discipline Inspection Office) of the Company, and concurrently serves as an employee supervisor and the deputy director of the discipline inspection department (Office of Discipline Inspection Commission, Discipline Inspection Office) of CMGC. Mr. Chu Zhiqi successively worked in Bureau of Materials in Dingzhou City, Hebei Province (河北省定州市物資局), CRBC International Co., Ltd. (路橋建設國際股份有限公司), CCCC Third Highway Engineering Co., Ltd. (中交三公局) and CCCC Fourth Highway Engineering Co., Ltd. (中交四公局). He joined MCC Inner Mongolia Construction & Investment Co., Ltd. (中冶內蒙古建設投資有限公司) and the Command of MCC Transportation Inner Mongolia Highway Project (中冶交通內蒙古高速公路項目指揮部) in July 2015. He served as the director of the finance department of MCC Inner Mongolia Construction & Investment Co., Ltd. and the Command of MCC Transportation Inner Mongolia Highway Project from October 2015 to March 2016, the director of the audit and supervisory department of MCC Inner Mongolia Construction & Investment Co., Ltd. and the Command of MCC Transportation Inner Mongolia Highway Project from March 2016 to June 2016, the secretary of the Discipline Committee of MCC Inner Mongolia Construction & Investment Co., Ltd. and the secretary of the discipline inspection and working commission of the Command of MCC Transportation Inner Mongolia Highway Project from June 2016 to April 2018. He has been serving as the deputy director of the supervisory department of the Company, the deputy director of the supervisory department of MCC, and concurrently the deputy director of the supervisory department of CMGC since April 2018. He has been an employee supervisor of CMGC since August 2018 and an employee supervisor of the Company since March 2019. Mr. Chu graduated from Hebei Material School as a secondary student majoring in material finance accountant. He obtained a college diploma in economic management from Correspondence College of the Party School of Hebei Province (河北省委黨校函授學院), and an undergraduate degree in accounting from Jiangxi Economic Management Cadre Institute (江西省經濟幹部管理學院). He is an accountant.</p>

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Zhang Mengxing	<p>Born in August 1963, Chinese nationality with no right of abode overseas, Mr. Zhang is currently the president and deputy secretary of the Communist Party Committee of the Company, as well as a deputy secretary of the Communist Party Committee of CMGC. Mr. Zhang once served as deputy manager, acting manager and manager of No. 2 Company (二公司), and deputy manager of Tianjin Company (天津公司) of China MCC 20th Construction Corporation. From February 1999 to October 2006, Mr. Zhang served as deputy general manager of China MCC 20th Construction Corporation and deputy manager and manager of Tianjin MCC 20 Group Co., Ltd. (天津二十冶). From October 2006 to October 2012, he served as director and general manager of China MCC 20th Construction Corporation (subsequently renamed as China MCC20 Group Corp. Ltd.). From October 2012 to September 2014, Mr. Zhang served as the chairman and secretary of the Communist Party Committee of China MCC20 Group Corp. Ltd. From September 2014 to May 2015, he served as the Chief Economist of the Company and concurrently the chairman of MCC International Incorporation Ltd. He served as vice president of the Company from May 2015 to October 2016, and has concurrently acted as the chairman of MCC International Incorporation Ltd. from May 2015 to October 2017. He has been the President and deputy secretary of the Communist Party Committee of the Company, as well as the deputy secretary of the Communist Party Committee of CMGC since October 2016. Mr. Zhang graduated from the Department of Architectural Engineering of Baotou Institute of Iron and Steel Technology (包頭鋼鐵學院建築工程系) with a bachelor's degree of engineering in industrial and civilian construction. Mr. Zhang is a professor-level senior engineer.</p>
Wang Shilei	<p>Born in March 1967, Chinese nationality with no right of abode overseas, Mr. Wang is currently a vice President and deputy secretary of the Communist Party of the Company, and concurrently serves as deputy secretary of the Communist Party of MCC Group. Mr. Wang Shilei successively served as deputy section chief, section chief and assistant to the manager of the Industrial Installation and Construction Company of Shanghai Bao Steel Metallurgical Construction Corp. (上海寶鋼冶金建設公司工業安裝工程公司), deputy director of the third operation division of the operation department and deputy director of Zhenjiang Branch of Shanghai Bao Steel Metallurgical Construction Corp., deputy manager of the construction project department of Xiamen International Convention and Exhibition Center, manager of the Industrial Installation and Construction Company of Shanghai Baosteel Metallurgical Construction Corp., and assistant to the general manager of Shanghai Bao Steel Metallurgical Construction Corp.. He served as deputy general manager of Shanghai Baoye Construction Corp., Ltd. (上海寶冶建設有限公司) from January 2003 to October 2006, director and general manager of Shanghai Baoye Construction Corp., Ltd. from October 2006 to November 2014, chairman, general manager and deputy secretary of the Communist Party Committee of Shanghai Baoye Group Corp., Ltd. from November 2014 to June 2015, chairman, general manager and secretary of the Communist Party Committee of Shanghai Baoye Group Corp., Ltd. from June 2015 to July 2015. He has been the chairman and secretary of the Communist Party Committee of Shanghai Baoye Group Corp., Ltd. from July 2015 to March 2017. He has been a Vice President of the Company since October 2016. Since April 2018, he has been deputy secretary of the Company. Since June 2018, he serves as deputy secretary of the Communist Party of MCC Group. Mr. Wang graduated from the Department of Management Engineering of Xi'an Metallurgy Architecture College, majoring in construction management and engineering with a bachelor's degree in engineering. He is a professor-level senior engineer.</p>

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Zou Hongying	<p>Born in September 1964, Chinese nationality with no right of abode overseas, Ms. Zou is currently the vice President and the Chief Accountant of the Company, and concurrently serves as chairman, secretary of the Communist Party Committee and legal representative of MCC Finance Corporation Ltd.,. Ms. Zou once served as deputy chief and chief of the finance division, deputy chief accountant and chief accountant of the finance division, as well as deputy director of the planning and finance department of China MCC 22nd Construction Corporation, a deputy manager of the planning and finance department under the management department, deputy director (in charge of work) of the audit department, as well as director of the department of finance and asset management, director of finance department and deputy chief accountant of CMGC. Ms. Zou graduated from East China Institute of Technology and subsequently obtained an MBA degree. She is a senior accountant.</p>
Qu Yang	<p>Born in May 1970, Chinese nationality with no right of abode overseas, Mr. Qu is currently a vice President of the Company. Mr. Qu Yang successively served as deputy director (section level), the director (deputy director level), and secretary of the Communist Party of the technology trade department of the Automation System Research and Design Institution (自動化系統研究設計所), person in charge of the server operation department, secretary of the Communist Party branch, director and secretary of the Communist Party of the Smart Device Research Institute (智能裝備研究所) and deputy chief engineer of the Automation Research Institute (自動化研究院) of the Ministry of Metallurgy. He served as vice president (deputy general manager) of Beijing MCC Equipment Research & Design Corporation Ltd. (北京中冶設備研究設計總院有限公司) from December 2009 to January 2013, and secretary of the Communist Party Committee and vice president (deputy general manager) of Beijing MCC Equipment Research & Design Corporation Ltd. from January 2013 to November 2014. Mr. Qu Yang acted as an assistant to the president of the Company from November 2014 to October 2016 and served as the chairman of MCC Asset Management Co., Ltd. from November 2014 to October 2017. He has been servicing as a vice President of the Company since October 2016. Mr. Qu Yang graduated from the Department of Automated Control of Northeast University of Technology, majoring in industrial automation instrument, with a bachelor's degree in engineering, and the College of Information Science and Engineering of Northeastern University, majoring in control theory and control engineering, with a doctoral degree in engineering. He is a professor-level senior engineer.</p>
Zeng Jianzhong	<p>Born in October 1965, Chinese nationality with no right of abode overseas, Mr. Zeng is currently the vice president of the Company. Mr. Zeng successively served as the deputy director and the director of the Gas Office and the director of the Gas Ventilation Office of Beijing Iron and Steel Design and Research Institute (北京鋼鐵設計研究總院) under the Ministry of Metallurgy, and the general manager of the Technical Institute of Energy and Environmental Engineering of Capital Engineering & Research Incorporation Limited (中冶京誠工程技術有限公司). He served as an assistant to the president of Capital Engineering & Research Incorporation Limited and concurrently served as the general manager of the Technical Institute of Energy and Environmental Engineering, the general manager of the engineering control department, the general manager of municipal and public facilities engineering department, and the general manager of the metallurgical engineering department. He served as the deputy head (at the ministry level) of the domestic engineering management department and the head of the construction project quota station of metallurgical industry of the Company from June 2013 to May 2017, the head of the domestic engineering management department (subsequently renamed as the domestic market development department). He served as an assistant to the president of the Company from May 2017 to April 2018 and concurrently the head of the domestic market development department. He has been the vice president of the Company since April 2018. Mr. Zeng Jianzhong graduated from the chemical machinery department of Dalian Institute of Technology, majoring in chemical equipment and machinery, with a bachelor's degree. He is a professor-level senior engineer.</p>

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Zhang Ye	<p>Born in March 1965, Chinese nationality, with no right of abode overseas, Mr. Zhang is currently the vice president of the Company. Mr. Zhang held positions in various companies including China Xinlong Corp., Ltd. (中國鑫隆有限公司). Mr. Zhang joined China National Metals and Minerals Import and Export Corporation (中國五金礦產進出口總公司) at the end of 1994, and successively served as a deputy manager of the coal business department of the coal department of China Mining Co., Ltd. (中國礦產有限責任公司) under China National Metals and Minerals Import and Export Corporation, a general manager of the corporate planning department of Minmetals Trading Company Limited (五礦貿易有限責任公司), a deputy general manager of China Mining Co., Ltd, and deputy general manager of the ferrous metal mining operations center of China Minmetals (and later served as a deputy general manager of Minmetals Mining Holdings Limited, a platform company established thereafter) from 1997. Mr. Zhang served as a director of the general office, a director of the general office of the Communist Party Committee, and a director of the general office of the board of directors of China Minmetals from July 2015 to September 2016. Mr. Zhang served as a director of the general office of the Communist Party Committee and a director of the general office of the board of directors of China Minmetals from September 2016 to March 2018. Mr. Zhang was an assistant to general manager (president) of the Company from March 2018 to June 2018. Since June 2018, he has been the vice president of the Company. Mr. Zhang graduated from the University of International Business and Economics, majoring in International Business English, and obtained a bachelor's degree in Economics. Subsequently, Mr. Zhang obtained an EMBA degree from the University of Science and Technology Beijing, and is a senior international business engineer.</p>
Liu Fuming	<p>Born in November 1963, Chinese nationality with no right of abode overseas, Mr. Liu currently serves as the vice president of the Company. He also serves as the chairman of the board of directors, legal representative and secretary of the Communist Party Committee of MCC Real Estate. Mr. Liu served as technician, assistant engineer, deputy team leader, team leader of Anbei team, assistant to the manager, deputy manager, manager of the Pipeline and Railway Engineering Company of China MCC 22nd Construction Corporation (中國第二十二冶金建設公司), served as assistant to the general manager of China MCC 22nd Construction Corporation. From November 2004 to November 2006, he served as the deputy general manager of China MCC 22nd Construction Corporation. From November 2006 to October 2010, he served as deputy general manager of MCC Jingtang Construction Corporation Limited (中冶京唐建設有限公司) (later renamed as China 22MCC Group Co., Ltd. (中國二十二冶集團有限公司)). From October 2010 to April 2013, he successively served as director of the company, general manager and deputy secretary of the Communist Party Committee of MCC Real Estate Co., Ltd. (中冶置業有限責任公司). He served as chairman of the board of directors, legal representative and secretary of the Communist Party Committee of MCC Real Estate since April 2013. From June 2015 to January 2019, he served as assistant to the president of the Company. He served as the vice president of the Company since January 2019. Mr. Liu graduated from Shenyang Metallurgical Engineering Institute (瀋陽冶金機械專科學校) majoring in welding (associate degree), Jinan University majoring in computer science (bachelor's degree), and Northeastern University majoring in software engineering (postgraduate) and materials science (doctoral graduate). He is a professor-level senior engineer.</p>

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Zeng Gang	<p>Born in October 1964, Chinese nationality, with no right of overseas abroad outside the PRC, Mr. Zeng currently serves as the secretary to the Board, assistant to president, Joint Company Secretary and director of the General Office (Party Committee Office) of the Company. Mr. Zeng served as engineer, deputy director and director of Personnel Department of Beijing Central Engineering Institute for Nonferrous Metallurgical Industries from 1985 to 2003; deputy secretary of the Communist Party Committee, secretary of Commission for Discipline Inspection and Vice President of China Nonferrous Engineering and Research Institute (now known as China Nonferrous Engineering and Research Institute Co., Ltd.) from December 2003 to November 2013; director of China ENFI from December 2005 to November 2013; director, deputy general manager, deputy secretary of the Communist Party Committee, secretary of Commission for Discipline Inspection, secretary to the board of directors, and chief legal counsel of MCC Capital Engineering & Research Incorporation Limited from November 2013 to September 2016. Mr. Zeng was appointed as director of the General Office (Party Committee Office) of the Company since September 2016 and assistant to President of the Company since April 2018. Mr. Zeng has been the secretary to the Board of the Company and Joint Company Secretary since March 2019. Mr. Zeng graduated from Department of Management Engineering of Central South Institute of Mining and Metallurgy, majoring in Management Engineering (undergraduate) and Graduate School of the Party School of the Central Committee of the CPC (postgraduate), majoring in Economic Management; and he is a senior engineer.</p>

Other notes

Applicable Not Applicable

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

Applicable Not Applicable

II. EMPLOYMENT STATUS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Employment status at shareholder entities

Name	Name of shareholder entities	Position in shareholder entities	Commencement date of term of office	End date of term of office
Guo Wenqing	China Minmetals Corporation	Director, General Manager, deputy secretary of the Communist Party Committee	May 2016	–
	China Metallurgical Group Corporation	Chairman (legal representative)	August 2014	–
		Secretary of the Communist Party Committee	April 2015	June 2018
Zhang Zhaoxiang	China Minmetals Corporation	Deputy general manager, member of the Communist Party Committee	June 2016	–
	China Metallurgical Group Corporation	Director	September 2018	–
		Secretary of the Communist Party Committee	June 2018	–
Lin Jinzhen	China Metallurgical Group Corporation	General manager Employee representative Director	April 2015 November 2006	– –
Cao Xiuyun	China Metallurgical Group Corporation	Chairman of the Supervisory Committee	August 2018	–
Zhang Yandi	China Metallurgical Group Corporation	Supervisor	August 2018	–
Chu Zhiqi	China Metallurgical Group Corporation	Employee representative Supervisor	August 2018	–
Zhang Mengxing	China Metallurgical Group Corporation	Deputy secretary of the Communist Party Committee	October 2016	–
Wang Shilei	China Metallurgical Group Corporation	Deputy secretary of the Communist Party Committee	June 2018	–
Yan Aizhong	China Metallurgical Group Corporation	Deputy secretary of the Communist Party Committee	September 2019	–
Liu Fuming	China Metallurgical Group Corporation	Deputy general manager	September 2019	–

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(II) Employment status at other entities

Name	Name of other entities	Position in other entities	Commencement date of term of office	End date of term of office
Zhou Jichang	Shenzhen Overseas Chinese Town Company Limited (深圳華僑城股份有限公司)	Independent director	November 2016	–
Yu Hailong	China State Construction Engineering Corporation (中國建築股份有限公司)	Independent director	June 2014	–
	Shenzhen Overseas Chinese Town Company Limited (深圳華僑城股份有限公司)	Independent director	December 2014	–
Ren Xudong	China Nonferrous Metal Industry Association (中國有色金屬工業協會)	Executive vice president and deputy secretary of the Communist Party Committee	January 2013	–
	Shenzhen Zhongjin Lingnan Nonfemet Company Limited (深圳市中金嶺南有色金屬股份有限公司)	Independent director	August 2014	–
	China Aerospace Science and Industry Corporation Limited (中國航天科工集團有限公司)	External director	January 2015	–
	China Reform Holdings Corporation Limited (中國國新控股有限公司)	External director	January 2015	–
Chan Ka Keung Peter	China Railway Signal & Communication Corporation Limited (中國鐵路通信信號股份有限公司)	Independent non-executive director	August 2018	–
	Minmetals Resources Co., Ltd. (五礦資源有限公司)	Independent non-executive director	December 2019	–

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Determination procedures for remuneration of Directors, Supervisors and senior management	Remuneration of Directors and Supervisors (not being employee representatives) of the Company were considered and approved at general meetings. The Remuneration and Appraisal Committee of the Board makes remuneration recommendations for senior management, which are subject to the Board's consideration and approval.
Basis for Determination of Remuneration of Directors, Supervisors and senior management	The remuneration of Independent Non-executive Directors of the Company for 2019 comprised of basic salary and conference allowances. The standards of the annual basic salary and conference allowances were determined with reference to the Remuneration Standards for External Directors of Pilot Enterprises as promulgated by the SASAC. The Company's executive Directors do not receive remuneration from their positions as Directors but are remunerated in accordance with their positions and performance at the Company. The Company's Supervisors receive remuneration in accordance with the Management Rules of the Head Office on Remuneration and Assessment (總部薪酬與考核管理辦法) and their positions. Senior management of the Company are remunerated in accordance with management regulations of higher authorities and the administrative measures for remuneration of senior management of the Company.
Remuneration actually paid to Directors, Supervisors and senior management	RMB14,797,640.17
Total actual remuneration received by all Directors, Supervisors and senior management at the end of the Reporting Period	RMB14,797,640.17

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

The remuneration of Directors and Supervisors of the Company in 2019 was as follows:

Unit: RMB

Name	Basic salary, housing allowances, other allowances and benefits-in-kind	Pension scheme contributions (pension insurance borne by the Company)	Performance remuneration	Total annual remuneration
Guo Wenqing	-	-	-	-
Zhang Zhaoxiang	-	-	-	-
Zhou Jichang	103,476.67	-	-	103,476.67
Yu Hailong	148,020.00	-	-	148,020.00
Ren Xudong	140,020.00	-	-	140,020.00
Chan Ka Keung Peter	142,020.00	-	-	142,020.00
Lin Jinzhen	527,952.00	50,055.48	530,340.00	1,108,347.48
Jing Tianliang	20,563.33	-	-	20,563.33
Sub-total of Directors	1,082,052.00	50,055.48	530,340.00	1,662,447.48
Cao Xiuyun	702,696.00	40,403.10	192,639.17	935,738.27
Zhang Yandi	316,446.00	40,403.10	382,975.00	739,824.10
Chu Zhiqi	316,846.00	40,403.10	332,608.00	689,857.10
Yan Aizhong	140,169.00	9,652.38	69,813.00	219,634.38
Peng Haiqing	-	-	-	-
Shao Bo	-	-	-	-
Sub-total of Supervisors	1,476,157.00	130,861.68	978,035.17	2,585,053.85
Total	2,558,209.00	180,917	1,508,375	4,247,501

During the Reporting Period, none of the Directors or Supervisors waived any remunerations and no remunerations were paid by the Company to any of the Directors or Supervisors as an inducement to join or upon joining the Company as compensation for loss of office.

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

Name	Position	Change	Reason
Zhou Jichang	Independent Non-executive Director	Elected	Appointed by election
Cao Xiuyun	Chairman of the Supervisory Committee	Elected	Appointed by election
Zhang Yandi	Supervisor	Elected	Appointed by election
Chu Zhiqi	Employee representative Supervisor	Elected	Appointed by election
Yan Aizhong	Vice president	Resigned	Change of work arrangements
Liu Fuming	Vice president	Appointed	Appointed by the Board
Zeng Gang	Secretary to the Board and Joint Company Secretary	Appointed	Appointed by the Board
Jing Tianliang	Non-executive Director	Resigned	Expiry of term of office
Yan Aizhong	Supervisor	Resigned	Change of work arrangements
Peng Haiqing	Supervisor	Resigned	Change of work arrangements
Shao Bo	Employee representative Supervisor	Resigned	Change of work arrangements
Li Yuzhuo	Secretary to the Board	Resigned	Expiry of term of office

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Note: The twelve meeting of the third session of the Board of the Company considered and approved the Resolution on Nomination of Independent Director Candidates by CMGC, agreed to submit the matter of nomination of Mr. NG Kar Ling, Johnny as candidate for independent non-executive Director of the third session of the Board by CMGC to the general meeting of the Company for consideration and approval (for details, please refer to the announcement issued by the Company on 20 January 2020). The 2020 first extraordinary general meeting of the Company was originally scheduled to be held on 27 March 2020. Affected by the novel coronavirus pneumonia epidemic, the Company proposed to postpone the meeting to 29 April 2020 (for details, please refer to the announcement issued by the company on 19 March 2020).

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

Applicable Not Applicable

VI. EMPLOYEES OF THE COMPANY AND PRINCIPAL SUBSIDIARIES

(I) Employees

Number of existing staff of the Company	182
Number of existing staff of principal subsidiaries	98,384
Total number of existing staff	98,566
Number of resigned or retired staff to whom the Company and principal subsidiaries are liable	130,064

Composition of Professionals

Composition of Professionals	Composition of Professionals
Engineering contracting	89,683
Property development and others	1,592
Equipment manufacture	6,307
Resources development	984
Total	98,566

Educational Level

Categories of Educational Level	Number (in persons)
Above Graduate Degree	11,714
Undergraduate Degree	47,809
Associate Degree	16,258
Below Associate Degree	22,785
Total	98,566

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(II) Remuneration policies

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

(III) Training programs

In 2019, the Company continued to vigorously implement education and trainings for all employees in accordance with the hierarchical management model, and the overall quality and professional competence of management personnel, professional and technical personnel continued to improve, which laid a good foundation for production and operation. In 2019, 73,998 personnel of the Company participated in education and trainings with participation of 214,085 times.

VII. MANAGEMENT CONTRACTS

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

VIII. DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

IX. DIRECTORS' INTERESTS IN BUSINESS COMPETING WITH THE COMPANY

During the Reporting Period and as of the latest practicable date before the publication of this report (being 31 March 2020), none of the Directors had any interests in any business that competes or is likely to compete, either directly or indirectly, with the business of the Company.

X. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

XI. DIRECTORS' AND SUPERVISORS' RIGHTS REGARDING SHARE ACQUISITION

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

I. EXPLANATION ON CORPORATE GOVERNANCE

During the Reporting Period, the Company continued to comply strictly with the laws and regulations including the PRC Company Law, the PRC Securities Law, the relevant requirements of regulatory authorities such as the CSRC, as well as the relevant requirements of the SSE and the Hong Kong Stock Exchange, constantly standardized the corporate governance and optimized the corporate systems and mechanisms. The Shareholders' Meeting, the Board, the Supervisory Committee, as well as the management of the Company operated in compliance with the laws and regulations in an efficient manner, and further improved the corporate governance level of the Company, laid a favorable foundation for promoting company development and improving shareholder value. The Board of the Company was again awarded the "Golden Round-table, Best Board of Directors" of listed companies in 2019.

During the Reporting Period, the Company continued to optimize the establishment of corporate governance system, and completed amendments to the Articles of Associations and the Rules of Procedure of General Meeting, renewed the authorization content of the Board to the president (the President Office Meeting) and formulated the Rules of Procedures for the Supervisory Committee in accordance with the latest regulations of Guidelines for Articles of Association of Listed Companies and the Hong Kong Listing Rules together with the actual situation of the Company.

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 and A.4.2 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 2018 annual general meeting due to business engagement. Pursuant to relevant requirements, Zhang Zhaoxiang, an executive Director and Vice Chairman of the Company, as jointly elected by a majority of Directors of the Company, presided over the meeting. Pursuant to the code provision A.4.2 of the Corporate Governance Code, every director shall be subject to retirement by rotation at least once every three years. From November 2014 to November 2017, the tenure of the second session of the Board and the Supervisory Committee of the Company has exceeded a term of three years. Pursuant to the provisions of the Articles of Association of the Company, prior to the establishment of the third session of the Board and the Supervisory Committee, the members of the second session of the Board and the Supervisory Committee shall continue to discharge their duties. The Company convened the 2019 First Extraordinary General Meeting on 12 March 2019, and elected the members of third session of the Board and the Supervisory Committee.

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

Applicable Not Applicable

II. SUMMARY OF THE GENERAL MEETINGS

Sessions of the meeting	Convening date	Enquiry index of the designated website for the publication of the resolutions	Date of disclosure of publication of the resolutions
2019 First Extraordinary General Meeting	12 March 2019	www.sse.com.cn www.hkexnews.hk	13 March 2019
2018 Annual General Meeting	26 June 2019	www.sse.com.cn www.hkexnews.hk	27 June 2019

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

During the Reporting Period, with a view to ensuring that all the Shareholders, especially the minority Shareholders, are treated equally and are able to effectively exercise their rights as Shareholders, the Company convened the general meeting by way of on-site voting and online voting in accordance with relevant regulatory requirements and requirements provided in the Articles of Association and the Rules of Procedures for General Meeting.

CORPORATE GOVERNANCE

Shareholders' Meeting

On 12 March 2019, the Company convened the 2019 First Extraordinary General Meeting, where Mr. Zhang Zhaoxiang, Mr. Yu Hailong, Mr. Ren Xudong, Mr. Chan Ka Keung Peter and Mr. Lin Jinzhen, all being Directors of the Company, Zhou Jichang, being a candidate for a Director of the Company, and Mr. Yan Aizhong, being a Supervisor of the Company, attended the meeting. Other senior management personnel attended the meeting without voting rights. Three ordinary resolutions were considered and approved at the meeting, including the "Resolution on the Election of the Executive Directors of the Third Session of the Board of the Company", the "Resolution on the Election of the Independent Non-executive Directors of the Third Session of the Board of the Company", and the "Resolution on the Election of the Non-employee Representative Supervisors of the Third Session of the Supervisory Committee of the Company".

On 26 June 2019, the Company convened the 2018 Annual General Meeting, where Mr. Zhang Zhaoxiang, Mr. Zhou Jichang, Mr. Ren Xudong, Mr. Chan Ka Keung Peter and Mr. Lin Jinzhen, all being Directors of the Company, Mr. Cao Xiuyun, Mr. Zhang Yandi and Mr. Chu Zhiqi, all being Supervisors of the Company, attended the meeting. Other senior management personnel of the Company attended the meeting without voting rights. Eight ordinary resolutions were considered and approved at the meeting, including the "Resolution on the Work Report of the Board of MCC for the Year 2018", the "Resolution on the Work Report of the Supervisory Committee of MCC for the Year 2018", the "Resolution on the Report of MCC on Final Accounts for the Year 2018", the "Resolution on Profit Distribution of MCC for the Year 2018", the "Resolution in relation to the Emoluments of Directors and Supervisors of MCC for the Year 2018", the "Resolution on the Guarantee Plan of MCC for the Year 2019", the "Resolution on the Appointment of the Auditor of the Financial Report and Internal Control Auditor of the Company for the Year 2019" and the "Resolution on the Application of Annual Caps of Daily Connected Transactions/Continuing Connected Transactions for the Year 2020–2022 and Entering into the Connected Transaction Agreements"; four special resolutions were considered and approved at the meeting, including the "Resolution on the Grant of General Mandate to the Board of Directors to Issue Shares", the "Resolution on the Amendment to the Articles of Association", the "Resolution on the Plan of Registration and Issuance of Domestic Bonds of the Company for the Year 2019" and the "Resolution on the Amendments to the Rules of Procedures for General Meetings". The "Work Report of Independent Directors for the Year 2018" was heard at the meeting.

III. THE PERFORMANCE OF DUTIES BY DIRECTORS

(I) The Composition of the Board

During the Reporting Period, the second session of the Board of the Company was comprised of 7 Directors with Guo Wenqing as the Chairman, Zhang Zhaoxiang as the vice chairman and executive director, Jing Tianliang as a non-executive Director, Yu Hailong, Ren Xudong and Chan Ka Keung Peter as Independent Non-executive Directors, and Lin Jinzhen as an employee representative Director. On 12 March 2019, the Company convened the 2019 first extraordinary general meeting, where members of the third session of the Board were elected. The third session of the Board of the Company was comprised of 7 Directors with Guo Wenqing as the Chairman, Zhang Zhaoxiang as the vice chairman and executive Director, Zhou Jichang, Yu Hailong, Ren Xudong and Chan Ka Keung Peter as Independent Non-executive Directors, and Lin Jinzhen as an employee representative Director. None of the Independent Non-executive Directors of the Board held any position of the Company other than the Directors of the Company. In particular, Mr. Chan Ka Keung Peter has expertise in the fields of financial management and accounting, which was in compliance with the requirements of the Hong Kong Listing Rules. Meanwhile, pursuant to the confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 3.13 of the Hong Kong Listing Rules, the Company is of the view that each of the Independent Non-executive Directors is independent. All the Independent Non-executive Directors are able to give objective and independent opinions on decisions, thus ensuring the independence and fairness of the decisions made by the Board. All of the Directors have performed their duties with loyalty, integrity and diligence to serve the interests of the Company and all the Shareholders.

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

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

CORPORATE GOVERNANCE

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

Name of Directors	Contents of training/study
Guo Wenqing	A Seminar of Building a Strong Quality Country for Provincial and Ministerial Cadres organized by the Shanghai Pudong Cadre Institute
Zhang Zhaoxiang	2019 Second Session of Training Program for Directors and Supervisors of Listed Companies in Beijing Jurisdiction organized by the Beijing Securities Regulatory Bureau
Zhou Jichang	2019 Second Session of Subsequent Training for Independent Directors of Listed Companies organized by the Shanghai Stock Exchange
Yu Hailong	2019 Second Session of Subsequent Training for Independent Directors of Listed Companies organized by the Shanghai Stock Exchange
Ren Xudong	2019 Second Session of Subsequent Training for Independent Directors of Listed Companies organized by the Shanghai Stock Exchange
Chan Ka Keung Peter	2019 Second Session of Subsequent Training for Independent Directors of Listed Companies organized by the Shanghai Stock Exchange
Lin Jinzhen	2019 Second Session of Training Program for Directors and Supervisors of Listed Companies in Beijing Jurisdiction organized by Beijing Securities Regulatory Bureau

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

Name of Directors	Whether they are independent Directors	Number of attendance at Board meetings required for the year	Attendance at Board Meetings				Whether they did not attend in person for two times consecutively	Attendance at general meetings
			Number of meetings attended in person	Number of meetings attended through communication tools	Number of meetings attended by proxy	Number of absence		
Guo Wenqing	No	11	10	2	1	0	No	0
Zhang Zhaoxiang	No	11	11	2	0	0	No	2
Jing Tianliang	Yes	1	0	0	1	0	No	0
Zhou Jichang	Yes	10	10	2	0	0	No	2 ^{note}
Yu Hailong	Yes	11	8	2	3	0	No	1
Ren Xudong	Yes	11	10	2	1	0	No	2
Chan Ka Keung Peter	Yes	11	11	2	0	0	No	2
Lin Jinzhen	No	11	9	2	2	0	No	2

Note: On 12 March 2019, Director Zhou Jichang attended the 2019 First Extraordinary General Meeting of the Company as a candidate for a Director of the Company.

Explanation on the absence from Board meeting for two times consecutively

Applicable Not Applicable

Number of Board meetings held within the year	11
Including: Number of on-site meetings	9
Number of meetings convened via communications	2
Number of meeting convened by combination of on-site meeting and communication	0

CORPORATE GOVERNANCE

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

Applicable Not Applicable

(IV) Duties and Operation of the Board

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

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

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

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

During the Reporting Period, the Board and its subordinate special committees performed their duties in strict compliance with the duties and work requirements as authorized by Shareholders and listing regulatory authorities, and carried out their work pursuant to the Company Law, regulatory rules of the listing place(s), Articles of Association, Rules of Procedures for General Meeting, Rules of Procedure for the Board of Directors and other relevant requirements. For the purpose of maintaining and increasing the value of the state-owned assets and maximizing Shareholders' interests, based on the function orientation of "making strategy, managing team, discussing important issues and controlling risks", the Company performed the review procedure for the matters that shall be examined and approved by Board of Directors pursuant to the laws and regulations to ensure the decision of Board of Directors is regulated, effective and scientific. The Company continued highlighting and devoting greater efforts in solving important matters and effectively improved standard of specified operation and quality of efficient decision.

CORPORATE GOVERNANCE

Firstly, the Company continued to emphasize strategic implementation and promote core competitiveness and technology leadership in particular. Under the guidance of the development vision of “focusing on the core business in building a better MCC”, the Company continued to stick firmly to the strategic positioning of “being the national team for metallurgical construction, the main force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for development with advanced technologies and high quality” to continuously consolidate the role of the world’s first national team for metallurgical construction and strive to improve the core competitiveness of the industry and brand influence. Meanwhile, the Company intensified efforts in tackling challenges in technological research and transformation of scientific and technological achievements to fully leverage on the leading and supporting function of technological innovation in enterprise development.

Secondly, the Company strictly controlled investment, financial and capital risks to promote stable development of the Company. By strict approval of investment matters, emphasizing stronger project supervision and cost control, strict control over receivables and inventory scale, and focusing highly on the daily improvement of operating cash flow, the Company promoted the adoption of diversified financing channels, optimized the management and utilization of capital, strengthened the flexibility of capital operation and continuously renovate the asset structure to effectively control risks and practically escort the sustainable and healthy development of the Company.

Thirdly, the Company vigorously promoted reform and innovation to stimulate market development momentum and continued to focus and actively promote the innovation of management concept, systems and models. The Company emphasized on leveraging its technology, experience and brand strength, concentrate resources to explore quality market regions to further enhance the overall layout and coordination of market development, and carry out the market development work with plans and focuses by complying with strategy of the Group and focusing on core business. The Company was armed with the strong confidence and determination to develop and expand overseas business by confirming the development principle of “benefit priority, risk controllable, main business as focus and stable development”, and strived to promote the development of overseas business by unswervingly implementing various measures of the Overseas Priority.

Fourthly, the Company strengthened the implementation of decisions and operation performance appraisal of the management. The Company emphasized that the management shall study and implement the decisions of the Board, break down each task, confirm the competent leadership and the responsible department, implement the tasks one by one according to the time limit and requirements, and made regular report to the Directors. Meanwhile, the Company continued to organize and carry out performance appraisal of the management in accordance with the performance appraisal objectives, and determine their remuneration thereafter.

Fifth, the Company continued to strengthen the construction of the Board to improve the standardization and scientificity of decision-making. The Company further optimized and improved the institutional system, process system, responsibility system of the Board to give full play to the decision-making and consultation role of each professional committee and independent director mechanism, and continued to strengthen the building of team cooperation and duty performance ability of the Board to ensure clear powers and responsibilities, coordinated operations and efficient decision-making.

(V) Directors’ Responsibilities on Relevant Financial Reports

Directors are accountable to financial reports. When preparing the financial statements for the year ended 31 December 2019, Directors have chosen and applied appropriate accounting policies and made prudent and reasonable judgments and estimations to truly and fairly reflect the position, results and cash flow of the financial year. A statement made by the auditor of the Company on their reporting responsibilities is set out in the “Auditor’s Report” on pages 139 of this annual report.

CORPORATE GOVERNANCE

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

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

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

1. Strategy Committee

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

During the Reporting Period, the Strategy Committee of the second session of the Board comprised three Directors, namely Mr. Guo Wenqing, Mr. Zhang Zhaoxiang and Mr. Jing Tianliang. Mr. Guo Wenqing served as the chairman. On 12 March 2019, the first meeting of the third session of the Board considered and approved the Proposal on the Establishment of Special Committees under the Third Session of the Board and its Composition of Metallurgical Corporation of China Ltd., which stated that the Strategy Committee of the third session of the Board comprises three Directors, namely Mr. Guo Wenqing, Mr. Zhang Zhaoxiang and Mr. Zhou Jichang. Mr. Guo Wenqing serves as the chairman.

During the Reporting Period, the Strategy Committee did not convene any meeting, but members maintained close and effective communication through email, electronic communications and other tools to ensure proper performance of their duties.

2. Finance and Audit Committee

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

CORPORATE GOVERNANCE

During the Reporting Period, the Finance and Audit Committee of the second session of the Board comprised 3 Directors, namely Mr. Chan Ka Keung Peter, Mr. Jing Tianliang and Mr. Yu Hailong. Mr. Chan Ka Keung Peter served as the chairman. On 12 March 2019, the first meeting of the third session of the Board considered and approved the Proposal on the Establishment of Special Committees under the Third Session of the Board and its Composition of Metallurgical Corporation of China Ltd., which stated that the Finance and Audit Committee of the third session of the Board comprises three Directors, namely Mr. Chan Ka Keung Peter, Mr. Zhou Jichang and Mr. Yu Hailong. Mr. Chan Ka Keung Peter serves as the chairman.

During the Reporting Period, the Finance and Audit Committee convened 7 meetings in total, considered and discussed 39 issues, considered relevant resolutions including various regular reports and final accounts, etc., discussed the employment of auditing institutions, communicated with external auditing institutions in respect of the audit and review of regular financial reports several times, completed the inspection of the Company's annual financial audit, gave conclusion and evaluation on the performance of external auditing institutions, and provided recommendations on reappointment. The Committee performed duties on internal control and risk management through listening to the audit work of internal auditing institutions, working plans of internal control and risk management, examination reports on internal control and risk management, and assessment reports on internal control, proposed clear requirements as to how to fully apply internal control and risk management on various areas, including the decision-making, management and operation of the Company, supervised the management of connected transactions of the Company, reviewed a list of affiliated persons/connected persons, reviewed annual caps for daily connected transactions/continuing connected transactions, reviewed non-daily connected transactions, audited issues including the utilization of raised proceeds, guarantee plans, and profit distribution and reviewed the feedback channels established by the Company. No whistle blowing materials in relation to relevant financial reports and internal supervision were received during the Reporting Period.

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

Name of Directors	Number of attendance required for the Directors	Number of meetings attended in person
Chan Ka Keung Peter	7	7
Jing Tianliang	1	0
Zhou Jichang	6	6
Yu Hailong	7	6

3. Nomination Committee

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

CORPORATE GOVERNANCE

During the Reporting Period, the Nomination Committee of the second session of Board of the Company comprised 3 Directors, namely Mr. Ren Xudong, Mr. Guo Wenqing and Mr. Yu Hailong. Mr. Ren Xudong served as the chairman. On 12 March 2019, the first meeting of the third session of the Board considered and approved the Proposal on the Establishment of Special Committees under the Third Session of the Board and its Composition of Metallurgical Corporation of China Ltd., which stated that the members of the Nomination Committee of the third session of the Board remain unchanged.

During the Reporting Period, the Nomination Committee convened 2 meeting via on-site and teleconference respectively, and all 3 committee members attended the meeting. It reviewed the resolutions in respect of the appointment of the President of the Company, appointment of the Vice President and the Chief Accountant (Chief Financial Officer) of the Company and the resolution in respect of the appointment of the Secretary to the Board/Joint Company Secretary of the Company at the meeting. It listened to the reports of resolutions nominating the members of the third session of the Board of CMGC.

Nomination policy and diversity policy for the Board members:

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

The Nomination Committee is of the view that nominated Independent Non-executive Directors of the third session of the Board have the basic knowledge of the operation of listed companies and the work experience necessary for performing duties of Independent Non-executive Directors. In particular: Mr. Zhou Jichang has the professional background and work experience in the aspects of municipal roads and communication construction for years, and the election of Mr. Zhou as an Independent Non-executive Director will supplement the professional background in the municipal construction and management of the members of the Board as municipal communication construction is one of the major businesses of the Company; Mr. Yu Hailong has years' work experience in foreign trade, energy saving and environmental protection and other industries, and he also excels at foreign investment and enterprise management, so the election of Mr. Yu as an Independent Non-executive Directors will supplement the professional background in the investment and management in relevant areas of the members of the Board; Mr. Ren Xudong has taken up management positions in the non-ferrous metals and minerals industries for a long time and has served as the deputy secretary of China Nonferrous Metals Industry Association, so the election of Mr. Ren as an Independent Non-executive Directors will supplement the professional background in the aspects of metallurgical construction, resource development and operation management of the members of the Board; Mr. Chan Ka Keung Peter is a member of Hong Kong Institute of Certified Public Accountants, and he has experience in finance, tax and investment advisory for over thirty years as well as deep understanding of the investment strategy for large international enterprises, so the election of Mr. Chen as an Independent Non-executive Director will supplement the professional background in the aspects of finance management, tax management and foreign investment of the members of the Board.

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

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

4. Remuneration and Appraisal Committee

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

During the Reporting Period, the Remuneration and Appraisal Committee of the second session of the Board of the Company comprised 3 Directors, namely Mr. Yu Hailong, Mr. Jing Tianliang and Mr. Ren Xudong. Mr. Yu Hailong served as the chairman. On 12 March 2019, the first meeting of the third session of the Board considered approved the Proposal on the Establishment of Special Committees under the Third Session of the Board and its Composition of Metallurgical Corporation of China Ltd., which stated that the Remuneration and Appraisal Committee of the third session of the Board comprises three Directors, namely Mr. Yu Hailong, Mr. Zhou Jichang and Mr. Ren Xudong. Mr. Yu Hailong serves as the chairman.

During the Reporting Period, the Remuneration and Appraisal Committee convened 2 meetings in total, both of which were held on site and all 3 committee members attended the meetings. Two issues were studied and discussed at the meetings, which involved relevant matters regarding the remuneration of Directors and Supervisors of the Company for the year 2018, the remuneration plan of the senior management for the year 2018 and the distribution plans of monthly salary for the year 2019 and the Guiding Opinion on Post Dividend Incentive of Science and Technology Enterprises of Metallurgical Corporation of China Ltd..

V. RISKS OF THE COMPANY IDENTIFIED BY THE SUPERVISORY COMMITTEE

Applicable Not Applicable

Performance of Duties by the Supervisory Committee

During the Reporting Period, the second session of the Supervisory Committee of the Company comprised three Supervisors, namely Yan Aizhong, Peng Haiqing and Shao Bo (an employee representative Supervisor).

Two non-employee representative Supervisors for the third session of the Supervisory Committee were elected at the 2019 First Extraordinary General Meeting of the Company held on 12 March 2019, and one employee representative Supervisor was elected at the employee representative meeting held on 11 March 2019, who constituted the third session of the Supervisory Committee. Chairman of the Supervisory Committee was elected at the first meeting of the third session of the Supervisory Committee on 12 March 2019. The third session of the Supervisory Committee of the Company comprised three Supervisors with Cao Xiuyun as the Chairman, Zhang Yandi as a Supervisor and Chu Zhiqi as an employee representative Supervisor.

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

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

CORPORATE GOVERNANCE

During the Reporting Period, the Company's Supervisory Committee convened five meetings of the Supervisory Committee in total. It considered 20 proposals and received reports in respect thereof. The attendance by each Supervisor at meetings is as follows:

Name of Supervisors	Number of attendance required for the Supervisors	Number of meetings attended in person
Yan Aizhong	0	0
Peng Haiqing	0	0
Shao Bo	0	0
Cao Xiuyun	5	5
Zhang Yandi	5	5
Chu Zhiqi	5	5

During the Reporting Period, the Supervisory Committee reviewed all previous regular reports required to be disclosed by the Company and earnestly studied final accounts and profit distribution plans of the Company for the year 2019, and supervised the internal control, a list of related parties/connected persons, as well as the utilization and change of relevant raised proceeds, and considered and approved the Work Rules for the Supervisory Committee, paid continuous attention to assets or businesses which affected the operating results of the Company, and had no objections to the disposal measures and methods of the Board and management in respect of the assets or businesses.

VI. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

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

Applicable Not Applicable

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

Applicable Not Applicable

VIII. AUDITING INSTITUTION AND ITS REMUNERATION

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

For details of the remuneration of independent auditors for the year 2019, please refer to "VI. Appointment and Dismissal of Accounting Firm" on page 69 of this report.

IX. INFORMATION DISCLOSURE AND INVESTOR RELATIONS

In 2019, the Company seriously organized and completed the work of information disclosure in strict compliance with relevant requirements of regulatory authorities, such as the CSRC, the SSE and the Hong Kong Stock Exchange. It made the information disclosure through statutory channels including designated newspapers and websites in a truthful, accurate, complete, timely and fair manner, according to the principle of simultaneous disclosure in both listed jurisdictions. As of 2019, the Company was rated Class A (the top class) Listed Company for SSE Information Disclosure for three consecutive years.

In the meantime, the Company proactively maintained satisfactory relationship with investors, made every effort to build the image of the Company's capital market and increase the attention of the Company's capital market, and further stepped up its efforts in communications with investors, analysts and financial media, in order to protect the legitimate rights and interests of investors, especially the small and medium investors. In 2019, the Company was awarded the "Outstanding Companies during the 70th Anniversary" and the Best Companies of Social Responsibility of China Securities Golden Bauhinia Awards, the Top 100 Celebrity Enterprises in China by Forum of Top 100 Listed Companies in China, and the Golden Round Table, the Best Board of Directors, the Quality Development Pioneers of List Companies in China of Securities Times.

1. On the basis of compliance disclosure, the Company constantly enhanced the validity of the information disclosed. In 2019, the Company conducted further communication with regulatory authorities and paid more efforts in studying and making reference to relevant rules, with extra focus on the study of disclosure for innovative business model. Living up with the pre-requisite of compliance disclosure, the Company sought for improving the readability and continuity of the information disclosed.
2. The Company actively studied changes of regulatory rules at home and abroad to continuously adapt to the new requirements of the A Shares' and H Shares' regulatory rules. By combining the strategic development and the actual situation of capital operation of the Company, the Company enhanced the disclosure on the strategic development positioning, core competitiveness and highlight of market development of the Company and actively convey positive information of the Company's development to the capital market by continuous voluntary disclosures.
3. The Company stepped forward to initiate the communication with its investors and continuously innovated the communication method. The Company highly engaged in the market activities and continued to enhance the company's activeness in the market and influence of the Company. Guided by the Company's overall market investment value, the Company organized communication sessions on 2018 annual results and 2019 interim results in Hong Kong and Beijing, respectively, so as to strengthen the communication with multiple layers of the capital market on an on-going basis. Other than daily communication and contact with investors, analysts and the media, the Company maintained frequent and proactive communications. Throughout the year, the Company received a total of nearly 50 study visits of investor groups from home and abroad, and engaged in detailed communication with more than 300 investors from nearly 100 institutions in the secondary market via roadshow, visit, telephone meeting and other methods of communication and organized and held the first international reverse roadshow of MCC with Tianfeng Securities and visited the world class Hejing Taisu Iron and Steel Plant constructed by the Company in Vietnam. The Company organized and held the "70th Anniversary of the Founding of the People's Republic" cum the Special Report of "Entering into the State-owned Enterprises Growing Together with the Republic of China" of the Securities Daily to fully present the development history of MCC for the seventy years and further enhanced image and influence of the Company in the capital market by way of special interview of the senior management. The Company convened a briefing session on cash dividends distribution via the Internet, enabling investors to gain comprehensive and deeper understanding in the specific details on the cash dividends distribution of the Company for 2018. The Company continuously innovated the communication method. In 2019, the Company broadcasted live videos on the result presentation meeting via multimedia, attended several meetings and forums and delivered speeches therein, as well as communicated effectively with multiple layers of investors in the capital market via a wide selection of promotion methods.

CORPORATE GOVERNANCE

X. RIGHTS OF SHAREHOLDERS

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

XI. COMPANY SECRETARIES

On 12 March 2019, the first meeting of the third session of the Board of the Company approved the Proposal on the Appointment of Secretary to the Board/Joint Company Secretary of Metallurgical Corporation of China Ltd., and appointed Mr. Zeng Gang as the secretary to the Board of the Company and one of the joint company secretaries in replacement of Ms. Li Yuzhuo. Mr. Zeng Gang and Ms. Ng Sau Mei were appointed as the current joint company secretaries upon consideration and approval by the Board of the Company. Mr. Zeng Gang is the main internal contact person between Ms. Ng Sau Mei and the Company.

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

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

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

For the purpose of complying with Rule 3.29 of the Hong Kong Listing Rules, the company secretaries attended relevant professional training for the year for not less than 15 hours as of 31 December 2019.

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

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

XIII. SELF-EVALUATION REPORT OF INTERNAL CONTROL

Based on the significant defects of internal control identified in the financial report of the Company, as at the base date of internal control assessment report, there is no significant defect of internal control in the financial report. The Board is of the view that the Company has maintained efficient internal control of the financial report in all significant aspects in accordance with the regulatory system of corporate internal control and the requirements of relevant regulations. Based on the significant defects of internal control identified in the non-financial report of the Company, as at the base date of internal control assessment, the Company does not discover any significant defect of internal control in the non-financial report. No factors affecting the conclusion of an assessment on the effectiveness of internal control occurred from the base date to the issue date of internal control assessment.

CORPORATE GOVERNANCE

It is the responsibility of the Board of the Company to establish a sound and effective internal control system, evaluate its effectiveness and disclose the internal control evaluation report in accordance with the provisions of the corporate internal control system. The internal control of the Company is designed with the objectives to reasonably ensure the legal compliance of business operation and management, safety of asset, truthfulness and completeness of financial report and its related information, improvement of operational efficiency and effect and accomplishment of development strategy. Due to the inherent limitations of internal control, it can only provide a reasonable guarantee for achieving the above objectives. In addition, changes in situation may result in internal control being inappropriate, or a low degree of compliance with control policies and procedures which brings certain risks to the prediction of the effectiveness of future internal control based on the results of internal control evaluation.

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

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

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

CORPORATE GOVERNANCE

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

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

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

The Company performs information gathering, studying, preparation of announcements and disclosure approval procedures to ensure the compliance of information disclosure in accordance with the regulatory requirements and the Management System of Information Disclosure of MCC (《中國中冶信息披露管理制度》) and Measures for the Administration of Information Disclosure of MCC in the Stock Market (《中國中冶股票市場信息披露管理辦法》).

MCC has established an internal audit function which analyzes and independently evaluates the adequacy and effectiveness of the risk management and internal monitoring and control systems of the Company and reports to the Board the results at least once a year. MCC has, in practice, started the inspection and rectification of internal control and risk management pursuant to the plan on evaluation of work and standard of evaluation in order to ensure the defects are rectified properly. Meanwhile, the subsidiaries are required to conduct half-year and annual self-evaluation and special evaluation work in order to provide the base for the issue of internal control evaluation report. The review period of risk management and internal control system covered is from 1 January 2019 to 31 December 2019.

For the year ended 31 December 2019, the Board has inspected the effectiveness of the internal monitoring and control and risk management systems of the Company to ensure that the management maintained and managed a well-functioning system based on the control procedures and standards. The Board has confirmed that there is no significant defect of internal control in the financial report existed in the internal control for 2019, and no significant defect of internal control has been discovered in the non-financial report. According to the inspection and assessment results of internal control of the Company, the risk management and internal monitoring and control of the Company is effective and is able to fulfill the internal control objectives.

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

Explanation on material defects in internal control during the Reporting Period

Applicable Not Applicable

XIV. RELEVANT EXPLANATIONS ON THE AUDIT REPORT OF INTERNAL CONTROL

Deloitte Touche Tohmatsu has issued the internal control audit report for the Company and is of the opinion that as at 31 December 2019, the Company maintained an effective internal control over its financial report in all material aspects pursuant to the Basic Standards for Enterprise Internal Control (《企業內部控制基本規範》) and relevant requirements.

According to the audit report of internal control issued by Deloitte Touche Tohmatsu, the Board has inspected the risk management and internal monitoring and control systems of the Company and its subsidiaries, and is of the view that they are still effective.

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

XV. CHANGE IN THE ARTICLES OF ASSOCIATION

On 17 April 2019, the CSRC promulgated the Decision to Amend the Guidelines for the Articles of Association of Listed Companies, which further elaborated on the situation of repurchases and the manner and purpose of repurchases of listed companies, as well as adjusted matters such as the special voting rights, the qualifications of the senior management of the Company and the change of the venue of the general meeting. Pursuant to the above decisions and in light of the actual situation of the Company, the Company amended certain parts of the Articles of Association. For details, please refer to the materials of the general meeting of the Company disclosed on 11 June 2019. The amendments were approved by the Shareholders at the 2018 Annual General Meeting held on 26 June 2019.

CORPORATE BONDS

I. BASIC INFORMATION ON CORPORATE BONDS

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

Unit: RMB00,000,000

Name of bonds	Short name	Stock code	Issue date	Expiry date	Outstanding bonds	Interest rate (%)	Method to pay principal and interest	Stock exchange
2017 Renewable Corporate Bonds (Third Tranche)	17 MCC Y5	143902	10 July 2017 to 11 July 2017	Where the issuer opts to pay in full for bonds in a particular year of exercising renewal option under this issuance of this tranche of bonds, the value date (11 July) of such interest-bearing year shall be the payment date of this tranche of bonds (If it is a non-trading day, payment shall be made on the first following trading day, during which no additional interest shall be charged on such postponed period)	20	5.10	This tranche of bonds shall bear SSE interest on a yearly basis at single rate rather than compound rate and interest shall be paid each year if the issuer does not exercise the right to postpone the payment of interest. At the end of each period, the issuer shall have the right to extend the term of this type of bonds for another period (i.e. another three years) or opt to pay in full such type of bonds upon expiry at the end of such period	
2017 Renewable Corporate Bonds (Fourth Tranche)	17 MCC Y7	143907	27 July 2017 to 28 July 2017	Where the issuer opts to pay in full for bonds in a particular year of exercising renewal option under this issuance of this tranche of bonds, the value date (28 July) of such interest-bearing year shall be the payment date of this tranche of bonds (If it is a non-trading day, payment shall be made on the first following trading day, during which no additional interests shall be charged on such postponed period)	13	5.10	This tranche of bonds shall bear SSE interest on a yearly basis at single rate rather than compound rate and interest shall be paid each year if the issuer does not exercise the right to postpone the payment of interest. At the end of each period, the issuer shall have the right to extend the term of this type of bonds for another period (i.e. another three years) or opt to pay in full such type of bonds upon expiry at the end of such period	
2017 Corporate Bonds (First Tranche) undue the Public Issuance	17 MCC 01	144361	24 October 2017 to 25 October 2017	25 October 2022	5.7	4.99	This tranche of bonds shall bear SSE interest on a yearly basis at single rate rather than compound rate and interest shall be paid each year. Upon expiry at the end of such period, the principal shall be repaid on one-off basis and the interest for the last tranche shall also be paid at the same time	
2018 Corporate Bonds (First Tranche) undue the Public Issuance	18 MCC 01	143634	7 May 2018 to	8 May 2021	8.7	4.78	This tranche of bonds shall bear SSE interest on a yearly basis at single rate rather than compound rate and interest shall be paid each year. Upon expiry at the end of such period, the principal shall be repaid on one-off basis and the interest for the last tranche shall also be paid at the same time	
	18 MCC 02	143635	8 May 2018	8 May 2023	2.2	4.98		

Payment of interest principal amount of corporate bonds

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

Other explanation on corporate bonds

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

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

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

III. USE OF PROCEEDS OF CORPORATE BONDS

As of the date of disclosure of this annual report, proceeds from 2017 Renewable Corporate Bonds (First Tranche), 2017 Renewable Corporate Bonds (Second Tranche), 2017 Renewable Corporate Bonds (Third Tranche), 2017 Renewable Corporate Bonds (Fourth Tranche), 2017 Corporate Bonds (First Tranche) under the Public Issuance and 2018 Corporate Bonds (First Tranche) under the Public Issuance have been utilized. The balance of the special account for the proceeds was nil as at the end of the Reporting Period. The use of the entire proceeds of the corporate bonds of the Company is in line with the intended use, plan of use and other purposes as stipulated in the prospectuses.

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

On 21 February 2020, the Company issued the first tranche of 2020 ultra-short-term financing instruments (epidemic prevention and control bond) of RMB2 billion. Among the proceeds, RMB200 million was used to supplement the liquidity for epidemic prevention and control of subsidiaries, and RMB1.8 billion was used to repay the credit debts due from the headquarters. As of the date of disclosure of this annual report, the RMB200 million of epidemic prevention and control funds raised have been allocated to its subsidiaries, of which RMB50 million was used for repayment of bank epidemic prevention and control loans and RMB50 million was used for epidemic project construction.

CORPORATE BONDS

IV. RANKING OF CORPORATE BONDS

According to the credit ranking report (Xin Ping Wei Han Zi [2019] Gen Zong No. 230) issued by China Chengxin Securities Rating Co., Ltd. on 23 May 2019, “2017 Renewable Corporate Bonds (First Tranche) under the Public Issuance by Metallurgical Corporation of China Ltd.”, “2017 Renewable Corporate Bonds (Second Tranche) under the Public Issuance by Metallurgical Corporation of China Ltd.”, “Renewable Corporate Bonds (Third Tranche) for 2017 under the Public Issuance by Metallurgical Corporation of China Ltd.” and “2017 Renewable Corporate Bonds (Fourth Tranche) under the Public Issuance by Metallurgical Corporation of China Ltd.” of the Company was remained the ranking of AAA with stable outlook. The rating of indebtedness for this tranche remained was AAA.

According to the credit ranking report (Xin Ping Wei Han Zi [2019] Gen Zong No. 229) issued by China Chengxin Securities Rating Co., Ltd. on 23 May 2019, “2017 Corporate Bonds (First Tranche) under the Public Issuance by Metallurgical Corporation of China Ltd.” and “2018 Corporate Bonds (First Tranche) under the Public Issuance by Metallurgical Corporation of China Ltd.” of the Company was remained the ranking of AAA with stable outlook. The rating of indebtedness for this tranche remained as AAA.

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

China Chengxin International Credit Rating Co., Ltd. is expected to conduct the follow-up and ranking of the Company and its indebtedness after the disclosure of this report, and will disclose the follow-up and ranking report on the website of Shanghai Stock Exchange within two months after the disclosure of this 2019 annual report of the Company to inform investors in this regard.

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

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

VI. CONVENTION OF CORPORATE BONDHOLDERS’ MEETINGS

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

VII. PERFORMANCE OF DUTIES OF THE TRUSTEE OF CORPORATE BONDS

China Merchants Securities Co., Ltd. is the bond trustee of corporate bonds “17 MCC Y1”, “17 MCC Y3”, “17 MCC Y5”, “17 MCC Y7”, “17 MCC 01”, “18 MCC 01” and “18 MCC 02”. As stipulated under the “Bond Trustee Agreement” entered into between the Company and China Merchants Securities Co., Ltd. upon the declaration of each of such corporate bonds, such company performed its relevant duties as a bond trustee.

The bond trustee of corporate bonds “17 MCC Y1”, “17 MCC Y3”, “17 MCC Y5”, “17 MCC Y7”, “17 MCC 01”, “18 MCC 01” and “18 MCC 02” is expected to issue 2019 trustee reports in relation to respective corporate bonds on the website of Shanghai Stock Exchange before 30 June 2020. Investors shall pay attention to it.

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

Unit: RMB

Major Indicators	2019	2018	Increase/decrease as compared to the same period of last year
EBITDA	17,316,274	16,351,132	Increased by 5.90%
Current Ratio	1.14	1.14	–
Quick Ratio	0.70	0.72	Decreased by 0.02
Asset-liability Ratio (%) ^(Note)	74.50%	76.61%	Decreased by 2.11 percentage points
EBITDA/Total Liabilities	0.05	0.05	–
Interest Protection Multiples	2.49	2.46	Increased by 0.03
Cash Dividend Protection Multiples	4.58	3.66	Increased by 0.92
EBITDA/Interest Protection Multiples	3.10	2.99	Increased by 0.11
Loan Repayment Ratio (%)	100%	100%	–
Interest Payment Ratio (%)	100%	100%	–

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

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

During the Reporting Period, in addition to corporate bonds, the Company was also in possession of other debt financing instruments, such as medium-term notes, all of which were paid on schedule and did not have any delay or failure in the payment of interest and principal.

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

The Company maintained good long-term relationship with banks and other financial institutions and obtained credit facilities with relatively greater amount, and had relatively stronger ability in indirect debt financing. As at the end of the Reporting Period, the Company obtained a total of RMB603.7 billion from various financial institutions, of which RMB203.0 billion were utilized and RMB400.7 billion were unutilized.

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



CORPORATE BONDS

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

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

XII. SIGNIFICANT EVENTS OF THE COMPANY AND THEIR IMPACTS ON THE OPERATING CONDITION AND SOLVENCY OF THE COMPANY

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

I. AUDITOR'S REPORT

De Shi Bao (Shen) Zi (20) No. P00703

TO THE SHAREHOLDERS OF METALLURGICAL CORPORATION OF CHINA LTD.:

1. Opinion

We have audited the attached financial statements of Metallurgical Corporation of China Ltd. (the "Company"), which comprise the consolidated and Company's balance sheet as at 31 December 2019, and the consolidated and Company's income statement, the consolidated and Company's cash flow statements and the consolidated and Company's statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements of the Company present fairly, in all material respects, the consolidated and Company's financial position as at 31 December 2019, and the consolidated and Company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. Basis for Opinion

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

3. Key Audit Matters

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

(1) Recognition of revenue from engineering contracting service contracts

Description

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

FINANCIAL STATEMENTS

For the year ended 31 December 2019

I. AUDITOR'S REPORT (CONTINUED)

3. Key Audit Matters (Continued)

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

Description (Continued)

How our audit addressed the key audit matter

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

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

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

Description

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

I. AUDITOR'S REPORT (CONTINUED)

3. Key Audit Matters (Continued)

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

How our audit addressed the key audit matter

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

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

4. Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2019 annual report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

FINANCIAL STATEMENTS

For the year ended 31 December 2019

I. AUDITOR'S REPORT (CONTINUED)

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

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

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

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

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

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

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

FINANCIAL STATEMENTS

For the year ended 31 December 2019

I. AUDITOR'S REPORT (CONTINUED)

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

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

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

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

Deloitte Touche Tohmatsu CPA LLP.
Shanghai, China

Chinese Certified Public Accountants:

Chen Wenlong
(Engagement Partner)

Chinese Certified Public Accountants:

Dong Xin
31 March 2020

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

FINANCIAL STATEMENTS

For the year ended 31 December 2019

II. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

31 December 2019

All amounts in RMB'000

Items	Notes	31 December 2019	31 December 2018
Current Assets:			
Cash and bank balances	VII 1	43,677,662	44,477,302
Financial assets held for trading	VII 2	2,162,432	1,124,150
Derivative financial assets	VII 3	401	2,365
Bills receivable	VII 4	7,918,027	18,363,632
Accounts receivable	VII 5	66,026,606	66,958,297
Receivables at FVTOCI	VII 6	7,855,940	2,072,511
Prepayments	VII 7	24,705,845	20,285,773
Other receivables	VII 8	57,290,123	56,385,242
Inventories	VII 9	60,636,905	57,608,321
Contract assets	VII 10	72,800,575	66,719,549
Non-current assets due within one year	VII 11	2,078,913	3,498,610
Other current assets	VII 12	2,282,530	1,924,819
Total Current Assets		347,435,959	339,420,571
Non-current Assets:			
Long-term receivables	VII 13	24,326,794	21,620,682
Long-term equity investments	VII 14	21,834,366	13,854,855
Investments in other equity instruments	VII 15	1,871,747	1,867,964
Other non-current financial assets	VII 16	4,171,068	4,214,624
Investment properties	VII 17	5,763,796	5,392,133
Fixed assets	VII 18	26,121,239	27,370,040
Construction in progress	VII 19	4,426,518	3,379,971
Right-of-use assets	VII 20	540,522	—
Intangible assets	VII 21	15,796,873	16,133,729
Goodwill	VII 22	161,523	163,179
Long-term prepayments	VII 23	265,900	269,670
Deferred tax assets	VII 24	5,618,595	5,152,432
Other non-current assets	VII 25	171,313	75,993
Total Non-current Assets		111,070,254	99,495,272
TOTAL ASSETS		458,506,213	438,915,843
Current Liabilities:			
Short-term borrowings	VII 26	40,476,556	47,973,564
Derivative financial liabilities	VII 27	4,230	496
Bills payable	VII 28	31,487,132	27,751,007
Accounts payable	VII 29	115,855,013	113,260,891
Receipts in advance	VII 30	245,284	191,783
Contract liabilities	VII 31	64,595,970	58,918,293
Employee benefits payable	VII 32	2,037,994	1,958,161
Taxes payable	VII 33	3,461,760	3,794,064
Other payables	VII 34	26,219,786	23,553,227
Non-current liabilities due within one year	VII 35	15,683,416	14,772,502
Other current liabilities	VII 36	5,856,396	4,811,859
Total Current Liabilities		305,923,537	296,985,847

FINANCIAL STATEMENTS

For the year ended 31 December 2019

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED BALANCE SHEET (CONTINUED)

31 December 2019

All amounts in RMB'000

Items	Notes	31 December 2019	31 December 2018
Non-current Liabilities:			
Long-term borrowings	VII 37	27,219,615	23,793,236
Bonds payable	VII 38	1,660,000	8,512,091
Lease liabilities	VII 39	302,054	—
Long-term payables	VII 40	892,993	1,180,520
Long-term employee benefits payable	VII 41	3,115,993	3,496,853
Provisions	VII 42	817,931	861,739
Deferred income	VII 43	1,582,297	1,290,126
Deferred tax liabilities	VII 24	71,685	111,387
Other non-current liabilities	VII 44	14,600	14,600
Total Non-current Liabilities		35,677,168	39,260,552
TOTAL LIABILITIES		341,600,705	336,246,399
Shareholders' Equity:			
Share capital	VII 45	20,723,619	20,723,619
Other equity instruments	VII 46	25,924,290	15,924,290
Including: Perpetual bond		25,924,290	15,924,290
Capital reserve	VII 47	22,476,448	22,492,676
Other comprehensive income	VII 48	(59,618)	(212,142)
Special reserve	VII 49	12,550	12,550
Surplus reserve	VII 50	1,748,938	1,455,419
Retained earnings	VII 51	27,123,498	23,546,950
Total shareholders' equity attributable to shareholders of the Company		97,949,725	83,943,362
Non-controlling interests		18,955,783	18,726,082
TOTAL SHAREHOLDERS' EQUITY		116,905,508	102,669,444
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		458,506,213	438,915,843

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

FINANCIAL STATEMENTS

For the year ended 31 December 2019

II. FINANCIAL STATEMENTS (CONTINUED)

THE COMPANY'S BALANCE SHEET

31 December 2019

All amounts in RMB'000

Items	Notes	31 December 2019	31 December 2018
Current Assets:			
Cash and bank balances	XVI 1	2,467,897	2,523,125
Accounts receivable	XVI 2	98,899	318,972
Prepayments		1,219,616	421,651
Other receivables	XVI 3	43,712,605	37,484,465
Inventories		1,058	998
Contract assets		1,296,461	1,039,354
Non-current assets due within one year	XVI 4	1,866,177	1,357,037
Total Current Assets		50,662,713	43,145,602
Non-current Assets:			
Long-term receivables	XVI 4	487,590	1,723,980
Long-term equity investments	XVI 5	89,754,018	87,862,027
Other equity instrument investments		248	212
Fixed assets		11,746	12,755
Right-of-use assets		40,479	—
Intangible assets		6,906	8,777
Total Non-current Assets		90,300,987	89,607,751
TOTAL ASSETS		140,963,700	132,753,353
Current Liabilities:			
Short-term borrowings	XVI 6	28,199,649	28,364,963
Accounts payable		1,554,946	941,091
Contract liabilities		2,220,884	1,068,383
Employee benefits payable		14,674	13,276
Taxes payable		54,801	57,306
Other payables	XVI 7	15,573,592	14,060,124
Non-current liabilities due within one year	XVI 8	442,732	2,074,231
Total Current Liabilities		48,061,278	46,579,374

FINANCIAL STATEMENTS

For the year ended 31 December 2019

II. FINANCIAL STATEMENTS (CONTINUED)

THE COMPANY'S BALANCE SHEET (CONTINUED)

31 December 2019

All amounts in RMB'000

Items	Notes	31 December 2019	31 December 2018
Non-current Liabilities:			
Long-term borrowings	XVI 9	2,750,000	5,875,000
Bonds payable	VII 38	1,660,000	1,660,000
Lease liabilities		19,868	—
Long-term payables		—	300,000
Long-term employee benefits payable		16,893	17,915
Provisions		118,921	128,054
Deferred income		4,411	4,411
Total Non-current Liabilities		4,570,093	7,985,380
TOTAL LIABILITIES		52,631,371	54,564,754
Shareholders' Equity:			
Share capital		20,723,619	20,723,619
Other equity instruments	VII 46	25,924,290	15,924,290
Including: Perpetual bond		25,924,290	15,924,290
Capital reserve		38,001,042	38,001,042
Other comprehensive income		984	609
Special reserve		12,550	12,550
Surplus reserve		1,748,938	1,455,419
Retained earnings		1,920,906	2,071,070
TOTAL SHAREHOLDERS' EQUITY		88,332,329	78,188,599
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		140,963,700	132,753,353

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

FINANCIAL STATEMENTS

For the year ended 31 December 2019

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

All amounts in RMB'000

Items	Notes	2019	2018
I Total operating revenue		338,637,609	289,534,523
Including: Operating revenue	VII 52	338,637,609	289,534,523
II Total operating costs		325,246,672	276,008,889
Including: Operating costs	VII 52	299,247,115	253,121,966
Taxes and levies	VII 53	1,896,372	2,412,583
Selling expenses	VII 54	2,315,815	2,108,541
Administrative expenses	VII 55	9,354,662	8,569,093
Research and development expenses	VII 56	9,934,444	7,182,666
Financial expenses	VII 57	2,498,264	2,614,040
Including: Interest expenses		4,149,873	3,887,553
Interest income		2,393,377	2,063,982
Add: Other income	VII 58	241,945	237,653
Investment (loss) income	VII 59	(987,178)	(262,199)
Including: Losses from investments in associates and joint ventures		14,461	1,857
Losses from derecognition of financial assets at amortized cost		(945,269)	(334,841)
(Losses) gains from changes in fair values	VII 60	(12,810)	28,999
Impairment losses of credit	VII 61	(2,418,539)	(2,671,338)
Impairment losses of assets	VII 62	(939,749)	(1,165,150)
Gains on disposal of assets	VII 63	67,810	138,415
III Operating profit		9,342,416	9,832,014
Add: Non-operating income	VII 64	523,777	449,866
Less: Non-operating expenses	VII 65	84,035	757,436
IV Total profit		9,782,158	9,524,444
Less: Income tax expenses	VII 66	2,205,339	1,953,837
V Net profit		7,576,819	7,570,607
(I) Net profit classified by operating continuity			
Net profit from continuing operations		7,576,819	7,570,607
Net profit from discontinued operations		–	–
(II) Net profit classified by ownership ascription			
Net profit attributable to shareholders of the Company		6,576,819	6,371,580
Profit or loss attributable to non-controlling interests		977,107	1,199,027

FINANCIAL STATEMENTS

For the year ended 31 December 2019

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the year ended 31 December 2019

All amounts in RMB'000

Items	Notes	2019	2018
VI Other comprehensive income, net of income tax	VII 67	222,207	(64,288)
Other comprehensive income attributable to shareholders of the Company, net of income tax		214,714	(134,606)
(I) Items that will not be reclassified to profit or loss		225,096	(342,483)
1. Re-measurement of defined benefit obligations		163,322	(193,430)
2. Changes in fair values of investments in other equity instruments		61,774	(149,053)
(II) Items that may be reclassified to profit or loss		(10,382)	207,877
1. Other comprehensive income that can be reclassified to profit or loss under the equity method		(5)	(4)
2. Changes of fair value of receivables at FVTOCI		(91,861)	–
3. Exchange differences on translating financial statements in foreign currencies		81,484	207,881
Other comprehensive income attributable to non-controlling interests, net of income tax		7,493	70,318
VII Total comprehensive income		7,799,026	7,506,319
Total comprehensive income attributable to shareholders of the Company		6,814,426	6,236,974
Total comprehensive income attributable to non-controlling interests		984,600	1,269,345
VIII Earnings per share	XV 3		
(I) Basic earnings per share (RMB/share)		0.27	0.26
(II) Diluted earnings per share (RMB/share)		N/A	N/A

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

FINANCIAL STATEMENTS

For the year ended 31 December 2019

II. FINANCIAL STATEMENTS (CONTINUED)

THE COMPANY'S INCOME STATEMENT

For the year ended 31 December 2019

All amounts in RMB'000

Items	Notes	2019	2018
I Total operating revenue	XVI 10	4,177,307	5,031,043
Less: Operating costs	XVI 10	4,060,098	5,021,605
Taxes and levies		1,314	3,240
Administrative expenses		258,405	243,573
Financial expenses		387,463	766,445
Including: Interest expenses		1,973,377	1,756,918
Interest income		1,649,905	1,518,546
Add: Investment income	XVI 11	3,406,868	2,239,335
Including: Gain from investments in associates and joint ventures		35,941	12,108
Impairment losses of credit	XVI 12	86,306	(57,592)
(Losses) gains from disposal of assets		(32)	1,787
II Operating profit		2,963,169	1,179,710
Add: Non-operating income		723	5
Less: Non-operating expenses		920	63
III Total profit		2,962,972	1,179,652
Less: Income tax expenses		27,782	11,618
IV Net profit		2,935,190	1,168,034
Net profit from continuing operations		2,935,190	1,168,034
Net profit from discontinued operations		–	–
V Other comprehensive income, net of income tax		375	(109)
(I) Items that will not be reclassified to profit or loss		375	(109)
1. Changes in re-measurement of defined benefit obligations		339	(90)
2. Changes in fair values of investments in other equity instruments		36	(19)
VI Total comprehensive income		2,935,565	1,167,925

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

FINANCIAL STATEMENTS

For the year ended 31 December 2019

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019

All amounts in RMB'000

Items	Notes	2019	2018
I Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		345,757,256	296,479,742
Receipts of tax refunds		596,003	1,029,955
Other cash receipts relating to operating activities	VII 68(1)	3,503,233	3,496,184
Sub-total of cash inflows from operating activities		349,856,492	301,005,881
Cash payments for goods purchased and services received		285,987,017	243,128,693
Cash payments to and on behalf of employees		24,033,117	21,383,791
Payments of various types of taxes		10,637,238	10,438,345
Other cash payments relating to operating activities	VII 68(2)	11,621,187	12,005,082
Sub-total of cash outflows from operating activities		332,278,559	286,955,911
Net Cash Flows from Operating Activities	VII 69(1)	17,577,933	14,049,970
II Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		288,755	77,338
Cash receipts from investment income		383,519	228,007
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		605,682	403,612
Net cash receipts from disposal of subsidiaries and other business units	VII 69(2)	296,180	40,679
Other cash receipts relating to investing activities	VII 68(3)	2,267,182	1,266,874
Sub-total of cash inflows from investing activities		3,841,318	2,016,510
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		4,109,974	5,595,208
Cash payments to acquire investments		9,566,721	7,855,463
Other cash payments relating to investing activities	VII 68(4)	–	303,286
Sub-total of cash outflows from investing activities		13,676,695	13,753,957
Net Cash Flows from Investing Activities		(9,835,377)	(11,737,447)

FINANCIAL STATEMENTS

For the year ended 31 December 2019

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year ended 31 December 2019

All amounts in RMB'000

Items	Notes	2019	2018
III Cash Flows from Financing Activities:			
Cash receipts from capital contributions		13,254,229	6,378,367
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries		254,229	3,378,367
Cash receipts from issue of perpetual bond		13,000,000	3,000,000
Cash receipts from borrowings		114,990,724	116,770,275
Sub-total of cash inflows from financing activities		128,244,953	123,148,642
Cash repayments of borrowings		124,701,867	110,431,072
Cash payments for distribution of dividends or profits or settlement of interest expenses		8,927,210	9,174,007
Including: Payments for distribution of dividends or profits to non-controlling interests of subsidiaries		429,326	614,516
Other cash payments relating to financing activities	VII 68(5)	3,765,993	9,473,746
Sub-total of cash outflows from financing activities		137,395,070	129,078,825
Net Cash Flows from Financing Activities		(9,150,117)	(5,930,183)
IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		71,459	304,528
V Net (Decrease) Increase in Cash and Cash Equivalents			
		(1,336,102)	(3,313,132)
Add: Opening balance of Cash and Cash equivalents		33,151,002	36,464,134
VI Closing Balance of Cash and Cash Equivalents	VII 69(3)	31,814,900	33,151,002

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

FINANCIAL STATEMENTS

For the year ended 31 December 2019

II. FINANCIAL STATEMENTS (CONTINUED)

THE COMPANY'S CASH FLOW STATEMENT

For the year ended 31 December 2019

All amounts in RMB'000

Items	Notes	2019	2018
I Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		5,493,008	5,020,517
Receipts of tax refunds		664	–
Other cash receipts relating to operating activities		425,813	244,563
Sub-total of cash inflows from operating activities		5,919,485	5,265,080
Cash payments for goods purchased and services received		4,561,731	5,181,041
Cash payments to and on behalf of employees		161,164	153,606
Payments of various types of taxes		59,875	58,862
Other cash payments relating to operating activities		256,891	136,945
Sub-total of cash outflows from operating activities		5,039,661	5,530,454
Net Cash Flows from Operating Activities	XVI 13(1)	879,824	(265,374)
II Cash Flows from Investing Activities:			
Cash receipts from investment income		2,531,932	1,916,159
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		104	4,557
Sub-total of cash inflows from investing activities		2,532,036	1,920,716
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		2,653	5,843
Cash payments to acquire investments		1,538,394	2,316,313
Other cash payments relating to investing activities		4,255,822	4,504,563
Sub-total of cash outflows from investing activities		5,796,869	6,826,719
Net Cash Flows from Investing Activities		(3,264,833)	(4,906,003)

FINANCIAL STATEMENTS

For the year ended 31 December 2019

II. FINANCIAL STATEMENTS (CONTINUED)

THE COMPANY'S CASH FLOW STATEMENT (CONTINUED)

For the year ended 31 December 2019

All amounts in RMB'000

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

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

FINANCIAL STATEMENTS

For the year ended 31 December 2019

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

Items	For the year ended 31 December 2019								
	Attributable to shareholders of the Company								
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Non-controlling interests	Total shareholders' equity
I Closing balance of the preceding year	20,723,619	15,924,290	22,492,676	(212,142)	12,550	1,455,419	23,546,950	18,726,082	102,669,444
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-
Corrections of prior years' errors	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
II Opening balance of the current year	20,723,619	15,924,290	22,492,676	(212,142)	12,550	1,455,419	23,546,950	18,726,082	102,669,444
III Changes for the year	-	10,000,000	(16,228)	152,524	-	293,519	3,576,548	229,701	14,236,064
(I) Total comprehensive income	-	-	-	214,714	-	-	6,599,712	984,600	7,799,026
(II) Shareholders' contributions and reduction in capital	-	10,000,000	(16,228)	-	-	-	-	68,062	10,051,834
1. Capital contribution from owners	-	-	-	-	-	-	-	254,229	254,229
2. Capital contribution from holders of other equity instruments (Note VII 46)	-	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 (Note VII 15)	-	-	-	(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	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

FINANCIAL STATEMENTS

For the year ended 31 December 2019

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

All amounts in RMB'000

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

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

FINANCIAL STATEMENTS

For the year ended 31 December 2019

II. FINANCIAL STATEMENTS (CONTINUED)

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

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

FINANCIAL STATEMENTS

For the year ended 31 December 2019

II. FINANCIAL STATEMENTS (CONTINUED)

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

All amounts in RMB'000

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

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

III. BASIC CORPORATE INFORMATION

1. Basic information of the Company

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

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

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

III. BASIC CORPORATE INFORMATION (CONTINUED)

1. Basic information of the Company (Continued)

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

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

The Company and consolidated financial statements had been approved by the Board of Directors of the Company on 31 March 2020.

2. Scope of consolidated financial statements

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

IV. BASIS OF PREPARATION

1. Basis of preparation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

IV. BASIS OF PREPARATION (CONTINUED)

2. Accrual basis and measurement principle

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

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

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

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

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

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

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

3. Going concern

The Group has performed an assessment of the going concern for the following 12 months from 31 December 2019 and does not identify any significant doubtful matter or event on the going concern. As such, these financial statements have been prepared on a going concern basis.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance

These financial statements are in compliance with the CASBE to truly and completely reflect consolidated and the Company's financial position as at 31 December 2019 and consolidated and the Company's operating results and cash flows for the year then ended.

2. Accounting period

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3. Business cycle

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

4. Reporting currency

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

5. Business combinations

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

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

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

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The costs of business combination are the fair value of the assets paid, liabilities happened or bore and equity instruments issued by the acquirer for the purpose of achieving the control rights of the acquiree. If the business combination is achieved in stages, the cost of business combination is the sum of total consideration paid at the acquisition date and the re-measured fair value of acquirer's previously held equity interests in the acquire at the acquisition date. The acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognized in profit or loss. Other comprehensive income associated with equity interest in the acquiree already held by the acquirer before the acquisition date is reclassified to investment income at the date on which acquisition is made.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Business combinations (Continued)

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

The intermediary costs such as audit, legal services and assessment consulting costs and other related management costs that are directly attributable to the combination by the acquirer are charged to profit or loss in the period in which they are incurred. Direct issue costs incurred in respect of equity instruments or liabilities issued pursuant to the business combination should be charged to the respect equity instruments or liabilities upon initial recognition of the underlying equity instruments or liabilities.

The acquiree's identifiable assets, liabilities and contingent liabilities acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current year.

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

6. Basis for preparation of consolidated financial statements

The scope of consolidation in consolidated financial statements is determined on the basis of control. Control is achieved when the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in consolidated income statement and consolidated statement of cash flows.

For a subsidiary acquired through a business combination involving enterprises under common control, it will be fully consolidated into consolidated financial statements from the date on which the subsidiary was ultimately under common control by the same party or parties.

The significant accounting policies and accounting years adopted by the subsidiaries are determined based on the uniform accounting policies and accounting years set out by the Company. For those subsidiaries acquired through business combinations not involving enterprises under common control, the identifiable assets and liabilities recorded in the financial statements of the acquired subsidiaries should be adjusted based on the fair value determined at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Basis for preparation of consolidated financial statements (Continued)

All significant intra-group balances, transactions and unrealized profits are eliminated on consolidation. The portion of subsidiaries' equity that is not attributable to the Company is treated as non-controlling interests and presented as "non-controlling interests" in the shareholders' equity in consolidated balance sheet. The portion of net profits or losses of subsidiaries for the period attributable to non-controlling interests is presented as "non-controlling interests" in consolidated income statement below the "net profit" line item.

When the amount of loss for the period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount is still allocated against non-controlling interests.

Acquisition of non-controlling interests or disposal of equity interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of shareholders' interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess is adjusted against retained earnings.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognized as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

7. Classification of joint arrangement and accounting methods for joint management

Joint arrangement involves by two or more parties jointly control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

The Group makes the classification of the joint arrangements according to the rights enjoyed and obligations bore in the joint arrangements. There are only two types of joint arrangements – joint operations and joint ventures.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint ventures are accounted for using the equity method.

A joint operation refers to whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. When the Group undertakes its activities under joint operations, the Group as a joint operator recognized in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly. The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the provision applicable to the particular assets, liabilities, revenue and expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

8. Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

(1) Transactions denominated in foreign currencies

On initial recognition, foreign currency transactions are translated into RMB using the spot exchange rate prevailing at the date of transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except that exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period and are recognized as other comprehensive income.

When preparing financial statements involving foreign operations, if there is any foreign currency monetary items which in substance forms part of the net investment in the foreign operations, exchange differences arising from the changes of foreign currency should be recorded as other comprehensive income, and will be reclassified to profit or loss upon disposal of the foreign operations.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognized in profit and loss or as other comprehensive income.

(2) Translation of financial statements denominated in foreign currency

For the purpose of preparing consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the distribution of profits are translated at the spot exchange rates on the dates of the transactions; the opening balance of retained earnings is the translated closing balance of the previous year's retained earnings; the closing balance of retained earnings is calculated and presented on the basis of each translated income statement and profit distribution item. The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is recorded as other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(2) Translation of financial statements denominated in foreign currency (Continued)

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at the spot exchange rate on the date of the cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of foreign exchange rate changes on cash and cash equivalents".

The opening balances and the comparative figures of prior year are presented at the translated amounts in the prior year's financial statements.

On disposal of the Group's entire equity interest in a foreign operation, or upon a loss of control over a foreign operation due to disposal of certain equity interest in it or other reasons, the Group transfers the accumulated exchange fluctuation reserve, which is attributable to the owners' equity of the Company and presented under other comprehensive income to profit or loss in the period in which the disposal occurs.

In case of a disposal or other reason that does not result in the Group losing control over a foreign operation, the proportionate share of accumulated exchange fluctuation reserve is re-attributed to non-controlling interests and is not recognized in profit and loss. For partial disposals of equity interest in foreign operations which are associates or joint ventures, the proportionate share of the accumulated exchange fluctuation reserve is reclassified to profit or loss.

10. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts. When the Group recognizes the accounts receivable excluding significant financing component or does not consider the financing component in the contract within one year in accordance with the Accounting Standards of Business Enterprise No. 14 – Revenue (hereinafter referred to as "New Standards for Revenue", the standards for revenue before modification is to be referred to as "Former Standards for Revenue"), the accounts receivable on initial recognition is measured at transaction price defined in New Standards for Revenue.

The amortized cost of a financial asset or a financial liability is an accumulatively amortized amount arising from the initially recognized amount of the financial asset or the financial liability deducting repaid principals plus or less amortization of balances between the initially recognized amount on initial recognition and the amount on maturity date using the effective interest method, and then deducting accumulated provisions for losses (only applicable to financial assets).

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant accounting period.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability without considering expected credit losses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(1) Classification and measurement of financial assets

On initial recognition, the Group's financial assets are classified into the following categories, including financial assets measured at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

(a) Categorized into financial assets measured at amortized cost

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows, the Group shall classify the financial asset into the financial asset measured at amortized cost. The Group's financial assets measured at amortized cost include cash and bank balances, bills and accounts receivable, other receivables, non-current assets due within one year and long-term receivables.

Financial assets measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from impairment or derecognition is recognized in profit or loss.

– Effective interest method and amortized cost

For financial assets measured at amortized cost, the Group recognizes interest income using effective interest method. The Group calculates and recognizes interest income through book value of financial assets multiplying effective interest, except for the following circumstances:

- (i) For purchased or originated credit-impaired financial assets with credit impairment, the Group calculates and recognizes its interest income based on amortized cost of the financial asset and the effective interest through credit adjustment since initial recognition.
- (ii) For purchased or originated financial assets without credit impairment incurred while with credit impairment incurred in subsequent periods, the Group calculates and recognizes its interest income based on amortized cost of the financial asset and the effective interest in subsequent periods. If the credit risk of the financial asset is reduced during subsequent periods and credit impairment does not exist, the Group shall calculate and recognize interest income through book value of financial assets multiplying effective interest.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(1) Classification and measurement of financial assets (Continued)

- (b) Categorized into financial assets at fair value through other comprehensive income ("FVTOCI")

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, the Group shall classify the financial asset into the financial assets at FVTOCI.

Impairment losses or gains related to financial assets, interest income measured using effective interest method and exchange gains or losses are recognized into profit or loss for the current period. Except for the above circumstances, changes in fair value of the financial assets are included in other comprehensive income. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income shall be removed from other comprehensive income and recognized in profit or loss.

The Group's financial assets at FVTOCI are presented in the line item "financing with receivables" in the balance sheet.

- (c) Categorized into financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL include financial assets at FVTPL and those designated as at FVTPL.

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are categorized into financial assets measured at FVTPL.

On initial recognition, the Group may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Other than financial assets included in a portion of hedging relations, the Group subsequently measured these financial assets at fair value, gains or losses arising from changes in fair value and dividends and interest income related to these financial assets shall be recognized into profit or loss for the period.

The Group's financial assets measured at FVTPL include monetary funds, tradable equity instrument investments, investments in private funds and derivatives classified as financial assets, which are presented under the items "tradable financial assets", "other non-current financial assets" and "derivative financial assets" in the balance sheet. The Group has no financial assets designated as at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(1) Classification and measurement of financial assets (Continued)

- (d) Designated as financial assets at fair value through other comprehensive income ("FVTOCI")

On initial recognition, the Group may irrevocably designate a non-tradable equity instrument investments as financial asset measured at FVTOCI.

The financial assets designated as financial assets measured at FVTOCI are set out under the item "investments in other equity instrument". Changes in fair value of non-tradable equity investments should be recognized in other comprehensive income, when the financial assets are derecognized, the accumulative gains or losses previously recognized in other comprehensive income shall be removed from other comprehensive income and recognized in retained earnings. During the period that the Group holds these non-tradable equity instrument, the Group has established the right of collecting dividends, whose economic benefit is probably flow into the Group, and the amount of the dividends can be reliably measured, then the Group will recognize dividends in profit or loss.

(2) Impairment of financial instruments

The Group shall recognize an impairment loss for expected credit losses on financial assets measured at amortized cost, financial assets at FVTOCI, contract assets and financial guarantee contracts.

The Group makes a loss allowance against amount of expected credit losses during the whole life of the contract assets and accounts receivable that exclude significant financing component or do not consider the financing component in the contract within one year arising from transactions adopting New Standards for Revenue.

For other financial instruments, the Group assesses changes in credit risks of the relevant financial instruments since initial recognition at each balance sheet date. If the credit loss of the financial instruments has been significantly increased since initial recognition, the Group will make a loss allowance at an amount of expected credit loss during the whole life; if not, the Group will make a loss allowance for the financial instruments at an amount in the future 12-month expected credit losses. The increased or reversed amount of credit is recognized in profit or loss as impairment loss or gain. The Group has makes a loss allowance against amount of expected credit losses during the whole life in the prior accounting period. However, at the balance sheet date, the credit risk on a financial instrument has not increased significantly since initial recognition; the Group will measure the loss allowance for that financial instrument at an amount in the future 12-month expected credit losses. Reversed amount of loss allowance arising from such circumstances shall be included in profit or loss as impairment gains.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(2) Impairment of financial instruments (Continued)

(a) Significant increase of credit risk

The Group will make use of reasonable and supportable forward-looking information that is available to determine whether credit risk has increased significantly since initial recognition through comparing the risk of a default occurring on the financial instruments as at the reporting date with the risk of a default occurring on the financial instruments as at the date of initial recognition. For financial guarantee contracts, when applying the provision of impairment of financial instruments, the Group shall take the date when it becomes the party making an irrevocable undertaking as the initial confirmation date.

The Group will take the following factors into consideration when assessing whether credit risk has increased significantly:

- Significant changes in internal price indicators of credit risk as a result of a change in credit risk;
- Adverse changes in business, financial or economic conditions that are expected to cause a significant change in the debtor's ability to meet its debt obligations;
- An actual or expected significant change in the operating results of the debtor;
- Significant adverse change in the regulatory, economic, or technological environment of the debtor;
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the debtor's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring;
- Significant changes in circumstances expected to reduce the debtor's economic incentive to make scheduled contractual payments;
- Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the financial instruments;
- Significant changes in the expected performance and behavior of the debtor;
- Past due period of contract payment exceeds (inclusive) 30 days.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(2) Impairment of financial instruments (Continued)

(a) Significant increase of credit risk (Continued)

At balance sheet date, if the Group judges that the financial instruments solely has lower credit risk, the Group will assume that the credit risk of the financial instruments has not been significantly increased since initial recognition. If the risk of default on financial instruments is low, the borrower's ability to meet its contractual cash flow obligations in the short term is strong, and even if the economic situation and operating environment are adversely changed over a long period of time, it may not necessarily reduce the borrower's ability to fulfill its contractual cash flow obligations, the financial instrument is considered to have a lower credit risk.

(b) Credit-impaired financial assets

When the Group expected occurrence of one or more events which may cause adverse impact on future cash flows of a financial asset, the financial asset will become a credit-impaired financial assets. Objective evidence that a financial asset is impaired includes the following observable events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract by the debtor, such as a default or delinquency in interest or principal payments;
- The creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting a concession to the debtor;
- It becoming probable that the debtor will enter bankruptcy or other financial reorganizations;
- The disappearance of an active market for that financial asset because of financial difficulties of the issuer or the debtor;
- Purchase or originate a financial asset with a large scale of discount, which reflects facts of credit loss incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(2) Impairment of financial instruments (Continued)

(c) Determination of expected credit loss

The Group determines expected credit losses of relevant financial instruments using the following methods:

- For a financial asset, a credit loss is the present value of the difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive;
- For a financial guarantee contract, the credit loss is the present value of the differences between estimated amount paid by the Group for the credit losses incurred by the contract holder and the amount the Group expects to receive from the contract holder, the debtor or any other party;
- For a financial asset with credit-impaired at the balance sheet date, the credit loss is the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The factors reflected in methods of measurement of expected credit losses include an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; time value of money; reasonable and supportable information about past events, current conditions and forecasts on future economic status at balance sheet date without unnecessary additional costs or efforts.

(d) Write-down of financial assets

When the Group will no longer reasonably expect that the contractual cash flows of financial assets can be collected in aggregate or in part, the Group will directly write down the carrying amount of the financial asset, which constitutes derecognition of relevant financial assets.

(3) Transfer of financial assets

The Group will derecognize a financial asset if one of the following conditions is satisfied: (i) the contractual rights to the cash flows from the financial asset expire; (ii) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (iii) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, the Group will recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognize an associated liability.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(3) *Transfer of financial assets (Continued)*

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, for financial asset categorized into those measured at amortized cost, the difference between the carrying amount of the financial asset transferred and the sum of the consideration received from the transfer is recognized in profit or loss. For the non-tradable equity instrument designated as financial assets at FVTOCI, cumulative gain or loss that has been recognized in other comprehensive income should be removed from other comprehensive income but be recognized in retained earnings.

For a part of transfer of a financial asset that satisfies the derecognition criteria, the carrying amount of the transferred financial asset is allocated between the part that is derecognized and the part that is continuously involved, based on the respective fair values of those parts on transfer date. The difference between (1) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income; and (2) the carrying amount allocated to the part derecognized on derecognition date; is recognized in profit or loss or retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group will continuously recognize the transferred financial asset in its entirety. Considerations received due to transfer of assets should be recognized as a liability upon receipts.

(4) *Classification and measurement of financial liabilities*

Financial instruments issued by the Group are classified into financial liabilities or equity instruments on the basis of the substance of the contractual arrangements and the economic nature not only its legal form, together with the definition of financial liability and equity instruments on initial recognition.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

(a) **Financial liabilities at fair value through profit or loss**

Financial liabilities at FVTPL consist of financial liabilities held for trading (including derivatives classified as financial liabilities) and those designated as at FVTPL.

Financial liabilities meet one of the following conditions, indicating that the Group's purpose of undertaking the financial liabilities is transactional:

- The purpose of undertaking relevant financial liabilities is mainly for the recent repurchase;
- The relevant financial liabilities are part of the centrally managed identifiable financial instrument portfolio at initial recognition, and there is objective evidence that there is a short-term profits will presence in the near future;
- Related financial liabilities are derivatives, except for derivatives that meet the definition of a financial guarantee contract and that are designated as effective hedging instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(4) Classification and measurement of financial liabilities (Continued)

(a) Financial liabilities at fair value through profit or loss (Continued)

Financial liabilities held for trading are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest expenses paid on the financial liabilities are recognized in profit or loss.

The Group's financial liabilities measured at FVTPL are derivatives classified as financial liabilities which are presented as "derivative financial liabilities" in the balance sheet.

(b) Other financial liabilities

Other financial liabilities, except for financial liabilities arising from transfer of financial assets does not satisfy derecognition criteria or continue involvement of transferred financial assets and financial guarantee contracts liability, are subsequently measured at amortized cost, with gain or loss arising from derecognition or amortization recognized in profit or loss. The Group's financial liabilities measured at amortized cost include bills payable, accounts payable, other payables, long-term payables, loans and bonds payable etc.

That the Group and its counterparty modify or renegotiate the contract does not result in derecognition of a financial liability subsequently measured at amortized cost but result in changes in contractual cash flows, the Group will recalculate the carrying amount of the financial liability, with relevant gain or loss recognized in profit or loss. The Group will determine carrying amount of the financial liability based on the present value of renegotiated or modified contractual cash flows discounted at the financial liability's original effective interest rate. For all costs or expenses arising from modification or renegotiation of the contract, the Group will adjust the modified carrying amount of the financial liability and make amortization during the remaining term of the modified financial liability.

The term of the financial liability measured at amortized cost is under one year (inclusive), the financial liability is presented as current liability; the financial liability with the term over one year but will fall due within one year (inclusive) since the balance sheet date, it is present as non-current liability due within one year; others are presented as non-current liability.

(c) Financial guarantee contracts

A financial guarantee contract is a contract by which the issuer is required to compensate specific amount to the contract holder suffering losses in case the specific debtor fails to settle the debt in accordance with the initial or revised terms of debt instrument when the debt falls due. After initial recognition, the Group measure financial guarantee contracts at the higher of: (i) amount of loss allowance; and (ii) the amount initially recognized less cumulative amortization recognized in accordance with related terms of Standards for Revenue.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(5) *Derecognition of financial liabilities*

The Group derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing debtor) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

(6) *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The issuance (including refinance), repurchase, selling or cancellation of these instruments are treated as change in equity. Change of fair value of equity instruments is not recognized by the group. The related transaction costs are deducted from equity.

The Group recognizes the distribution to holders of the equity instruments as distribution of profits, and dividends paid do not affect total amount of shareholders' equity.

(7) *Derivatives*

Derivatives of the Group include Forward foreign exchange settlement and sale contracts and USD foreign exchange option. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value. Changes are recognized in current profit or loss.

(8) *Offsetting financial assets and financial liabilities*

Where the Group has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Inventories

(1) *Categories of inventories and initial measurement*

The Group's inventories are initially measured at cost. Inventories mainly include raw materials, material procurement, outsourced processing materials, work in progress, finished goods, materials in transit, costs to fulfil a contract, properties under development, completed properties held for sale etc.

(2) *Valuation method of inventories upon delivery*

The actual cost of inventories upon delivery is calculated using the first-in-first-out or weighted average method. Cost of finished goods and work in progress comprise all costs of materials, direct labor costs and other manufacturing overheads allocated on a normal production capacity and systematic basis.

(3) *Basis for determining net realizable value of inventories and provision methods for decline in value of inventories*

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined based on clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their carrying amount, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

(4) *The perpetual inventory system is maintained for stock system.*

(5) *Amortization method for low cost and short-lived consumable items and packaging materials*

Materials in transit include packaging materials and low cost and short-lived consumable items. Packaging materials and low cost and short-lived consumable items are using either one-off amortization method or multiple-stage amortization method.

(6) *Properties under development and completed properties held for sale*

Costs of properties under development and completed properties held for sale mainly consist of acquisition cost of land use rights, expenditures of land development, infrastructure costs, construction costs, capitalized borrowing costs and other relevant costs. The expenditure of development land is included in the development cost. The construction expenditures of public facilities (the facilities approved by the relevant government departments such as roads) form part of property development costs and are allocated to respective individual properties projects. Cost of property development product is calculated based on actual costs incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Long-term equity investments

Long-term equity investments include long-term equity investments in subsidiaries and equity investments in associates and joint ventures.

Subsidiaries are the companies that are controlled by the Company. Associates are the companies over which the Group has significant influence. Joint ventures are joint arrangements over which the Group has joint control along with other investors and has rights to the net assets of the joint arrangement.

The Company accounts for the investment in subsidiaries at historical cost in the Company's financial statements. Investments in joint ventures and associates are accounted for under equity method.

(1) *Determination of investment cost*

For a long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost of the long-term equity investment is the share of the carrying amount of the shareholders' equity of the acquiree attributable to the ultimate controlling party at the date of combination. For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition. For a business combination not involving enterprises under common control achieved in stages that involves multiple exchange transactions, the initial investment cost is carried at the aggregate of the carrying amount of the acquirer's previously held equity interest in the acquiree and the new investment cost incurred on the acquisition date.

Regarding the long-term equity investment acquired otherwise than through a business combination, if the long-term equity investment is acquired by cash, the historical cost is determined based on the amount of cash paid and payable; if the long-term equity investment is acquired through the issuance of equity instruments, the historical cost is determined based on the fair value of the equity instruments issued.

(2) *Subsequent measurement and recognition of profit or loss*

If the long-term equity investment is accounted for at cost, it should be measured at historical cost. Dividend declared by the investee should be accounted for as investment income.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Long-term equity investments (Continued)

(2) *Subsequent measurement and recognition of profit or loss (Continued)*

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income of the investee for the period as investment income or loss and other comprehensive income for the period. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date after making appropriate adjustments to be confirmed with the Group's accounting policies and accounting period. The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. For the changes in equity in addition to the net profit or loss, other comprehensive income and profits distribution, adjust the carrying value of long-term equity investment when the investee declares dividend distribution and included in shareholders' equity. The Group recognizes its share of the dividends of the investee should be adjusted, and reduces the carrying value of the investment. Unrealized profits or losses resulting from the Group's transactions with its associates and joint ventures are recognized as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated if the trading assets do not form a business. Unrealized losses are resulted from the Group's transactions with its associates and joint ventures, the impairment losses on the transferred assets are not eliminated.

(3) *Basis for determining control, joint control and significant influence over investee*

Control is achieved when the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

(4) *Impairment loss of long-term equity investments*

If the recoverable amounts of the investments to subsidiaries, joint ventures and associates are less than their carrying amounts, an impairment loss should be recognized to reduce the carrying amounts to the recoverable amounts (Note V 18).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Long-term equity investments (Continued)

(5) The disposal of long-term equity investment

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognized in profit or loss for the period.

If the Group loses its control over the investee because of the disposal of partial equity investment and the remaining equity investment still have joint control or significant influence on the investee, then equity method should be adopted to record long-term equity investment when preparing the financial statements as if the equity investment is all the way accounted for under equity method from the date the Group acquired this investment. If the remaining equity investment does not have joint control or significant influence on the investee, the equity investment should be recorded according to the recognition and measurement of financial assets and the difference between the carrying amount and fair value of the equity investment on the date of losing control shall be included in profit or loss for the current year. The other comprehensive income recognized before the Group had controlled over the investee under equity method or the financial assets recognition and measurement standard should be treated referring to the same fundamental of disposing related assets and liabilities on losing its control over the investee. The other changes in shareholders' equity of the investee's net assets except the net profit or loss, other comprehensive income and profit distribution will be included in profit or loss for the current year of losing its control over the investee. If the residual interests were measured under the equity method, the Group proportionally carries over the other comprehensive income and other shareholders' equity. If the residual interests were measured under the financial assets recognition and measurement standard, the Group wholly carries over the other comprehensive income and other shareholders' equity.

13. Investment properties

Investment properties include properties held to earn rentals or for capital appreciation or properties in construction which will be used to earn rentals or for capital appreciation in the future. An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of investment property, and adopts a depreciation or amortization policy for the investment property according to estimated useful lives and net salvage value for buildings or land use rights. The estimated useful lives, estimated residual values and annual depreciation rates of investment properties by category are as follows:

	Estimated useful lives	Estimated residual values (%)	Annual depreciation (amortization) rate (%)
Buildings and structures	15-40 years	3-5	2.38-6.47
Land use rights	40-70 years	–	1.43-2.50

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Investment properties (Continued)

When the purpose of the investment properties is changed to self-use, the investment properties are transferred to fixed assets or intangible assets from the date the purpose is changed. When the purpose of the self-use buildings or land use rights are changed to held for earning rentals or capital appreciation, the buildings are transferred from fixed assets or intangible assets to investment properties from the date the purpose is changed. The carrying amounts of the buildings remain unchanged before and after the purpose change.

The estimated useful lives, estimated residual values and depreciation (amortization) rate of investment properties are reviewed and adjusted as appropriate at each year-end.

When an investment property is sold or retired from its use and the expected not to be able to recover economic benefits from disposal, the investment property should be de-recognized. When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

If the recoverable amounts of the investment properties are less than the carrying amount, the carrying amount will be reduced to the recoverable amounts (Note V18).

14. Fixed assets

(1) Recognition criteria for fixed assets

Fixed assets include buildings and structures, machinery and equipment, transportation vehicles, office equipment and others.

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured. Purchased or constructed fixed assets are initially measured at cost when acquisition. During the course of transformation of the Company into a limited liability company, the initial costs of fixed assets injected by the State-owned shareholder were measured based on the valuation amount approved by the State-owned assets management authority.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Those old fixed asset items are replaced by other new fixed asset items, the old fixed asset items should be de-recognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Fixed assets (Continued)

(2) Depreciation of each category of fixed assets

Fixed asset is depreciated based on the cost of fixed asset recognized less expected net residual value over its useful life using the straight-line method. The fixed asset after impairment, depreciation is calculated based on the carrying amount of the fixed asset after impairment over the estimated remaining useful life of the asset. The estimated useful lives, estimated residual values and annual depreciation rate of fixed assets are reviewed at each year end date to assess if any change is needed. The estimated useful life, estimated net residual value and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation	Useful life (year)	Residual value (%)	Annual depreciation rate (%)
Buildings and structures	the straight-line method	15-40	3-5	2.38-6.47
Temporary buildings and structures	the straight-line method	3-5	3-5	19.00-32.33
Machinery and equipment	the straight-line method	3-14	3-5	6.79-32.33
Transportation vehicles	the straight-line method	5-12	3-5	7.92-19.40
Office equipment and others	the straight-line method	5-12	3-5	7.92-19.40

(3) Other explanations

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period.

If the recoverable amounts of the fixed assets are less than the carrying amount, the carrying amount will be reduced to the recoverable amounts (Note V, 18).

15. Construction in progress

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

If the recoverable amounts of the construction in progress are less than the carrying amount, the carrying amount will be reduced to the recoverable amounts (Note V, 18).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Borrowing costs incurred subsequently should be charged to profit or loss. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Capitalization is suspended until the acquisition, construction or production of the asset is resumed.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expenses incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.

Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

During the capitalization period, exchange differences on foreign currency specific-purpose borrowing are fully capitalized whereas exchange differences on foreign currency general-purpose borrowing is charged to profit or loss.

17. Intangible assets

(1) Valuation methods, service life, impairment test

The Group's intangible assets include land use rights, concession assets, mining rights, software, patent and proprietary technology etc. Intangible assets are measured initially at cost. During the course of transformation of the Company into a limited liability company, the initial costs of intangible assets injected by the State-owned shareholder were measured based on the valuation amount approved by the State-owned assets management authority.

(a) Land use rights

Land use rights of the Group are amortized on the straight-line basis according to the useful lives of 40 to 70 years approved in the obtained land use rights certificates.

(b) Mining rights

Amortization is calculated based on the units of production method based only on proved mining reserves.

(c) The right to use the franchise

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Intangible assets (Continued)

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

(c) The right to use the franchise (Continued)

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

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

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

If the financial asset model is applied, the Group recognizes financial assets resulted from the concession arrangement in its balance sheet. The financial asset is measured in accordance with Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments.

(d) Software

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

(e) Patent and proprietary technologies

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

(f) Review the useful life and amortization method periodically

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the year, and makes adjustments when necessary.

(g) If the recoverable amounts of the intangible assets are less than the carrying amount, the carrying amount will be reduced to the recoverable amounts (Note V, 18).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Intangible assets (Continued)

(2) *Research and development expenditure*

Internal research and development project expenditures were classified into research expenditures and development expenditures depending on its nature and the greater uncertainty whether the research activities becoming to intangible assets.

Expenditure during the research phase is recognized as an expense in the period in which it is incurred. Expenditure during the development phase that meets all of the following conditions at the same time is recognized as intangible asset:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- The Group has the intention to complete the intangible asset and use or sell it;
- The Group can demonstrate the ways in which the intangible asset will generate economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- The expenditure attributable to the intangible asset during its development phase can be reliably measured.

Expenditures that do not meet all of the above conditions at the same time are recognized in profit or loss when incurred. Expenditures that have previously been recognized in the profit or loss would not be recognized as an asset in subsequent years. Those expenditures capitalized during the development stage are recognized as development costs incurred and will be transferred to intangible asset when the underlying project is ready for an intended use.

18. Impairment of long-term assets

The Company assesses at each balance sheet date whether there is any indication that the fixed assets, construction in progress, right of use assets, intangible assets with finite useful lives, investment properties measured at historical cost, investments in subsidiaries, joint ventures and associates may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flow estimated to be derived from the asset. The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18. Impairment of long-term assets (Continued)

Goodwill arising from a business combination is tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired. For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis to each of the related asset groups; if it is impossible to allocate to the related asset groups, it is allocated to each of the related set of asset groups. Each of the related asset groups or set of asset groups is an asset group or set of asset group that is able to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group. If the carrying amount of the asset group or set of asset groups is higher than its recoverable amount, the amount of the impairment loss first reduced by the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, pro rata based on the carrying amount of each asset.

Once the impairment loss of such assets is recognized, it is not be reversed in any subsequent period.

19. Long-term prepayments

Long-term prepayments include improvement expenses on leased fixed assets and other expenses incurred that should be amortized over the current and subsequent periods (amortization period of more than one year). Long-term prepayments are amortized on a straight-line basis over the expected periods in which benefits are derived, presented by the net amount of actual expenditure less accumulated amortization.

20. Employee benefits

(1) Short-term employee benefits

Short-term employee benefits include salaries, bonus, subsidies, staff benefits, social security charges (including medical insurance, work-related injury insurance and maternity insurance, etc.), housing funds, labor union expenditures and personal education.

During the accounting period in which the employees provide services, the Group's actual short-term remuneration is recognized as liabilities and included in the profits or losses of the current year or recognized as respective assets costs. At the time of actual occurrence, The Group's employee benefits are recorded into the profits and losses of the current year or assets associated costs according to the actual amount. The non-monetary employee benefits are measured at fair value.

Regarding to the health insurance, industrial injury insurance, maternity insurance and other social insurances, housing fund and labor union expenditure and personnel education that the Group paid for employees, the Group should recognize corresponding employees benefits payable and include these expenses in the profits or losses of the current year or recognized as respective assets costs.

(2) Post-employment benefits

Post-employment benefits are classified into defined contribution plans and defined benefit plans.

All the employees of the Group enjoy and participate in the endowment insurance plans set by local government, which are called defined contribution plans. The Group takes certain proportion (no more than upper limit) out of employees' wages as endowment insurance, and pays to local labor and social security institutes. Corresponding expenses shall be included in the profits or losses of the period in which employees provide services or assets associated costs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. Employee benefits (Continued)

(2) *Post-employment benefits (Continued)*

The Group provides supplementary pension benefits to certain retired employees, which is considered as defined benefit plans. The defined benefit plans obligation is calculated semiannually by independent actuaries using the projected unit credit method. The Group's defined benefit plans include the following components: (i) Service cost include current year service cost, past-service cost and settlement gain or loss. Current year service cost means the increase of the value of defined benefit plans resulted from the current year service offered by employee. Past-service cost means the increase or decrease of the value of defined benefit plans resulted from the revision of the defined benefit plans related to the prior year service offered by employee. (ii) Interest costs of defined benefit plans payable. (iii) Changes related to the revaluation of defined benefit plans liabilities.

Unless other accounting standards require or permit to charge the employee benefits into assets cost, the Group charges (i) and (ii) mentioned above into profits or losses of the current year, and recognize (iii) mentioned above as other comprehensive income without charging into profits or losses in later accounting periods.

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

(3) *Termination benefits*

Liabilities arising from termination benefits and staff internal retirement plan are recognized after the edition of the termination agreement or notice to the employee. The Group should recognize the employee benefits liabilities related to the compensation of the labor relationship termination and charge to profit or loss at the time when the below two signals which happens earlier: (i) The Group cannot withdraw from the compensation plan of the labor relationship termination by itself. (ii) The Group recognizes the costs or expenses of the reorganization involving the compensation of termination. When the Group offers some compensation plans to encourage the employee to accept the termination of the labor relationship voluntarily, the termination benefits are recognized based on the expected number of employee who are willing to take the compensation plans. The specific terms of the termination and early retirement plan varies according to the occupation, seniority and location etc.

The Group provides internal retirement benefits to employees who are willing to retire voluntarily. Internal retirement benefits refer to wages and social security fees the Group pays to employees who retired earlier voluntarily with the approval of the management. Early retirement benefits are recognized in the period in which the Group has entered into an agreement with the employee specifying the terms of redundancy, or after the individual employee has been advised of the specific terms. The accounting treatments of early retirement benefits are referring to termination benefits. From the date on which the termination benefit requirements are fulfilled, the Group recognizes monthly paid salaries and social benefits for these early retirees during the period from the date of early retirement to the normal retirement date as employee benefits payable and charges to profit or loss of the current year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Provisions

Provisions are recognized when the Group has a present obligation related to a contingency, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the settlement date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows. The increase in the provision due to passage of time is recognized as interest expense.

If all or part of the provision settlements is reimbursed by third parties, when the realization of income is virtually certain, then the related asset should be recognized. However, the amount of related asset recognized should not be exceeding the respective provision amount.

At the balance sheet date, the carrying amount of provision should be re-assessed to reflect the best estimation then.

22. Perpetual bonds or other financial instruments

Perpetual bonds or other financial instruments issued by the Group are equity instruments if, and only if both conditions (1) and (2) below are met:

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

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

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

23. Revenue

The Group's revenue is mainly from the following business types:

- Engineering contracting
- Real estate development
- Equipment manufacturing
- Resources development

The Group shall recognize revenue when the Group satisfies a performance obligation in the Contract, namely, when the customer obtains control over relevant goods or services. Control over the relevant goods refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from the goods or services.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Revenue (Continued)

Where the contract entered into by the Group and the customer satisfies all of the following conditions at the same time, the Group will recognize revenue when the customer obtains control over relevant goods or services:

- The parties to the contract have approved the contract and are committed to perform their respective obligations;
- The contract can identify each party's rights and obligation regarding goods or services to be transferred;
- The contract can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract); and
- It is probable that the Group will recover the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

If a contract meets the above criteria at contract inception, the Group shall not reassess those criteria unless there is an indication of a significant change in facts and circumstances. If a contract does not meet the above criteria at contract inception, the Group shall continue to assess the contract and make accounting treatment when the above criteria are met. When a contract does not meet the above criteria, the Group shall recognize the consideration received as revenue only when the Group has no remaining obligations to transfer goods or services to the customers and the consideration received from the customer is non-refundable; otherwise, the Group shall recognize the consideration received from the customer as a liability.

(1) *Determining the transaction price*

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts expected to be refunded to a customer. The Group shall consider the terms of the contract and its customary business practices to determine the transaction price. When determining the transaction price, the Group may consider effects of factors such as the variable consideration, a significant financing component, consideration payable to a customer and non-cash considerations.

(a) **Variable consideration**

In case of the existence of variable consideration (performance bonuses and penalties etc.) in the contract, the Group shall determine the best estimate of variable consideration based on the expected value or the most probably occurred amount. The transaction price including variable consideration shall not exceed the amount of the cumulative recognized revenue which is the most probably to be significantly reversed when elimination of relevant uncertainty. At each balance sheet date, the Group re-estimate the amount of variable consideration which should be included in transaction price.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Revenue (Continued)

(1) *Determining the transaction price (Continued)*

(b) A significant financing component

In case of the existence of a significant financing component in the contract, the Group shall determine the transaction price on the assumption that the customer has paid the amount payable by cash when obtaining the control over the goods or services. Differences between transaction price and contract consideration are amortized using effective interest method during the contract life. At contract inception, if the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the Group would not consider the significant component in the contract.

(c) Consideration payable to a customer

In case of the existence of consideration payable to a customer in the contract, the Group shall account for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service. The Group shall recognize the reduction of revenue at the later of recognizing relevant revenue and paying (or promising to pay) the consideration.

(d) Non-cash consideration

In case of non-cash consideration paid by the customer, the Group shall determine transaction price at fair value of non-cash consideration. If the fair value of the non-cash consideration is not be estimated reasonably, the Group shall measure the consideration indirectly by reference to the stand-alone selling price of the goods or services promised to the customer.

(2) *Identification of stand-alone performance obligations in the contract*

At contract inception, the Group assesses the contract and identify stand-alone performance obligations. Performance obligations refer to commitment of the Group to transfer a distinct good or service to the customer.

In the following circumstances, the Group takes the commitments to transfer of a good or services to the customer as stand-alone performance obligations: (i) commitment to transfer of a distinct good or services (or a group of goods or services); (ii) commitment to transfer of a series of distinct goods or services with the same substances and the same transfer model.

If the goods or services committed by the Group to the customer meets the following two conditions at the same time, those can be taken as distinct goods or services: (i) the customer is able to benefit from the stand-alone good or services or from the good or services together with other available source, namely, the good or services its own can be distinct; (ii) the commitment to transfer the good or services is separated from other commitments in the contract, namely, the commitment to transfer of the good or services is distinct in the contract.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Revenue (Continued)

(2) *Identification of stand-alone performance obligations in the contract (Continued)*

When determining whether the commitment to transfer the good or services can be distinct, the Group uses judgement and comprehensively considers all facts and circumstances. The following circumstances generally reflect that the commitment to transfer the good or services is not separated from other commitments in the contract: (i) the Group provides a significant service of integrating the goods or services with other goods or services promised in the contract into a bundle of goods or services that represent the combined output for which the customer has contracted; (ii) the goods or services significantly modifies or customizes other goods or services promised in the contract; (iii) the goods or services are highly interrelated with other goods or services promised in the contract.

(3) *Transaction price allocated to each stand-alone performance obligation*

If there are two or more of performance obligations included in the contract, at the contract inception, the Group allocates the transaction price to each single performance obligation based on the proportion of stand-alone selling price of goods or services promised in each stand-alone performance obligation. However, if there is conclusive evidence indicating that the contract discount or variable consideration is only relative with one or more (not the whole) performance obligations in the contract, the Group will allocate the contract discount or variable consideration to relative one or more performance obligation. Stand-alone selling price refers to the price of single sales of goods or services. If the stand-alone selling price cannot be observed directly, the Group estimates the stand-alone selling price through comprehensive consideration of all reasonably acquired relative information and maximum use of observable inputs.

(4) *Revenue recognition at satisfying each stand-alone performance obligation*

At contract inception, the Group identifies each stand-alone performance obligation included in the contract, determines whether the performance obligation satisfied during a period of time or at a point in time, and recognizes revenue when satisfying each stand-alone performance obligation.

(a) **Performance obligation satisfied during a period of time**

It is a performance obligation satisfied during a period of time if one of the following conditions is met: (i) the customer obtains and consumes economic benefits at the same time of the Group's performance; (ii) the customer is able to control goods or services in progress during the Group's performance; (iii) goods or services generated during the Group's performance have irreplaceable utilization, and the Group is entitled to collect amounts of cumulative performance part which have been done up to now.

For performance obligations satisfied during a period of time, the Group will recognize revenue according to progress of performance within such period, however, other than circumstances that the progress of performance cannot be reasonably determined. The Group determines progress of performance using input method, namely, determines the progress of performance based on the proportion of the accumulative actual cost accounting for the expected total cost. When the progress of performance cannot be reasonably determined, the costs incurred are expected to be compensated, the Group recognizes revenue based on the amount of costs incurred till the progress of performance can be reasonably determined.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Revenue (Continued)

(4) Revenue recognition at satisfying each stand-alone performance obligation (Continued)

(b) Performance obligation satisfied at a point in time

For performance obligation satisfied not during a period of time but at a point in time, the Group will recognize revenue at the point in time when the customer obtains control over relative goods or services.

When judging whether the customer has obtain control over the goods or services, the Group will consider the following indications.

- The Group has a present right of receivables for the good or services, namely, a customer is presently obliged to pay for the good or services;
- The Group has transferred the legal title of the good to the customer, namely, the customer has physically possessed the good;
- The Group has transferred the significant risks and rewards of ownership of the good to the customer, namely, the customer has obtained the significant risks and rewards of ownership of the good;
- The customer has accepted the good or services;
- Other indications reflecting that the customer has obtained the control over the good or services.

(5) Accounting treatment of specific transaction

(a) Sales attached with quality warranty terms

For sales attached with quality warranty terms, if such quality warranty provides an individual service other than that the Group have made commitments that the sold goods or services meet the established criteria, such quality warranty constitutes a single performance obligation, otherwise, the Group will make accounting treatment for quality warranty liability in accordance with the Accounting Standard for Business Enterprises No. 13 – Contingencies.

(b) A principal and an agent

To determine whether the Group is a principal or an agent, the Group identifies the specified goods or services to be provided to the customer, and assesses whether it controls those goods or services before they are transferred to the customer. If the Group can control those goods or services before they are transferred to the customer, the Group is a principal, recognizing revenue at the total consideration received or receivable; otherwise, the Group is an agent, recognizing revenue at the amount of commissions or service charges expected to be entitled to collection, such amount shall be determined based on net amount of total consideration received or receivable less amounts payable to other related parties, or on established amounts or proportions of commissions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Revenue (Continued)

(6) Contract costs

(a) Costs of obtaining a contract

The incremental costs of obtaining a contract (i.e. it would not have incurred if the contract had not been obtained) which are expected to be collected shall be recognize as an asset. If the amortization period of the asset is less than one year, it will be included in profit or loss when incurred. Other expenditures incurred to obtain the contract are included in profit or loss when incurred, except for expenditures clearly borne by the customer.

(b) Costs to fulfil a contract

If the costs incurred in fulfilling a contract are not within the scope of other accounting standards for business enterprises the new revenue standards as well as satisfies the following conditions at the same time, the costs will be recognized as an asset: (i) the costs relate directly to a contract or to an anticipated contract; (ii) the costs enhance resources of the Group that will be used in satisfying performance obligations in the future; (iii) the costs are expected to be recovered.

(c) Amortization of the related assets of contract costs

An asset associated with contract costs shall be amortized on the same basis as the revenue recognition of goods or services associated with the asset.

(d) Impairment of the related assets of contract costs

The Group shall make impairment allowance and recognize an impairment loss in profit or loss to the extent that the carrying amount of an asset associated with contract costs recognized exceeds: (i) the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less (ii) the costs expected to be incurred to transfer the relative goods or services.

The Group shall recognize in profit or loss a reversal of an impairment loss previously recognized when the impairment conditions have changed. The reversed carrying amount of the asset at the reversal date shall not exceed the amount that would have been determined if no impairment loss had been recognized previously.

(7) Contract asset and contract liability

Contract asset refers to the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. Please refer to Note V 10 (2) for accounting policies on impairment of contract asset. The Group's right of unconditional (i.e. solely depending on the passage of time) collection of consideration from the customer shall be separately set out as receivables.

Contract liability refers to the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or the amount is due) from the customer.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Government grants

Government grants are transferred of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognized only when the Group can comply with the conditions attaching to it and the grant will be received.

If a government grant takes the form of a monetary asset, it is measured at the amount received or receivable. If a government grant takes the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period. Government grants received by the Group related to routine activities are recognized in other income or as reductions in the related costs and expenses according to the economic nature of business; whereas government grants received by the Group other than those related to routine activities are recognized in non-operating income.

(1) *The basis of judgment and accounting treatments of the government grants related to assets*

Government grants used for creating long-term assets by purchase, construction or other ways, are recognized by the Group as the government grants related to assets, mainly including the investment subsidies for the purchase or construction of new equipment and other production infrastructure.

Government grants related to assets of the Group will be recognized as deferred income and amortized to profit or loss for the current period on a reasonable and systematic basis over the useful life of the related assets.

(2) *The basis of judgment and accounting treatments of the government grants related to income*

The government grants related to income are those other than the ones related to assets. Government grants of the Group related to income mainly include scientific research subsidies. As they are mainly the compensation for related expenses of the enterprises, such government grants are recognized as the government grants related to income. The Group classifies government grants difficult to distinguish as the ones related to income on an entire basis.

If the government grants related to income are compensation for related expenses or losses to be incurred in subsequent periods, they are recognized as deferred income, and will be recognized in profit or loss or used to offset with related costs and expenses for the period when related expenses or losses are recognized. If the government grants related to income are compensation for related expenses or losses already incurred, they are recognized immediately in profit or loss for the current period or used to offset related with costs and expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Government grants (Continued)

(3) Interest subsidy received under policy loans

If the preferential low-interest loans received by the Group is subject to the fact that the government finance authority allocates interest subsidy fund to the bank which thereafter issues loans to the Group at preferential low-interest rates, the Group recognizes such borrowing at an amount actually received and calculates the borrowing costs based on the principal and the preferential low-interest rates. If the preferential low-interest loans received by the Group is the interest subsidy fund to the Group directly from the government finance authority, the Group deducts the interest subsidy from related borrowing costs.

(4) Accounting treatment for repayments of government grants

Repayment of government grants should be applied first against any unamortized deferred income in respect of the grants. To the extent that repayment exceeds any such deferred income, or when no deferred income exists, the repayment should be recognized immediately in profit or loss for the current period.

25. Deferred tax assets/deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

All taxable temporary differences are recognized as related deferred tax liabilities under normal circumstances. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized. However, for deductible temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized. At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized or the liability is settled.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

Except for those current income tax and deferred tax charged to comprehensive income or shareholders' equity in respect of those transactions or events which have been directly recognized in other comprehensive income or shareholders' equity, and deferred tax recognized on business combinations, all other current income tax and deferred tax items are charged to profit or loss in the current year.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

26. Lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset from the lessor to the lessee for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

(1) *The Group as the lessee*

(a) Separation of the lease

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component for contracts containing leases for buildings and structures, machinery and equipment, and transportation vehicles.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Lease (Continued)

(1) The Group as the lessee (Continued)

(b) Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset provided by the lessor is available for use). Right-of-use assets are measured at cost which includes:

- the amount of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

If a re-measurement of the lease liability occurs after the commencement date of the lease, the book value of the right-of-use assets shall be adjusted accordingly.

The Group depreciates the right of use assets in accordance with the relevant depreciation requirements of the *Accounting Standards for Business Enterprises No.4 – Fixed Assets*. Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group determines whether the right of use assets are impaired and accounts for the identified impairment loss based on the *Accounting Standards for Business Enterprises No.4 – Impairment of Assets*. If the recoverable amount of the right-of-use asset is estimated to be less than its carrying amount, the carrying amount of the asset will be reduced to its recoverable amount (Note V, 18).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Lease (Continued)

(1) The Group as the lessee (Continued)

(c) Refundable rental deposit

The refundable rental deposits paid by the Group are measured at fair value in accordance with the Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments. The differences between the fair value and the nominal value at the time of initial recognition are considered as an additional lease payments and included in the cost of the right-of-use assets.

(d) Lease liabilities

Except for short-term leases and leases of low value assets, at the commencement date of the lease, the Group recognizes and measures the lease liabilities at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease payments refer to the payments made by the Group to the lessor for the lessee's right to use the leased asset over the lease term and include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- the exercise price of a purchase option reasonably certain to be exercised by the Group;
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate;
- amounts expected to be paid under residual value guarantees.

Variable lease payments that depend on an index or a rate are initially measured using the index or rate at the commencement date. Variable lease payments that are not included in the measurement of lease liabilities are recognized in profit or loss or the cost of underlying assets in the period in which they occur.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Lease (Continued)

(1) The Group as the lessee (Continued)

(d) Lease liabilities (Continued)

Interest expenses on the lease liabilities in each period during the lease term are recognized by the Group by using the fixed periodic rate of interest.

After the commencement date of the lease, the Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liabilities is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in expected payment under a guaranteed residual value or a change in an index or a rate used to determine those payments, in which cases the related lease liabilities is remeasured by discounting the revised lease payments using the initial discount rate.

Lease liabilities are presented as "current liabilities" and "non-current liabilities" based on their liquidity at the balance sheet. The closing balance of non-current lease liabilities due within 1 year from the balance sheet date is reflected under the line item of "non-current liabilities due within 1 year".

(e) Short-term leases and leases of low-value assets

For short-term leases and leases of low-value items to which the recognition exemption is applied by the Group, right-of-use assets and lease liabilities are not recognized. A short-term lease refers to a lease that, at the commencement date, has a lease term of 12 months or less and do not contain a purchase option. A lease of low value asset refers to a single lease asset, when new, is of low value. Lease payments on short-term leases and leases of low-value assets are recognized in profit or loss or the cost of underlying assets on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Lease (Continued)

(1) *The Group as the lessee (Continued)*

(f) Lease modifications

The Group accounts for a lease modification as a separate lease if there is a lease modification and both of the following apply:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liabilities based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

(2) *The Group as the lessor*

(a) Separation of the lease

Where a contract contains both lease and non-lease components, the Group allocates the consideration of the contract in accordance with the provisions of Revenue Standards on allocation of transaction price. The basis of the allocation is the respective stand-alone selling price of lease component and non-lease component.

(b) Classification of the lease

The Group classifies the lease into financing lease and operating lease on the start date of the lease. Financial lease refers to a lease that essentially transfers almost all the risks and rewards related to the ownership of leased assets. Its ownership may or may not be transferred eventually. Operational lease refers to the leases other than financial leases.

The Group does not reassess the classification of leases after the start of the lease unless there is a modification in the lease. The Group shall not reassess the classification of leases if the estimated useful life and expected residual value of leased assets change or the lessee defaults.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Lease (Continued)

(2) *The Group as the lessor (Continued)*

(c) Rental deposit to be refunded

The lease deposit received by the Group that shall be refunded, are measured at fair value at the time of initial recognition in accordance with Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments. The difference between the fair value and the nominal value at the time of initial recognition shall be considered as the additional lease payments from the lessee.

(d) Operating leases recorded by the Group as lessor

During the periods within the lease term, the Group recognizes the lease receipts from operating lease as rental income. The initial direct costs incurred by the Group to obtain the operating lease are capitalized when they are incurred, and are allocated over the lease term on the same basis of recognition of rental income, and are included in profit or loss by stages.

The variable lease receipts obtained by the Group from operating lease but not included in the lease receivables are included in profit or loss when they incur.

(3) *Sales and leaseback transactions (The Group acts as a seller-lessee)*

The Group assesses whether the transfer of the asset in the sales and leaseback transaction constitutes a sale in accordance with the Revenue Standards. If the transfer of the asset is not a sale, the Group continues to recognize the transferred assets and should recognize a financial liability equal to the transfer proceeds. Such financial liability is accounted for applying Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments. If the transfer of an asset constitutes a sale, the Group shall measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use and recognize only the amount of any gain or loss that relates to the rights transferred to the lessor.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Other significant accounting policies and accounting estimates

(1) *Distribution of dividends*

The cash dividend of the Company is recognized as a liability upon approval in the annual shareholders' meeting.

(2) *Production safety expenses*

The Group accrues for production safety expenses pursuant to *the Circular on Printing and Issuing the Management Measures on the Enterprise Production Safety Expenses Appropriation and Utilization* <Cai Qi [2012] No.16>, issued by the MoF and the State Administration of Work Safety.

Production safety expenses accrued based on the aforesaid regulations shall be recorded in the costs of related products or expenses in profit or loss for the current year, and provided as a fund in the special reserve. When the expenditures are utilized, they should be offset against the special reserve; when the expenditures incurred relate to fixed assets, they shall be recognized as construction in progress. When the assets are ready for their intended use, a same amount should be offset against the special reserve and recorded as accumulated depreciation at the same time. The related fixed asset is not subject to any further depreciation in the subsequent periods.

(3) *Segment information*

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

(4) *Discontinued operation*

Discontinued operation refers to the separately identifiable components that have been disposed of or classified as held for sale and meet one of the following conditions:

- The component represents an independent main business or a major business area;
- This component is a part of a related plan that intends to dispose an independent main business or a separate main operating area;
- This component is a subsidiary acquired exclusively for resale.

(5) *Significant accounting estimates and judgments*

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Other significant accounting policies and accounting estimates (Continued)

(5) Significant accounting estimates and judgments (Continued)

(a) Important judgments in applying accounting policies

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

(i) Perpetual bond

According to the terms of the issue, the issued perpetual bond has no maturity date. The Company has the right to defer interest payment and the option for redemption of perpetual bond. The Company has no obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the issuer, so the perpetual bond is classified as equity instrument, meeting the qualifying conditions in Note V, 22 to be recorded as equity instrument. Details are set out in Note VII, 46.

(b) The key assumptions and uncertainties used in accounting estimates

As at balance sheet date, the key assumptions concerning the future, and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next 12 months are as below:

(i) Progress of performance of engineering construction contracts

The Group determines to use input method to measure the progress of income of engineering services contracts provided by the Group which require to be fulfilled in a certain period, namely, determines progress of performance based on the proportion of accumulatively actual cost in estimated total cost. Because of the nature of the activity undertaken in engineering contracting services, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. In the contract progress, the management of the Group regularly reviews the transaction price and contract modification, contract costs in the budget prepared for each contract, the progress of the contracts performance and the accumulatively actual cost. If there are circumstances that there are changes in the transaction price, the contract costs in the budget or the progress of the contract performance, estimates are revised. These revisions may result in increasing or decreasing in estimated revenues or costs and are reflected in consolidated income statement in the current period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Other significant accounting policies and accounting estimates (Continued)

(5) Significant accounting estimates and judgments (Continued)

(b) The key assumptions and uncertainties used in accounting estimates (Continued)

(ii) Credit loss provision

Under expected credit loss method, the Group makes a loss allowance against amount of expected credit losses during the whole life of the contract assets and accounts receivable that exclude significant financing component or do not consider the financing component in the contract within one year arising from transactions adopting New Standards for Revenue. The management's judgment and estimation are required in the recognition of the credit loss provision. If re-estimations differ from the original estimates, such differences will affect the profit and carrying amount of account receivable and contract assets in the period in which the estimate changes.

As at 31 December 2019, the net book value of the Group's accounts receivable is RMB66,026,606,000 (As at 31 December 2018: RMB66,958,297,000), from which the provision for bad debts of RMB13,500,748,000 has been deducted (As at 31 December 2018: RMB13,410,428,000), refer to Note VII, 5(1) for details. The net book value of the Group's contract assets amounted to RMB72,800,575,000 (As at 31 December 2018: RMB66,719,549,000), from which the provision for impairment losses of RMB3,681,606,000 (As at 31 December 2018: RMB2,871,540,000) has been deducted, please refer to Note VII, 10 (1) for details.

(iii) Useful lives and residual values of fixed assets

The useful lives of fixed assets are estimated based on historical experience of the Group with similar assets used in a similar way. If useful lives of the fixed assets are estimated to be shorter than previously estimated, the Group will increase the depreciation rates accordingly, or dispose of those assets that are idle or technically obsolete.

At the end of each year, the Group reviews and makes appropriate adjustment for expected service life and expected net salvage value of fixed assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Other significant accounting policies and accounting estimates (Continued)

(5) Significant accounting estimates and judgments (Continued)

(b) The key assumptions and uncertainties used in accounting estimates (Continued)

(iv) Impairment losses of assets

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired, such as long-term equity investments, fixed assets, construction in progress, right-of-use assets, intangible assets with finite life and investment properties measured at cost model. The recoverable amount of the asset or assets group is the higher of the present value of future cash flow estimated to be derived from the asset and the fair value less costs to sell.

The Group estimates the recoverable amount on a series of assumptions and estimations, which include estimated useful life of the asset, a reasonable expectation of future market, projected future revenue and profit margin and the discount rate. The Group performs test for impairment for assets with indication of impairment. The Group estimated the present value of future cash flows with a pre-tax discount rate of 14.29% to 17.33 % for the reporting period (for the year ended 31 December 2018: 14.12% to 17.33%).

If management revises the assumption of estimated future revenue and profit margin in future cash flow calculation of an asset group or set of asset groups, and if the revised revenue and profit margin is lower than current assumption, the Group would correspondingly revise the estimated recoverable amount of long-term assets to make a further judgment on whether additional impairment provision is necessary.

If management revises the assumption of estimated pre-tax discount rate in future cash flow calculation, and if the revised discount rate is higher than current assumption, the Group would correspondingly revise the estimated recoverable amount of long-term assets to make a further judgment on whether additional impairment provision is necessary.

If the actual revenue and profit margin is higher than management estimation or the pre-tax discount rate is lower than management estimation, the Group should not reverse the impairment losses on long-term assets in subsequent accounting periods.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Other significant accounting policies and accounting estimates (Continued)

(5) Significant accounting estimates and judgments (Continued)

(b) The key assumptions and uncertainties used in accounting estimates (Continued)

(v) Tax

The Company and its subsidiaries are subject to income taxes and other taxes in numerous jurisdictions in domestic provinces and certain overseas countries. The ultimate tax effect of many transactions has uncertainty during normal business activities. The Group shall make significant judgment on current year income tax and land appreciation tax provisions in different areas and districts. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current year income tax provisions in the periods in which the differences arise.

Deferred tax assets relating to certain temporary differences and tax losses are recognized as management considers it is probable that future taxable profit will be available against which the deductible temporary differences or tax losses can be utilized. In cases where the estimated amount differs from original estimation, the difference would influence the recognition of deferred tax assets in the period when the estimation changes. Deferred tax assets relating to certain temporary differences and tax losses should not be recognized if management considers it is not probable to utilize the deductible temporary differences or tax losses to deduct taxable income in future.

(vi) Retirement benefits

The Group establishes liabilities in connection with supplementary benefits paid to certain retired employees. The amounts of employee benefit expenses and liabilities are determined using various assumptions and conditions on discount rates, salary growth rates during retirement, medical expense growth rates, and other factors. Actual results that differ from the assumptions are recognized immediately and therefore affect recognized other comprehensive income in the period in which such differences arise. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the other comprehensive income and balance of liabilities related to the supplementary employee retirement benefit obligations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

<u>Content and Reason of Changes in Accounting Policies</u>	<u>Approval Procedures</u>	<u>Remarks</u>
<p><u>Effect of New Standards for Revenue on the Group</u></p> <p>The Group adopted the Accounting Standards for Business Enterprises No.21 – Leases revised by the MoF in 2018 (hereinafter referred to as the "New Standard for Leases") since 1 January 2019 ("date of initial application"). The Group's accounting policies of leases (revised) are set out in Note V 26.</p> <p>For a contract that has existed as at the date of initial application, the Group does not reassess whether it is, or contains a lease. For a contract entered into or modified at or after the date of initial application, the Group assesses whether such contract is or contains a lease under the definition of the New Standard for Leases.</p>		
<p><u>The Group acts as a lessor</u></p> <p>The Group does not need any transitional adjustment to its lease as a lessor, but does need to conduct accounting treatment in accordance with the New Standard for Leases from the date of initial application. The New Standard for Leases have no significant impact on the Group's leases as a lessor.</p>	N/A	None
<p><u>The Group acts as a lessee</u></p> <p>The Group adjusted amount of relevant financial statement items as at the date of initial application on the basis of the accumulative effects arising from initial application of the New Standard for Leases, without adjusting the information for comparative period.</p> <p>For finance leases existed before the date of initial application, the right-of-use assets and lease liabilities are respectively measured by the Group based on the previous carrying amount of assets held under finance leases and finance lease payable at the date of initial application. For operating leases existed before the date of initial application, the lease liabilities are measured at the present value of the remaining lease payment, discounted using the lessee's incremental borrowing rate (4.35%-5.00%) at the date of initial application. The right-of-use asset is measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid lease payments as necessary.</p>		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Changes in significant accounting policies and accounting estimates (Continued)

(1) Changes in significant accounting policies (Continued)

Content and Reason of Changes in Accounting Policies	Approval Procedures	Remarks
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Effect of New Standards for Revenue on the Group (Continued)

The Group acts as a lessee (Continued)

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

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

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

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

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

N/A

None

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

All amounts in RMB'000

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Changes in significant accounting policies and accounting estimates (Continued)

(1) Changes in significant accounting policies (Continued)

<u>Content and Reason of Changes in Accounting Policies</u>	<u>Approval Procedures</u>	<u>Remarks</u>
<u>Effect of New Standards for Revenue on the Group (Continued)</u>		
Reconciliation of lease liabilities recognized at 1 January 2019 to the significant operating lease commitments in the financial statements for the year 2018:		
<i>All amounts in RMB'000</i>		
Items	31 December 2018	
I. Operating lease commitments at 31 December 2018:	203,034	
Lease liabilities measured by using incremental borrowing rate at the date of initial application	173,022	
Less: recognition exemption – short-term leases	9,473	
Lease liabilities recognized under New Standard for Leases that are related to previous operating leases	163,549	
Add: finance lease payable at 31 December 2018	115,894	
II. Lease liabilities at 1 January 2019	279,443	
Including: Lease liabilities due within one year	77,236	N/A
Lease liabilities due over one year	202,207	

Effects of new standard for exchange of non-monetary assets on the Group

On 9 May 2019, the revised CASBE No.7 – Exchanges of Non-monetary Assets (Cai Kuai (2019) No.8, hereinafter referred to as the New Standard for Exchanges of Non-monetary Assets) was released by the Ministry of Finance with the effective date of 10 June 2019. For transfer of non-monetary assets incurred during the period from 1 January 2019 to the date of application of the Standards, adjustments are made in accordance with the New Standard for Exchanges of Non-monetary Assets. The New Standard for Exchanges of Non-monetary Assets clarified: 1) the definition of exchange of non-monetary assets(revised); 2) the applicable scope of the standard; 3) the time point to recognize the asset received and to derecognize the asset surrendered and the accounting treatment of the inconsistency between the time point to recognize the asset received and to derecognize the asset surrendered;4) the detailed accounting treatment of exchange of non-monetary assets; and 5) the new requirements of disclosures. The adoption of the New Standard for Exchanges of Non-monetary Assets has no significant effects on the Group's financial statements for the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Changes in significant accounting policies and accounting estimates (Continued)

(1) Changes in significant accounting policies (Continued)

Content and Reason of Changes in Accounting Policies	Approval Procedures	Remarks
<u>Effects of new Standard for debt restructuring on the Group</u>		
<p>On 16 May 2019, the revised CASBE No.12 Debt Restructuring(Cai Kuai(2019) No.9, hereinafter referred to as the "New Standard for Debt Restructuring") with the effective date of 17 June 2019. For debt restructuring incurred during the period from 1 January 2019 to the date of application of the Standards, adjustments are made in accordance with the New Standard for Debt Restructuring. The New Standard for Debt Restructuring clarified: 1) the definition of debt restructuring (revised); 2) the applicable scope of the standard; 3) the accounting treatment of debt restructuring; and 4) the simplified requirements of disclosures. The adoption of the New Standard for Debt Restructuring has no significant effects on the Group's financial statements for the year.</p>		
<u>Effects of the revised format of financial statements on the Group</u>		
<p>The Group adopted the Notice of the Revised Format of 2019 Financial Statements for General Business Enterprise (Cai Kuai (2019) No. 6, hereinafter referred to as the "Cai Kuai No.6 Document") released by the MoF on 30 April 2019. Cai Kuai No.6 Document revised the presenting items in the balance sheet, income statement, cash flow statement and statement of changes in owners' equity, divided the line item of "bills and accounts receivable" into "bills receivable" and "accounts receivable", divided the line item of "bills and accounts payable" into "bills payable" and "accounts payable", added line items of "receivables at FVTOCI", specified or revised the presenting contents of "other receivables", "non-current assets due within 1 year", "other payables", "deferred income", "other equity instruments", "research and development expenses", "interest income" under "financial expenses", "other income", "non-operating income", "non-operating expenses", "capital contributions from holders of other equity instruments", stipulated the reporting requirements of provision of loss for items such as financial guarantee contracts, added line item of "income from derecognition of financial assets at amortized cost" under the line item of "investment income", adjusted the presenting location of some accounts in the income statement and clarified the presenting item of government grants in the cash flow statement. The Group has restated the above changes in presenting accounts of comparative data of the previous year.</p>	N/A	None

(2) Changes in significant accounting estimates

During the reporting period, there were no significant changes in accounting estimates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VI. TAXATION

1. Major categories of taxes and respective tax rates

Category of tax	Basis of tax computation	Tax rate
Value-added tax("VAT")	VAT payable(VAT payable is imposed on the taxable sales amount multiplied by the tax rate (output-VAT) less deductible input-VAT of current year)	3%, 5%, 6%, 9%, 10%, 13% and 16% (Note)
City maintenance and construction tax ("CCT")	Payment for VAT and consumption tax	1%, 5% and 7%
Education surcharges	Payment for VAT and consumption tax	3%
Enterprise income tax ("EIT")	Taxable income	25%
Land appreciation tax	Appreciation amount on the transfer of real estate	30% to 60%

Note: According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs 2019 No.39), business originally applicable to the VAT rate of 16% and 10% will be applicable to the rate of 13% and 9 % respectively since 1 April 2019.

(1) *The domestic entities subject to different enterprise income tax rates are disclosed in Note VI 2.*

(2) *The foreign business entities subject to non-25% income tax rates*

Subject of tax payment	Enterprise income tax rate
MCC Minera Sierra Grande S.A	35%
MCC Luba International (Private) Ltd.	35%
ENFI Zambia Ltd.	35%
China 19 MCC Group Namibia Co., Ltd.	35%
MCC International Venezuelan Ltd.	34%
China ENFI (Namibia) Ltd.	33%
China Metallurgical Construction Zimbabwe Co., Ltd.	33%
China ENFI Congo (DRC) Co. Ltd.	30%
MCC Australia Holding Pty Ltd.	30%
MCC Australian Gold Mines Ltd.	30%
MCC Mining (Western Australia) Pty Ltd.	30%
MCC Australia(Brisbane) Pty Ltd.	30%
MCC Shijiu Papua New Guinea Co., Ltd.	30%
ACRE Coking & Refractory (India) Engineering Consulting Corporation, MCC	30%
Papua New Guinea subsidiary of Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	30%
China ENFI (Chile) SAS	28%
China First Metallurgical India (Private) Ltd.	25.17%
China First Metallurgical Construction Malaysia Co., Ltd.	24%
MCC Malaysia Overseas Ltd.	24%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VI. TAXATION (CONTINUED)

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

(2) The foreign business entities subject to non-25% income tax rates (Continued)

Subject of tax payment	Enterprise income tax rate
MCC Real Estate Malaysia Ltd.	24%
MCC Construction Engineering (Malaysia) Co., Ltd.	24%
Shanghai Baoye (Malaysia) Co., Ltd.	24%
CCEPC Malaysia BHD	24%
MCC Tian Gong (Malaysia) Engineering Technology Co., Ltd.	24%
MCC East Malaysia Sdn Bhd.	24%
CISDI Engineering(America) Co., Ltd.	21%
MCCCISDI Engenharia do Brisal Ltd.	20%
MCC Tian Gong (Kuampuchea) Engineering Technology Co., Ltd.	20%
China 22MCC Group Russia Co., Ltd.	20%
MCC Kampuchea Overseas Ltd.	20%
MCC Constructing (Thailand) Ltd.	20%
China Cambodia Development Construction Co., Ltd.	20%
MCC International (Kuampuchea) Ltd.	20%
Shanghai Baoye (Kampuchea) Co., Ltd.	20%
China nineteen Metallurgical Group Vietnam Co., Ltd.	20%
17th Metallurgical Group Tashkent Foreign Enterprise Co., Ltd.	20%
MCC Jianyan (Cambodia) Co., Ltd.	20%
China Jingye Engineering Corporation Ltd. (Singapore Branch)	17%
MCC Real Estate Singapore Ltd.	17%
MCC Potong Pasir Ltd.	17%
MCC Real Estate Tampines Co., Ltd.	17%
MCC Hong Kong Overseas Ltd.	16.5%
Nan Hua International Engineering Ltd.	16.5%
Xiong Hui Investment Ltd.	16.5%
MCC Real Estate Hong Kong Co., Ltd.	16.5%
Chinese Metallurgical Engineering Technology (Hong Kong) Co., Ltd.	16.5%
MCC Holding (Hong Kong) Corporation Limited	16.5%
MCC Science and Industry CISDI Brazil GUSA Co., Ltd.	15%
MCC Tian Gong (Mongolia) Ltd.	10%
MCC Vietnam Operation Co., Ltd.	10%
MCC Vietnam Engineering Technology Co., Ltd.	10%
China MCC International Economic and Trade (Hong Kong) Co., Ltd.	8.25%
MCC 20 Indonesia Construction Co., Ltd.	3%
MCC Huaye Duda Mining Co.,Ltd.	0%
MCC Ramu NiCo Ltd.	0%
Ramu NiCo Management (MCC) Ltd.	0%
MCC Tongsin Resources Ltd.	0%
MCC JCL Anak Mining Co., Ltd.	0%
China Metallurgical Group Duda Mining Development Co., Ltd.	0%
China Metallurgical Group Resources Development Co., Ltd.	0%
China Metallurgical New Energy (Pakistan) Ltd.	0%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VI. TAXATION (CONTINUED)

2. Tax incentive

(1) Preferential Tax Policies for the Development of the Western Regions

According to the Circular of the MoF, the State Administration of Taxation and the General Administration of Customs on Issues Concerning Preferential Tax Policies for the Development of the Western Regions ("Cai Shui [2001] No.202"), Guoshui [2002] No.47 and Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies ("Cai Shui [2011] No.58") (hereinafter referred to as the "Circular"), a series of tax policies to further support the development of the western region are made clear. The above circular had been implemented since 1 January 2011. From 1 January 2011 to 31 December 2020, enterprise income tax may be levied at a reduced tax rate of 15% on enterprises that are established in the western region engaging in those industries with tax incentive. According to the regulation, the following subsidiaries of the Company were approved by the local tax bureau to enjoy preferential tax policies for the development of the western regions, and they need to submit application for applying relevant tax incentive every year:

- (a) MCC-SFRE Heavy Industry Equipment Co., Ltd. has been levied at a preferential tax rate of 15% from 2006 to 2020.
- (b) China Metallurgical Construction Engineering Group Co., Ltd. has been levied at a preferential tax rate of 15% from 2007 to 2020.
- (c) Chongqing CISDI Engineering Management Consultants Co., Ltd., CISDI Industrial Furnace Co., Ltd., CISDI Engineering Co., Ltd., CISDI Equipment Co., Ltd., MCC Xi'an Electric Furnace Institute Co., Ltd. and ENFI New Energy (Zhongwei) Co., Ltd. have been levied at a preferential tax rate of 15% from 2011 to 2020.
- (d) Chongqing CISDI Construction Drawing Examination and Consulting Co., Ltd., and China Metallurgical Construction Engineering Group Chongqing Steel Structure Co., Ltd. have been levied at a preferential tax rate of 15% from 2015 to 2020.
- (e) CISDI Group Chongqing Information and Technology Co., Ltd. has been levied at a preferential tax rate of 15% from 2016 to 2020.
- (f) MCC Chongqing Real Estate Development Co., Ltd., China Metallurgical Construction Engineering (Ningxia) Co., Ltd., CISDI Chongqing Environmental Consulting Co., Ltd. and MCC(Guizhou) Construction Investment Development Co., Ltd. are levied at a preferential tax rate of 15% from 2017 to 2020.
- (g) CISDI Technology Research Center Co., Ltd., CISDI Architectural & Municipal Design Co., Ltd., Tibet China Metallurgical Construction Co., Ltd. are levied at a preferential tax rate of 15% from 2018 to 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

(2) Preferential Tax Policies for High-Technology Enterprises

The following subsidiaries of the Company have been identified as high-technology enterprises by the provincial Department of Science and other related government authorities, these enterprises can enjoy the related tax incentives of high-technology enterprises:

- (a) Shanghai Baoye Engineering Technology Corp., Ltd., Central Research Institute of Building and Construction Co., Ltd., China Jing Ye Engineering Technology Co., Ltd., Beijing Metallurgical Nuclear Technology Development Co., Ltd., China MCC 19 Group (Fangchenggang) Structure of the Equipment Co., Ltd., China MCC 5 Group Co., Ltd., China First Metallurgical Group Co., Ltd., Beijing ENFI Environmental Protection Co., Ltd., Beijing ENFI Environmental Protection Technology Co., Ltd., MCC Huatian Engineering & Technology(Nanjing) Co., Ltd., Huatian Engineering & Technology Corporation, MCC, MCC Communication Construction Group Co., Ltd., WISDRI (Wuhan) Automation Co., Ltd., WISDRI (Wuhan) Thermotechnical Co., Ltd., WISDRI Engineering & Research Incorporation Limited, WISDRI City Environment Protection Engineering Co., Ltd., WISDRI (Wuhan) Informatology Engineering Co., Ltd., Shen Kan Engineering & Technology Corporation, MCC, Central Research Institute of Building and Construction Co., Ltd., MCC TianGong Tianjin Co., Ltd., MCC Huatian Energy Conservation Environmental Protection Research Institute Co., Ltd., Ceristar Electric Co., Ltd., CERI Phoenix Industrial Furnace Co., Ltd., CERI Seric Graphic Mdt Info Tech Ltd., CERI Long Product Co., Ltd., CERI ZeYu Energy Environmental Protection Engineering Technology Co., Ltd., CERI Eco Technology Co., Ltd., CERI Technology Co., Ltd., MCC Capital Engineering & Research Incorporation Limited, CERI Manufacturing Executive & Managing System Co., Ltd., CERI Hua Yu Architectural Design & Research Institute Co., Ltd., Zhong Ye Chang Tian International Engineering Co., Ltd., Hunan Changtian Automation Co., Ltd., Hunan Zhongye Changtian Energy Conservation and Environmental Protection Technology Co., Ltd., China ENFI Engineering Corporation, China Silicon Co., Ltd., Panzhihua Tianyu Engineering Detection Co., Ltd., Beijing Chongjian Project Co., Ltd. and Beijing Tianrun Construction Co., Ltd. have been levied at a preferential tax rate of 15% from 2017 to 2019.
- (b) Hunan Hetian Engineering Project Management Co., Ltd., MCC Southern Continuous Casting Technology Engineering Co., Ltd., Shanghai Baoye Group Co., Ltd., Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC, MCC-SFRE Heavy Industry Equipment Co., Ltd., Shanghai MCC Environmental Engineering Technology Co., Ltd., MCC Baosteel Technology Services Co., Ltd., Shanghai MCC 20 Group Co., Ltd., Beijing Yuanda International Project Management Consulting Co., Ltd., Beijing New Vision Building Construction Technology Co., Ltd., Beijing Metallurgical Equipment Research Design Institute Co., Ltd., China MCC 19 Group Co., Ltd., MCC 5 Group (Shanghai) Co., Ltd., Wuhan Yi Ye Steel Structure Co., Ltd., MCC Huatian Nanjing Electrics Engineering & Technology, MCC (Beijing) Transportation Science and Technology Development Co., Ltd., Beijing Jinwei Soldering Material Co., Ltd., Ma'anshan MCC 17 Engineering Science & Technology Co., Ltd., CERI Colin Environmental Protection Technology Co., Ltd., MCC Shenkan (Qinhuangdao) Engineering Design Research Institute Limited, Beijing Zhongshe Water Treatment Co., Ltd., Hebei Guopeng building materials Co., Ltd., Northwest Engineering and Technology Corporation, MCC (formerly called: MCC Huatian Baotou Design Research Institute Limited), MCC Chengdu Reconnaissance and Research Institute Limited, CISDI Electrics Technology Co., Ltd., WISDRI Wuhan Steel Design & Research Co., Ltd., WISDRI Handan Wupeng Furnace lining New Material Co., Ltd., MCC Tian Gong (Tianjin) Equipment Manufacturing Co., Ltd., BERIS Engineering and Research Co., Ltd., Tianjin Xinbin Engineering Technology Detection Co., Ltd., Fangchenggang Zhongyi Heavy Industry Co., Ltd., Shanghai Baoye Building Decoration Co., Ltd., China 22MCC Group Xinjiang Equipment Manufacturing Co., Ltd., China 22MCC Group Co., Ltd., China 22MCC Group Equipment Manufacturing Co., Ltd. and CISDI Engineering Co., Ltd. have been levied at a preferential tax rate of 15% from 2018 to 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

(2) Preferential Tax Policies for High-Technology Enterprises (Continued)

- (c) Beijing Sida Jian Mao Science and Technology Development Co., Ltd., Northern Engineering & Technology Corporation, MCC (Dalian), ACRE Coking & Refractory Engineering Consulting (Dalian) Corporation, MCC Energy Conservation Environmental Protection Co., Ltd., MCC Wuhan Research Institute of Metallurgical Construction Co., Ltd., Metallurgical Construction Research Institute (Shenzhen) Co., Ltd., MCC TianGong Group Corporation Limited, China MCC 20 Group Co., Ltd., CISDI Shanghai Engineering Technology Co., Ltd., Hunan Zhongye Changtian Heavy Industry Technology Co., Ltd., China MCC 17 Group Co., Ltd, and China MCC 2 Group Co., Ltd. have been levied at a preferential tax rate of 15% from 2019 to 2021.

(3) The other major preferential tax benefits

- (a) According to the relevant regulation of the preferential tax policies about the projects of environmental protection in clause 88 of Chapter IV of *the Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax*, *the Order of the President of the People's Republic of China* ("[2007] No.63") and the Order of the State Council No.512:

Companies including Lu'an Water Corporation MCC, Xiaogan Zhongshe Water Co., Ltd., Beijing Zhongshe Water Treatment Co., Ltd., Fuzhou City Changle District MCC Water Co., Ltd., Wuhan Urban Environmental Water Co., Ltd. and Zhanjiang MCC Environmental Operation Management Co., Ltd. are qualified for a preferential tax policy that from the tax year when the enterprise has obtained the first piece of revenue to the third year, the enterprise income tax is exempted, and in the following 3 years, the enterprise income tax is half exempted.

Among them, the preferential policy of Lu'an Water Corporation MCC has come into effect in 2014 and the applicable tax rate for the current period was 12.5%. The preferential policy of Xiaogan Zhongshe Water Co., Ltd., Beijing Zhongshe Water Treatment Co., Ltd. and Zhanjiang MCC Environmental Operation Management Co., Ltd. have come into effect in 2015 and the applicable tax rate for the current year was 12.5%. Fuzhou City Changle District MCC Water Co., Ltd. and Wuhan Urban Environmental Water Co., Ltd. have come into effect in 2016 and the applicable tax rate for the current year was 12.5%.

- (b) According to the Item 3 of Article 27 of the Law of the People's Republic of China on Enterprise Income Tax as well as Article 87 of the Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax, following examination and approval by the tax authorities, Ejina Ken ENFI New Energy Limited has enjoyed the favorable corporate income tax policy of "3-year tax exemption followed by 3-year tax 50%-reduction" since 2017. Therefore, the applicable tax rate for this year was 0%.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

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

- (c) According to the MoF and the State Administration of Taxation on issues concerning VAT, Business Tax and Enterprise Income Tax Policies for the Promotion of the Development of the Energy-Conservation Service Industry ("Cai Shui [2010] No.110"), qualified energy conservation service companies implementing energy management contract projects that meet the relevant provisions of the Enterprise Income Tax Law shall be exempted from enterprise income tax from the first tax year when it obtains the first piece of revenue from their production and business operation to the third year and followed by 50% reduction of income tax rate of 25% from the fourth year to the sixth year.

Hunan Zhongye Changtian Energy Conservation and Environmental Protection Technology Co., Ltd. and MCC Energy Conservation Environmental Protection Co., Ltd. have a number of energy management contract projects. Each project is subject to income tax independently, and shall be exempted from enterprise income tax from the first tax year when it obtains the first piece of revenue from its production and business operation to the third year and followed by 50% reduction of income tax rate of 25% from the fourth year to the sixth year.

- (d) According to the Notice of the MoF and State Administration of Taxation on Issues Relevant to Implementation of the List of Public Infrastructure Projects Enjoying Enterprise Income Tax Preferences ("Cai Shui [2008] No.46"), if enterprises have engaged in public infrastructure projects subject to conditions and technology standards provided in the List of Public Infrastructure Projects Enjoying Enterprise Income Tax Preferences with approval since 1 January 2008, their income from investments and operations can be exempted from tax in the first, second and third year and halved in the fourth, fifth and sixth year from the taxable year of earning the first operating income.

MCC Huakang (Zhenjiang) New Energy Co., Ltd., as qualified for aforementioned policies, enjoy 0% applicable tax rate for the year.

- (e) According to Cai Shui [2009] No.166 "Notice of Ministry of Finance, State Administration of Taxation and National Development and Reform Commission on Publication of Catalogue for Enterprise Income Tax Preferences for Environmental Protection and Energy and Water Conservation Enterprises (Trial)", where the enterprises obtain revenue from projects satisfying "Catalogue for Enterprise Income Tax Preferences for Environmental Protection and Energy and Water Conservation Enterprises", they are entitled to the enterprise income tax preference of "3-year tax exemption followed by 3-year tax 50%-reduction".

Ganzhou ENFI Environmental Energy Co., Ltd. is applicable to the above provisions and subject to tax rate of 0.00% for the current year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

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

- (f) According to the article II of the Notice of the Ministry of Finance and the State Administration of Taxation on Implementation of Inclusive Tax Exemption and Reduction Policies for Small Low-Profit Enterprises ("Cai Shui [2019] No.13"): for small low-profit enterprises, the portion of taxable income not exceeding RMB1 million is subject to 25% reduction and applies enterprise income tax rate of 20%; the portion exceeding RMB1 million but not exceeding RMB3 million is subject to reduction of 50% and applies enterprise income tax rate of 20%.

In 2019, Industrial Construction Magazine Agency, Beijing Anhui Property Management Co., Ltd., Beijing Jingqiu Energy saving Technology Development Co., Beijing Xinpeng Energy Technology Co., Ltd., Beijing Xinguang Technology Co., Ltd., China Metallurgical Construction Engineering Group Bengbu Construction Co., Ltd., Steel Magazine (Hubei) Co., Ltd., Chongqing MCC Property Management Co., Ltd., MCC Refractory Materials Testing Center, Shanghai Zhongye Baosteel Technology Occupation Skill Training Center, Dalian China Metallurgical Jiaonai Dragon Instrument Co., Ltd., Chongqing Tuoye Construction Engineering Quality Inspection Co., Ltd., Beijing Zhongye Jianyan Property Management Co.,Ltd., Shanghai Baosteel MCC 5 Dedusting Equipment Co.,Ltd., MCC 5 Group Shanghai Yuanzhu New Building Materials Co.,Ltd., China MCC International Economic and Trade (Beijing) Co., Ltd., MCC Real Estate Service Co., Ltd., Beijing MCC Capital Engineering & Research Incorporation Limited, CERI Seric Graphic Mdt Info Tech Ltd., Shanghai ZhiDa Electronic Co., Ltd., Shanghai Baoding Environmental Engineering Technology Service Co., Ltd., Shanghai Baoshan District Jiangyuan Training Center, Qingdao MCC Mingqin Real Estate Co., Ltd., Shanghai Baoye Education and Training Center, Shanghai Baoye Engineering Management Co., Ltd., Baotou Beilei Supervision Consulting Co., Ltd., Shanghai Baosteel No.5 Metallurgy Metal Structure Co., Ltd., MCC 5 Shanghai Engineering & Research Construction Co., Ltd., Shanghai Yuanzheng Science and Technology Co., Ltd., Hunan Changyuan Property Management Co., Ltd., Kunshan MCC Baosteel Welding Material Co., Ltd., Inspection and Certification Co., Ltd. MCC, ACRE Coking & Refractory Engineering Consulting (Shanghai) Corporation, Anshan Huatai CDQ Engineering and Technology Co.,Ltd., WISDRI (Hunan) Engineering and Technology Co., Ltd., Xi'an China Metallurgical new material Co., Ltd., Inner Mongolia Construction Investment Co., Ltd., MCC Rail Transit Co., Ltd., MCC Zhongyuan Construction Investment Co., Ltd., Beijing ENFI Property Management Co., Ltd., MCC 5 Chengdu Tianfu New Area Construction Co., Ltd., Sichuan Metallurgy Construction Engineering Quality Checking and Measuring Co., Ltd., Tianjin Xinbin Engineering Technology Detection Co., Ltd., Guangzhou Shirong International Trade Co., Ltd., MMC 19 Shenzhen Construction Co., Ltd., Shanghai Longxing Structural Engineering Co., Ltd., Ma'anshan Water Corporation, MCC, and MCC Xuancheng Water Co., Ltd., satisfy the criteria of small and low-profit enterprise and are entitle to the tax preference, i.e. the portion of taxable income not exceeding RMB1 million is subject to 25% reduction and applies enterprise income tax rate of 20%; the portion exceeding RMB1 million but not exceeding RMB3 million is subject to reduction of 50% and applies enterprise income tax rate of 20%.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

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

- (g) According to the circular Guoshui [2009]185 On the Issue of Enterprise Income Tax Preferential Management of the Comprehensive Utilization of Resources and Cai Shui [2008]117 Enterprise Income Tax Directory of Comprehensive Utilization of Resources (2008 Edition), from 1 January 2008, enterprises use these resources as raw material for the production of non-restricted and non-prohibited products which are in line with national and industry standard products, their income is reduced to 90% included in the total taxable revenue for that year.

China City Environment Protection Engineering Limited Company enjoyed the aforesaid preferential policy in 2019.

- (h) According to the relevant regulation of Law of the People's Republic of China on Enterprise Income Tax, the Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax ("Order of the State Council No.512") and Circular on Issues Concerning the Enterprise Income Tax Incentives on Enterprises That Recruit the Disabled ("Cai Shui [2009] No.70"), enterprise could deduct all the salary payment for the disabled employees and again claim additional 100% deduction of the aforesaid salary payment.

MCC Baosteel Technology Services Co., Ltd., Shanghai Baohong Industry and Trade Co., Ltd., China MCC 19 Group Co., Ltd., China MCC 19 Group Property Management Service Co., Ltd., MCC TianGong Tianjin Co., Ltd., MCC TianGong Group Corporation Limited. and China MCC 20 Group Co., Ltd. could deduct all the salary payment for the disabled employees and again claim additional 100% deduction of the aforesaid salary payment in 2019.

- (i) According to the regulations of the Notice of the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology on Improving the Policies for the Weighted Pre-tax Deduction of Research and Development Expenses ("Cai Shui [2018] No.99"), for the R&D expenses that are actually incurred by an enterprise and have been included in the current loss and profit while intangible assets are not created, another 75% of the amount of R&D expenses actually incurred in this year shall be deducted from the amount of taxable income in addition to the deduction as prescribed to the extent of the amount actually incurred for the period from 1 January 2018 to 31 December 2020. The following enterprises of the Group shall enjoy this preferential treatment upon the approval of the local tax bureau.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

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

(i) (Continued)

BERIS Engineering and Research Co., Ltd., MCC Baosteel Technology Services Co., Ltd., Ningbo MCC Construction Co., Ltd., China MCC 20 Group Co., Ltd., China MCC 19 Group Co., Ltd., China MCC 19 Group (Fangchenggang) Structure of the Equipment Co., Ltd., China MCC 19 Group of Chengdu Construction Co., Ltd., Panzhihua Tianyu Engineering Detection Co., Ltd., MCC TianGong Tianjin Co., Ltd., MCC TianGong Group Corporation Limited, China MCC 5 Group Co., Ltd., MCC 5 Group (Shanghai) Co., Ltd., China First Metallurgical Group Co., Ltd., Wuhan Yi Ye Steel Structure Co., Ltd., MCC Wuhan Research Institute of Metallurgical Construction Co., Ltd., Huatian Engineering & Technology Corporation, MCC, MCC Huatian Nanjing Electrics Engineering & Technology, MCC Huatian Engineering & Technology(Nanjing) Co., Ltd., WISDRI (Wuhan) Automation Co., Ltd., WISDRI(Wuhan) Informatology Engineering Co., Ltd., WISDRI Engineering&Research Incorporation Limited, WISDRI (Wuhan) Wei Shi Thermotechnical Co., Ltd., WISDRI City Environment Protection Engineering Co., Ltd., MCC Southern Continuous Casting Technology Engineering Co., Ltd., CISDI Shanghai Engineering Technology Co., Ltd., CISDI Engineering Co., Ltd., CISDI Industrial Furnace Co., Ltd., CISDI Group Chongqing Information and Technology Co., Ltd., CISDI Electrics Technology Co., Ltd., MCC Xi'an Electric Furnace Institute Co., Ltd., MCC-SFRE Heavy Industry Equipment Co., Ltd., Zhong Ye Chang Tian International Engineering Co., Ltd., Hunan Changtian Automation Co., Ltd., Hunan Zhongye Changtian Heavy Industry Technology Co., Ltd. Hunan Zhongye Changtian Energy Conservation and Environmental Protection Technology Co., Ltd., MCC Tian Gong (Tianjin) Equipment Manufacturing Co., Ltd., Kunshan MCC Baosteel Welding Material Co., Ltd., Shanghai MCC Environmental Engineering Technology Co., Ltd., Hunan Hetian Engineering Project Management Co., Ltd., MCC Chengdu Reconnaissance and Research Institute Limited, Tianjin Xinbin Engineering Technology Detection Co., Ltd., Shanghai MCC 20 Group Co., Ltd., Shanghai Baoye Engineering Technology Corp., Ltd., Shanghai Baoye Group Co., Ltd., MCC (Shanghai) Steel Structure Technology Co., Ltd., MCC Northwest Engineering and Technology Corporation, MCC (formerly called: MCC Huatian Baotou Design Research Institute Limited), Shanghai Baoye Metallurgical Engineering Co. Ltd., Shanghai Baoye Building Decoration Co., Ltd., Fangchenggang Zhongyi Heavy Industry Co., Ltd. WISDRI Urban Design and Construction Co., Ltd, MCC ACRE Automation Co., Ltd. and Beijing Metallurgical Equipment Research Design Institute Co., Ltd., enjoy the preferential tax policy of additionally calculation and deduction of research and development expenditures in 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

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

- (j) According to "Cai Shui [2015] No.78", The MoF and the State Administration of Taxation on issuing the Notice of the Comprehensive Utilization of Resources "Products and Services" of Value Added Tax Preferential Directory, enterprises provide products and labor service using the above resources can enjoy VAT refund policy.

Xiaogan Zhongshe Water Co., Ltd., Beijing Zhongshe Water Treatment Co., Ltd., Lanzhou Zhongtuo Water Corporation, Changzhou ENFI Water Co., Ltd., Laian Huatian Water Corporation MCC, Shouguang Huatian Water Corporation MCC, Shouguang North Water Corporation MCC, Chuzhou Huatian Water Corporation MCC, Tianchang Huatian Water Corporation MCC, Huangshi Water Corporation MCC, Lu'an Water Corporation MCC, Ma'anshan Water Corporation MCC, Wuhan Urban Environmental Water Co., Ltd., Zhejiang Chunnan Sewage Treatment Co., Ltd., Fuzhou City Changle District MCC Water Co., Ltd., MCC Xinglong Water Co., Ltd., China City Environment Protection Engineering Limited Company, Wenxian Zhongtuo Water Supply Co., Ltd., Qinhuangdao Funing District MCC Water Co., Ltd., Xiangyang ENFI Environmental Protection Energy Co., Ltd., Beijing ENFI New Energy Technology Co., Ltd., Ganzhou ENFI Environmental Energy Co., Ltd., Dingyuan Water Corporation MCC, MCC Xuancheng Water Co., Ltd., and MCC Qinhuangdao Water Co., Ltd. enjoyed the policy of "levy and refund" of value-added tax refund of 70% for the sewage treatment services since 2019.

- (k) According to the MoF and the State Administration of Taxation on issues concerning VAT, Business Tax and Enterprise Income Tax Policies for the Promotion of the Development of the Energy-Conservation Service Industry ("Cai Shui [2010] No.110"), the taxable income earned by qualified energy conservation service companies for implementing energy management contract projects shall be temporarily exempted from VAT.

Hunan Zhongye Changtian Energy Conservation and Environmental Protection Technology Co., Ltd. and MCC Energy Conservation Environmental Protection Co., Ltd. have a number of energy management contract projects, which are exempted from VAT.

- (l) According to the Circular of the MoF, the State Administration of Taxation and the General Administration of Customs on Issues Concerning Tax Policies for Encouraging the Development of Software and Integrated Circuit Industries ("Cai Shui [2000] No.25"), MCC ACRE Automation Co., Ltd. enjoyed the policy of "levy and refund" of value-added tax of selling software products since 2010, with the refund rate of 10%.

- (m) According to the MoF and the State Administration of Taxation on issuing Concerning Value-added Tax Policy on Software Products ("Cai Shui [2011] No.100"), the refund-upon-collection policy shall be applied to the VAT part in excess of 3% of their actual tax burden of selling software products.

CISDI Group Chongqing Information and Technology Co., Ltd. enjoyed the policy of "levy and refund" of value-added tax of selling software products from 2015 to 2019, with the refund rate of 10%. CISDI Electrics Technology Co., Ltd. enjoyed the policy of "levy and refund" of value-added tax of selling software products for long-term, with the refund rate of 10%.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

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

- (n) According to "Cai Shui [2013] No.37" issued by the State Administration of Taxation, the technology development business income of Beijing ENFI Environmental Protection Technology Co., Ltd. was exempted from value-added tax in 2019. The income derived from the technology transfer of Zhong Ye Chang Tian International Engineering Co., Ltd. and China ENFI Engineering Corporation was exempted from the value-added tax in 2019.
- (o) According to the Circular on Preferential Policies on Tax Rate for Public Rental Housing ("Cai Shui [2015] No.139") issued by the MoF and the State Administration of Taxation, Hebei MCC Mingrun Real Estate Development Co., Ltd. was exempted from land use tax on the enterprise's public rental housing in 2019.
- (p) According to the "Cai Shui [2010] No.42" issued by the MoF and the State Administration of Taxation, Wuhu MCC Real Estate Group Co., Ltd. enjoyed the exemption from land use tax (the annual amounts of land-use tax per square meter is RMB12-15 before), and the property transfer book was exempted from stamp duty in 2019. China Metallurgical Construction (Shenyang) Co., Ltd. enjoyed the exemption from land use tax in 2019.
- (q) According to the "Cai Shui [2013] No.101" Tax Policy on Reconstruction of Shanty Towns issued by the MoF and the State Administration of Taxation, China Metallurgical Construction (Shenyang) Co., Ltd. enjoyed the exemption from local education surcharge and stamp duty in 2019.
- (r) According to the "Cai Shui [2008] No.48" issued by the MoF and the State Administration of Taxation, if the enterprise purchases and actually uses the specially-purposed equipment for environment protection, energy and water saving and safety production included in the list since 1 January 2018, 10% of the invested amounts for the specially-purposed equipment can be used to deduct the taxable amount; if it is not enough to deduct the enterprise's taxable amount, it can be carried forward to the subsequent years, but the period shall not exceed 5 taxpaying years.
- Xiangyang ENFI Environment Protection and Energy Co., Ltd. enjoyed the above preferential policies from 2014 to 2019.
- (s) According to the Tax Policies on Education ("Cai Shui [2004] No.39") issued by the MoF and the State Administration of Taxation, MCC Capital Real Estate (Yantai) Co., Ltd. enjoyed preferential policies of exemption of deed tax, cultivated land occupancy tax, land use tax and property tax for the land used by the school in 2019.
- (t) According to the article VII of Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform [2019] No.39: from 1 April 2019 to 31 December 2021, the tax payers of production and living service industry enjoys additional 10% deduction on the basis of the deductible input VAT for the current period. Beijing ENFI Property Management Co., Ltd., Industrial Construction Magazine Agency., MCC CISDI Technology Research Center Co., Ltd, CISDI Group Chongqing Information and Technology Co., Ltd., MCC CISDI Chongqing Environmental Consulting Co., Ltd., Chongqing CISDI Construction Drawing Examination and Consulting Co., Ltd., Chongqing CISDI Property Management Co., Ltd., Chongqing CISDI Engineering Management Consultants Co., Ltd.; Qingdao Oriental Hotel Management Co., Ltd., Beijing Anhui Property Management Co., Ltd., MCC equipment Architectural Design Engineering (Shanghai) Co., Ltd., MCC Real Estate Service Co., Ltd., and MCC Real Estate Beijing Property Management Co., Ltd applicable to this policy since 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

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

- (u) According to the Notice No.83 TT-BTC Announcement issued by Ministry of Finance of Vietnam in 2016, the qualified science-and-technology enterprise enjoys enterprise income tax exemption for 4 years or 50% reduction for 9 years. MCC Vietnam Operation Co., Ltd. enjoys enterprise income tax exemption for 4 years in 2019.
- (v) According to Article 1 of Announcement No. 60 of Ministry of finance, General Administration of Taxation, National Development and Reform Commission and Ministry of Ecological Environment in 2019, corporate income tax shall be levied at a reduced rate of 15% for qualified third-party enterprises engaged in pollution prevention and control, including Shouguang Huatian Water Corporation MCC, Shouguang North Water Corporation MCC and Laian Huatian Water Corporation MCC applicable to this policy since 2019.
- (w) According to the Notice of the Ministry of Finance and the State Taxation Administration on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises ("Cai Shui [2019] No. 13"), small-scale VAT taxpayers with monthly sales of less than RMB100,000 (inclusive) are exempted from VAT, and Hainan MCC 2 Industrial Development Co., Ltd. adopts this policy in 2019.
- (x) According to the Notice of the Ministry of Finance on Adjusting the Relevant Policies of Certain Government-Managed Funds ("Cai Shui [2019] No. 46") issued by the Ministry of Finance, from 1 July 2019 to 31 December 2024, the tax of the construction fee of cultural undertakings classified to the central revenue shall be levied at 50% of the amount of contributions payable of the taxpayer; the tax of the construction fee of cultural undertakings classified to local revenue, the Ministry of Finance and Party Committee Publicity Departments of each province (district, city) could be levied at an exempted percentage within 50% in combination with local economic development level, publicity, ideological and cultural development and other factors. Zhong Ye Chang Tian International Engineering Co., Ltd. adopts this policy in 2019.
- (y) According to the Notice on Tax Policies of Small-scale VAT Taxpayers ("Ji Cai Shui [2019] No. 6") issued by Hebei Provincial Department of Finance and Hebei Provincial Taxation Bureau, Hebei Province reduced resource tax (excluding water resource tax), urban maintenance and construction tax, real estate tax, urban land use tax and stamp tax(excluding stamp tax on securities transactions), farmland occupation tax, education surcharges and local education surcharges by 50% of the taxable amount for small-scale VAT taxpayers from 1 January 2019 to 31 December 2021. China Huaye Handan Real Estate Management Center adopts this policy in 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

All amounts in RMB'000

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

As at 31 December 2019, restricted cash and bank balances of the Group were RMB11,862,762,000 (as at 31 December 2018: RMB11,326,300,000) (Note VII70), which mainly including deposits for issuing acceptance bills and statutory deposit reserve at the central bank, etc.

2. Financial assets held for trading

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Financial assets at FVTPL	2,162,432	1,124,150
Including: Currency funds	2,161,485	1,123,211
Equity instruments held for sale	947	939
Total	2,162,432	1,124,150

The fair values of held-for-sale financial assets are based on their prices of publicly traded market on the last trading day of the reporting period.

3. Derivative financial assets

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Forward foreign exchange settlement and sale contracts	401	683
USD foreign exchange option	–	1,682
Total	401	2,365

For method of determining the fair value of derivative financial assets, refer to Note XI 3.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Bills receivable

(1) *Bills receivable analyzed by category*

All amounts in RMB'000

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

(2) *Pledged bills receivable at 31 December 2019*

All amounts in RMB'000

Items	31 December 2019
Bank acceptance bills	1,833,611
Commercial acceptance bills	25,000
Total	1,858,611

(3) *Bills receivable endorsed to other parties or discounted but not yet due at 31 December 2019*

As at 31 December 2019, bills receivable endorsed to other parties or discounted with recourse but not yet due were RMB3,443,595,000 (as at 31 December 2018: RMB6,915,549,000), among which the amount derecognized was RMB2,553,324,000 (as at 31 December 2018: RMB6,518,906,000). The Group is of the view that the risk of not honoring the bills by the issuers upon maturity is remote if the issuers have good credibility, substantially all the risks and rewards of ownership of the above endorsed bills receivable and discounted bills receivable have been transferred, the Group derecognized these bills receivable from the financial statements. The amount not derecognized was RMB890,271,000 (as at 31 December 2018: RMB396,643,000). The Group is of the view that the Group retains nearly all the risks and rewards of ownership of the above endorsed and discounted bills receivable, including default risk, the Group didn't derecognize these bills receivable from the financial statements.

(4) As at 31 December 2019, the balance of impairment provision for the Group's bills receivable is RMB9,370,000 (as at 31 December 2018: RMB17,920,000). The reversed credit losses were RMB8,550,000 in the current year.

(5) Bills receivable with title restriction as at 31 December 2019 are set out in Note VII 70.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Accounts receivable

(1) *Aging analysis of accounts receivable was as follows:*

All amounts in RMB'000

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

Settlement of trade receivables generated through engineering and construction services is made in accordance with terms specified in the contracts governing the relevant transactions, and the aging of relevant trade receivables is calculated based on the settlement time-point of the project.

(2) *Disclosed by method of determining provision for credit losses*

All amounts in RMB'000

Category	31 December 2019					31 December 2018				
	Book value		Provision for credit losses		Carrying amount	Book value		Provision for credit losses		Carrying amount
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Accounts receivable for which provision for credit losses is individually assessed (a)	26,199,346	32.94	6,573,652	25.09	19,625,694	29,873,253	37.17	6,383,621	21.37	23,489,632
Accounts receivable for which provision for credit losses is collectively assessed on a portfolio basis (b)	53,328,008	67.06	6,927,096	12.99	46,400,912	50,495,472	62.83	7,026,807	13.92	43,468,665
Total	79,527,354	100.00	13,500,748	/	66,026,606	80,368,725	/	13,410,428	/	66,958,297

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Accounts receivable (Continued)

(2) Disclosed by method of determining provision for credit losses (Continued)

- (a) Accounts receivable for which provision for credit losses is individually assessed at the end of the year

All amounts in RMB'000

Accounts receivable (per entity)	31 December 2019			Reasons
	Accounts receivable	Provision for credit losses	Proportion of provision (%)	
Party 1	3,325,205	1,293,230	38.90	The Group considered the reasonable and supported information related to other party (including forward-looking information), then evaluated the anticipated credit losses and made provision for credit losses.
Party 2	1,681,201	-	-	
Party 3	1,321,484	528,594	40.00	
Party 4	578,767	578,767	100.00	
Party 5	531,779	326,802	61.45	
Others	18,760,910	3,846,259	20.50	
Total	26,199,346	6,573,652	/	/

- (b) Accounts receivable for which provision for credit losses is collectively assessed on a portfolio basis at the end of the year

All amounts in RMB'000

Aging	31 December 2019		
	Accounts receivable	Provision for credit losses	Proportion of provision (%)
Within 1 year	35,128,860	1,032,147	2.94
1 to 2 years	7,901,811	796,940	10.09
2 to 3 years	4,523,685	927,514	20.50
3 to 4 years	1,842,610	652,349	35.40
4 to 5 years	1,130,498	748,244	66.19
Over 5 years	2,800,544	2,769,902	98.91
Total	53,328,008	6,927,096	12.99

The Group considers the aging factor and groups accounts receivable accordingly. The Group determines the expected credit loss and provision for credit losses based on the historical experience of credit losses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Accounts receivable (Continued)

(3) Provision for credit losses of accounts receivable

All amounts in RMB'000

Items	Lifetime expected credit losses (Non-credit-impaired)	Lifetime expected credit losses (Credit-impaired)	Total
Provision for credit losses at 31 December 2018	7,550,929	5,859,499	13,410,428
Provision for the current year	112,637	590,777	703,414
Reversal for the current year	(88,288)	(17,104)	(105,392)
Write-off for the current year	–	(19,710)	(19,710)
Other changes	3,470	(491,462)	(487,992)
Provision for credit losses at 31 December 2019	7,578,748	5,922,000	13,500,748
Book value at 31 December 2019	68,384,917	11,142,437	79,527,354

(4) The top 5 largest accounts receivable collected by arrears at 31 December 2019

All amounts in RMB'000

Name of entity	Relationship with the Group	31 December 2019	As a percentage of total accounts receivable (%)
Party 1	Third party	3,325,205	4.19
Party 2	Third party	2,292,736	2.88
Party 3	Third party	1,681,201	2.11
Party 4	Third party	1,321,484	1.66
Party 5	Third party	1,307,252	1.64
Total	/	9,927,878	12.48

(5) As at 31 December 2019, the Group's assets and liabilities recognized for transfer of accounts receivable and continuing involvement amounted to RMB14,600,000 (31 December 2018: RMB14,600,000) and presented in other non-current assets and other non-current liabilities. For details, see Note VII 25 and Note VII 44.

(6) Accounts receivable with title restriction as at 31 December 2019 are set out in Note VII 70.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Receivables at FVTOCI

All amounts in RMB'000

Item	31 December 2019	31 December 2018
Bank acceptance bills	7,855,940	2,072,511
Total	7,855,940	2,072,511

- (1) During the course of management of liquidity, part of the Group's subsidiaries discount or endorse part of the bank acceptance bills receivable before they are due and derecognize such discounted or endorsed bank acceptance bills when substantially all the risks and rewards are transferred to the counterparty. When managing the bank acceptance bills receivable, part of the Group's subsidiaries adopt the business model of which the objective is to both collect contractual cash flows and sell the financial assets. Therefore, such bank acceptance bills receivable are subsequently measured at fair value through OCI. For method of determining the fair value, refer to Note XI 3.

For the current year, the changes in fair value of such bank acceptance bills resulted in decrease of RMB106,284,000 in other comprehensive income (Note VII 67).

- (2) The Group recognizes impairment provision for receivables at FVTOCI on the basis of the expected credit loss. For the current year, the Group didn't make provision for credit impairment loss of the receivables at FVTOCI.
- (3) As at 31 December 2019, the Group has receivable bank acceptance bills that has been discounted or endorsed with recourse right but undue amounting to RMB8,869,323,000 (Amounting to RMB5,565,592,000 as at 31 December 2018). As the acceptor is of good reputation, there is minor risk that the acceptor can't honor the receivables at FVTOCI at the maturity date. The Group believes that the risks and rewards of ownership of such discounted or endorsed receivables at FVTOCI have been transferred and derecognizes such receivables at FVTOCI.
- (4) Receivables at FVTOCI with title restriction as at 31 December 2019 are set out in Note VII 70.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Prepayments

(1) Aging analysis of prepayments

All amounts in RMB'000

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

As at 31 December 2019, prepayments aged over one year were RMB6,126,083,000 (As at 31 December 2018: RMB5,313,884,000), mainly including prepaid construction payments and payments for goods to sub-contractors.

(2) The five largest prepayments at the end of the year

All amounts in RMB'000

Name of entity	Relationship with the Group	31 December 2019	As a percentage of total prepayments (%)
Party 1	Third party	579,993	2.35
Party 2	Third party	380,684	1.54
Party 3	Third party	361,292	1.46
Party 4	Third party	345,518	1.40
Party 5	Third party	291,510	1.18
Total	/	1,958,997	7.93

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Other receivables

(1) Other receivables analyzed by category

All amounts in RMB'000

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

(2) Interest receivables

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Interests on term deposits	5,996	5,579
Total	5,996	5,579

(3) Dividends receivable

(a) Presentation of dividends receivable

All amounts in RMB'000

The name of investee	31 December 2019	31 December 2018
Zhuhai MCC Jianxin Investment Management Partnership (LP)	134,209	–
Hebei Steel Luan County Sijiyang Iron Ore Co., Ltd.	86,659	104,392
MCC Rong Xing Building Materials (Chengdu) Co., Ltd.	16,340	–
Wuhan Zhonghe Engineering Technique Co., Ltd.	3,264	2,224
Bank of Communications Co., Ltd.	78	–
Others	35,097	43,489
Total	275,647	150,105

- (b) As at 31 December 2019, dividends receivable aged over one year were RMB95,079,000(31 December 2018: RMB36,697,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Other receivables (Continued)

(4) Other receivables

(a) Aging analysis of other receivables

All amounts in RMB'000

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

(b) Provision for credit losses of other receivables

All amounts in RMB'000

Item	Phase 1 Future 12-month expected credit losses	Phase 2 Lifetime expected credit losses (Non-credit- impaired)	Phase 3 Lifetime expected credit losses (Credit- impaired)	Total
Provision for credit losses at 31 December 2018	1,822,012	1,219,994	1,899,205	4,941,211
Provision for the current year	159,566	636,165	255,365	1,051,096
Reversal for the current year	(56,845)	(7,427)	(27,527)	(91,799)
Write-off for the current year	-	-	(4,998)	(4,998)
Other changes	(19,810)	-	(244,600)	(264,410)
Provision for credit losses at 31 December 2019	1,904,923	1,848,732	1,877,445	5,631,100
Carrying amount of other receivables at 31 December 2019	53,368,921	4,967,573	4,303,086	62,639,580

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Other receivables (Continued)

(4) Other receivables (Continued)

(c) Other receivables categorized by nature

All amounts in RMB'000

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

(d) The top 5 largest other receivables at the end of the year

All amounts in RMB'000

Name of entity	Relationship with the Group	Nature of other receivables	Closing balance	Aging	As a percentage of total other receivables (%)
Party 1	Joint venture	Loans to related parties	5,942,737	Within 1 year	9.49
Party 2	Joint venture	Loans to related parties	2,746,400	Within 1 year	4.38
Party 3	Joint venture	Loans to related parties	2,518,344	Within 1 year	4.02
Party 4	Joint venture	Loans to related parties	2,455,583	Within 1 year	3.92
Party 5	Joint venture	Loans to related parties	2,198,853	Within 1 year	3.51
Total	/	/	15,861,917	/	25.32

- (e) As at 31 December 2019, there was no derecognized accounts receivable due to the transfer of substantially all the risks and rewards of ownership of the accounts receivable to the transferees whereas whose continuing involvement into transferred financial assets (as at 31 December 2018: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Inventories

(1) Categories of inventories

All amounts in RMB'000

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

Note: Inventories with title restriction are set out in Note VII 70.

(a) Details of the properties under development

All amounts in RMB'000

Project name	Project Commencement date	Estimated Completion date	Estimated total investment amount	31 December 2018	31 December 2019
Nanjing Xiaguan Riverside Project	2011-01-01	2020-04-30	16,728,279	7,736,723	8,208,267
MCC Xinglong New City Hongshijun	2017-12-20	2023-12-31	16,700,000	1,515,793	2,493,451
Singapore Tampines Apartment Project Block D	2015-10-01	2020-01-30	2,254,344	1,842,553	2,108,744
Qingshitang Jiezhixia Area, Qinhui District	2019-03-12	2020-06-30	3,022,260	-	1,761,167
MCC Tongluo Town	2014-11-01	2020-12-31	3,500,000	2,336,422	1,734,106
Guangdong, Zhuhai, Hengqin New City Headquarters Building II	2016-12-01	2021-12-15	9,309,159	1,224,790	1,457,868
Qingdao MCC Dexian Mansion	2020-06-24	2021-12-23	5,139,190	-	1,426,018
Hong Kong Quanwan Project	2013-12-06	2020-12-31	1,439,810	1,145,704	1,328,801
Qin Hai Yun Villa Project	2011-08-08	2021-11-30	4,400,000	1,669,594	1,084,900
Baotou MCC Campus South Road Community Project	2011-08-01	2021-06-30	4,100,000	1,010,315	1,067,472
Tangshan Fengrun Gengyang New City Project	2010-03-01	2022-12-31	10,550,000	1,186,509	867,647
Renhe Xili	2019-03-01	2020-12-31	1,924,000	-	756,408
Yanjiao Headquarters Base Project	2019-10-31	2022-09-30	3,235,120	-	715,397
Anxinjiayuan Replacement Residence Project	2017-09-12	2020-12-31	650,000	344,258	500,047
Changchengshili Spring Breeze Town	2018-03-03	2020-12-31	2,500,000	376,141	466,484
Shanghai Jinshan District - MCC Fengjunyuan Project II	2015-12-31	2020-07-30	590,516	391,582	400,322
Zhenjiang Yucui Garden	2014-06-08	2020-06-30	1,317,242	308,704	377,715
Baopan Lijingyuan Project	2018-05-28	2020-07-31	739,169	257,243	358,643
MCC Shanghe Residence Project	2014-06-20	2020-06-30	867,232	240,519	296,298
Qianhai Headquarter R&D Base Commercial properties of Southern R&D Center	2019-12-12	2024-06-12	2,174,280	266,200	290,068
MCC Riverside Project I & II	2013-12-31	2020-12-31	1,423,330	779,250	243,649
Guanhu Phase I Project	2018-10-20	2020-10-30	649,190	100,164	237,035
Others	/	/	85,350,965	12,178,547	4,844,396
Total	/	/	178,564,086	34,911,011	33,024,903

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Inventories (CONTINUED)

(1) Categories of inventories (CONTINUED)

(b) Details of the completed properties held for sale

All amounts in RMB'000

Project name	Completion date	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Tianjin Xinbadali District Qixianli Project	2019-06-26	1,742,388	2,223,692	771,563	3,194,517
Shijiazhuang MCC Dexian Mansion Project	2019-06-18	473,579	2,580,222	155,682	2,898,119
Hengqin Port Base Project	2019-11-08	-	2,994,230	951,012	2,043,218
MCC 39th Street Project	2019-09-30	-	2,982,288	1,549,380	1,432,908
Beijing Daxing District Jiugong Green Belt Parcel A1 Project	2017-10-31	1,111,375	69,303	348,133	832,545
Nanjing Xiaguan Riverside Project	2019-12-30	603,185	1,023,647	876,995	749,837
MCC Riverside Project I & II	2019-06-28	-	1,382,898	659,175	723,723
Brazil Fluctuation Apartment Project	2018-10-30	2,091,640	41,747	1,470,811	662,576
Qin Hai Yun Villa Project	2019-06-19	528,852	1,150,234	1,032,182	646,904
MCC Xinglong New City Hongshijun	2019-02-28	625,176	150,667	266,206	509,637
Baotou MCC Campus South Road Community Project	2019-06-30	433,396	171,825	174,059	431,162
Dalian International Business City	2014-12-31	450,272	4,834	80,966	374,140
Tangshan Wutong Road Project	2012-10-31	451,024	480	78,974	372,530
Ma'anshan, Zhongdingyue City Project	2018-12-21	392,804	35,582	174,466	253,920
Heilongjiang Qiqihar, Longsha District New Century Plaza Project	2013-12-30	274,733	1,886	29,551	247,068
Others	/	3,703,224	2,779,551	3,528,730	2,954,045
Total	/	12,881,648	17,593,086	12,147,885	18,326,849

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Inventories (Continued)

(2) Provision for impairment

All amounts in RMB'000

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

(3) As at 31 December 2019, the total borrowing costs capitalized in properties under development were RMB4,075,200,000 (as at 31 December 2018: RMB4,141,293,000). Borrowing costs capitalized during the year ended 31 December 2019 amounted to RMB1,076,259,000 (for the year ended 31 December 2018: RMB1,165,846,000). The capitalization rates of borrowing costs were from 3.02% to 8.95% (for the year ended 31 December 2018: from 2.38% to 8.70%).

10. Contract assets

(1) Presentation of contract assets

All amounts in RMB'000

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Contract assets (Continued)

(2) Provision for impairment of contract assets

All amounts in RMB'000

Items	Lifetime expected credit losses (Non-credit- impaired)	Lifetime expected credit losses (Credit- impaired)	Total
Provision impairment at 31 December 2018	1,709,855	1,161,685	2,871,540
Provision for the current year	832,189	67,899	900,088
Reversal for the current year	(60,568)	(13,937)	(74,505)
Other changes	(6,158)	(9,359)	(15,517)
Provision impairment at 31 December 2019	2,475,318	1,206,288	3,681,606
Book value of contract assets at 31 December 2019	75,144,521	1,337,660	76,482,181

(3) Qualitative analysis on contract assets

The engineering contracting services provided by the Group normally constitute the single performance obligation, which require to be fulfilled in a certain period. The Group shall determine the implementation progress according to the proportion of actual cost in estimated total cost (cost method). Engineering contracting services require regular settlement with the client, and the related contract consideration vests the Group the right to charge the consideration, which will be listed on receivables, to the client unconditionally after the completion of settlement. Under normal circumstances, there are some timing differences between the implementation progress and the settlement progress in engineering contracting. As at 31 December 2019, implementation progress of part of contracts exceeded the settlement progress, thus formed related contract assets, which shall be transferred into receivables after the completion of settlement.

For the engineering quality deposit arising from the settlement of engineering contracting services provided by the Group, the Group has the right to receive the consideration unconditionally from the customer upon the expiration of the guarantee period with no significant quality issues occurred therein. Such deposit constituted contract assets and was transferred into accounts receivable under the above-said condition.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Contract assets (Continued)

(4) West Australia SINO Iron Mining Project

In 2012, MCC Mining (Western Australia) Pty Ltd. ("Western Australia"), a wholly owned subsidiary of the Group, was forced to postpone the SINO Iron Project, including six production lines in total, due to reasons like extreme weather condition in Australia and other unpredictable reasons. The owner of the project is CITIC Limited. The Group negotiated with China CITIC Group Ltd. ("CITIC Group", the parent company of CITIC Limited) for the project delay and the total contract price after cost overruns. CITIC Group and Western Australia signed the Third Supplementary EPC Agreement of SINO Iron Project in Western Australia on 30 December 2011 agreeing that the construction costs to complete the second main process line including trial run should be within USD4.357 billion. The ultimate construction costs for the aforesaid project should be determined by an audit performed by third party auditor. Based on the consensus with CITIC Group above and the estimated total construction costs of the project, the Group recognized impairment loss on contract costs of USD481 million (equivalent to approximately RMB3.035 billion) for the year ended 31 December 2012.

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

The Group assessed the contract assets based on expected credit losses. In the opinion of the Group, although the final contract amount shall be confirmed after the auditing of the third party, the consensus between the Group and CITIC Group for the previously agreed construction costs of USD4.357 billion mentioned in the paragraph above remained unchanged. The Group reasonably expected that the consensus should not have any significant change and recognized no additional contract losses at 31 December 2019.

On 31 December 2019, the contract assets of the project mentioned above amounted to RMB3,732,339,000. After the completion of the audit mentioned above, the Group will actively follow up with CITIC Group for negotiation and discussion in reaching the final agreed project construction costs and make relevant accounting treatments accordingly.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Non-current assets due within one year

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Long-term receivables due within 1 year (Note VII 13)	2,078,913	3,498,610
Total	2,078,913	3,498,610

12. Other current assets

All amounts in RMB'000

Items	31 December 2019	31 December 2018
VAT debit balance	1,822,285	1,445,596
Prepayments of enterprise income tax	460,245	479,223
Total	2,282,530	1,924,819

13. Long-term receivables

(1) Long-term receivables

All amounts in RMB'000

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

At 31 December 2019, long-term receivables are presented on a net basis with the discount rate ranging from 4.35% to 4.90%.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term receivables (Continued)

(2) *Provision for credit losses of long-term receivables*

All amounts in RMB'000

Item	Phase 1 Future 12-month expected credit losses	Phase 2 Lifetime expected credit losses (Non-credit- impaired)	Phase 3 Lifetime expected credit losses (Credit- impaired)	Total
Provisions for credit losses at 31				
December 2018	105,792	116,330	919,735	1,141,857
Provision for the current year	20,304	170,526	2,988	193,818
Reversal for the current year	(16,780)	(130,095)	(2,756)	(149,631)
Other changes	–	–	735,070	735,070
Provisions for credit losses at 31				
December 2019	109,316	156,761	1,655,037	1,921,114
Book value of long-term receivables at 31				
December 2019	25,238,963	1,391,565	1,696,293	28,326,821

(3) As of 31 December 2019, the Group has no long-term receivables that are derecognized as a whole because almost all the risks and rewards related to the ownership have been transferred to the transferee but continuing to be involved in the transferred financial assets (as at 31 December 2018: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Long-term equity investments

All amounts in RMB'000

Name of investee	Carrying amount at 31 December 2018	Movements for the current year							Carrying amount at 31 December 2019	Provision for impairment at 31 December 2019	
		Increasing investments	Decreasing investments	Share of profits/ (losses)	Other comprehensive income	Other equity movements	Declaration of cash dividends or profits	Provision for impairment for the current year			Others
1. Joint ventures											
Guizhou Ziwang Highway Construction Co., Ltd.(Note IX 1(1)(b))	1,055,127	575,271	-	-	-	-	-	-	-	1,630,398	-
Guizhou Sanli Highway Construction Co., Ltd.(NoteX 1(1)(b))	1,001,535	356,742	-	(2,343)	-	-	-	-	-	1,355,934	-
Guizhou Sanshi Highway Construction Co., Ltd.(NoteX 1(1)(b))	659,990	225,182	-	(1,110)	-	-	-	-	-	884,062	-
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd. (NoteX 1(1)(b))	243,785	-	-	-	-	-	-	-	-	243,785	-
Beijing New Century Restaurant Co., Ltd.(NoteX 1(1)(b))	183,078	-	-	10,956	-	-	(17,809)	-	-	176,225	-
Others	1,787,333	670,933	(173,157)	(22,247)	(17)	162	-	-	-	2,263,007	219,720
Subtotal	4,930,848	1,828,128	(173,157)	(14,744)	(17)	162	(17,809)	-	-	6,553,411	219,720
2. Associates											
Zhuhai MCC Jianxin Investment Management Partnership (LP) (NoteX 1(1)(b))	-	3,955,134	-	134,209	-	-	(134,209)	-	-	3,955,134	-
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	516,383	-	-	440	-	-	-	-	-	516,823	-
Tianjin SERI Machinery Equipment Corporation Ltd.	668,631	-	-	(142,869)	-	-	-	(98,855)	-	426,907	98,855
Beijing City Vice-Center Investment Fund Partnership (Limited Partnership) (NoteX 2(1)(a))	-	400,000	-	178	-	-	-	-	-	400,178	-
Shiyan Baoye Urban Construction Co., Ltd.	275,828	-	-	-	-	-	-	-	-	275,828	-
Others	7,463,165	2,306,717	(46,935)	28,509	14	1	(45,386)	-	-	9,706,085	56,731
Sub-total	8,924,007	6,661,851	(46,935)	20,467	14	1	(179,595)	(98,855)	-	15,280,955	155,586
Total	13,854,855	8,489,979	(220,092)	5,723	(3)	163	(197,404)	(98,855)	-	21,834,366	375,306

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Investments in other equity instruments

(1) Investments in other equity instruments

All amounts in RMB'000

Items	Carrying amount at 31 December 2019	Carrying amount at 31 December 2018	Cash dividends recognized for the current year
Investments in non-trading equity instruments – listed companies	381,250	396,680	11,667
Investments in non-trading equity instruments – unlisted companies	1,490,497	1,471,284	51,981
Total	1,871,747	1,867,964	63,648

(2) In 2019, the Group derecognized investment in other equity instruments, and transferred the accumulated gains from such investment previously included in other comprehensive income amounting to RMB62,190,000 to retained earnings.

(3) As of 31 December 2019, the cumulative loss of other equity instruments held by the Group that are recorded in other comprehensive income is RMB6,275,000 (Note VII 48).

(4) Since these investments are non-tradable equity instruments and the Group is not expected to sell them in the foreseeable future, the Group designates these investments as financial assets at fair value through OCI. The method for determining the fair value of investment in other equity instruments can be found in Note XI.

16. Other non-current financial assets

All amounts in RMB'000

Items	Carrying amount at 31 December 2019	Carrying amount at 31 December 2018
Financial assets at FVTPL	4,171,068	4,214,624
Including: Investment in unquoted fund product	4,119,753	4,184,517
Equity instrument investment	51,315	30,107
Total	4,171,068	4,214,624

The method for determining the fair value of above other non-current financial assets can be found in Note XI.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Investment properties

(1) Investment properties measured at cost

All amounts in RMB'000

Items	Buildings and structures	Land use rights	Total
I. Total original book value			
1. At 31 December 2018	5,661,174	589,053	6,250,227
2. Increase	639,022	–	639,022
(1) Purchase or construction	258,438	–	258,438
(2) Transferred from fixed assets	67,358	–	67,358
(3) Transferred from inventory	210,406	–	210,406
(4) Transferred from construction in progress	101,097	–	101,097
(5) Others	1,723	–	1,723
3. Decrease	122,666	–	122,666
(1) Disposal	29,949	–	29,949
(2) Transferred from fixed assets	78,877	–	78,877
(3) Others	13,840	–	13,840
4. At 31 December 2019	6,177,530	589,053	6,766,583
II. Accumulated depreciation and amortization			
1. At 31 December 2018	724,156	112,467	836,623
2. Increase	144,057	11,953	156,010
(1) Provision or amortization	132,711	11,953	144,664
(2) Transferred from fixed assets	10,640	–	10,640
(3) Others	706	–	706
3. Decrease	9,038	–	9,038
(1) Disposal	602	–	602
(2) Transferred to fixed assets	8,397	–	8,397
(3) Others	39	–	39
4. At 31 December 2019	859,175	124,420	983,595
III. Provision for impairment			
1. At 31 December 2018	21,471	–	21,471
2. Increase	–	–	–
(1) Provision	–	–	–
3. Decrease	2,279	–	2,279
(1) Disposal	2,279	–	2,279
4. At 31 December 2019	19,192	–	19,192
IV. Total carrying amount			
1. 31 December 2019	5,299,163	464,633	5,763,796
2. 31 December 2018	4,915,547	476,586	5,392,133

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Investment properties (Continued)

- (2) As at 31 December 2019, the Group have buildings and structures of investment properties at carrying amount of RMB199,370,000 (historical book value of RMB217,608,000) of which the title certificates were not obtained by the Group (as at 31 December 2018: carrying amount of RMB298,942,000; original book value of RMB310,671,000).

All amounts in RMB'000

Item	Carrying amount	Reasons for title certificates outstanding
Scientific Research Building of China ENFI Engineering Co., Ltd.	199,370	In progress

- (3) *Investment properties with title restriction as at 31 December 2019 are set out in Note VII 70.*

18. Fixed assets

- (1) *Fixed assets*

All amounts in RMB'000

Items	Buildings and structures	Machinery and equipment	Transportation vehicles	Office equipment and others	Total
I. Total historical cost:					
1. At 31 December 2018	22,791,820	22,773,369	2,228,033	3,663,525	51,456,747
2. Adjustments for changes in accounting policies (Note V 28)	(7,277)	(410,460)	(55,434)	-	(473,171)
3. At 1 January 2019	22,784,543	22,362,909	2,172,599	3,663,525	50,983,576
4. Increase	1,027,728	1,031,204	154,384	358,095	2,571,411
(1) Purchase	234,381	488,926	129,687	236,730	1,089,724
(2) Transferred from investment properties	78,877	-	-	-	78,877
(3) Transferred from construction in progress	494,540	334,276	-	20,783	849,599
(4) Transferred from right-to-use assets	-	100,000	-	-	100,000
(5) Others	219,930	108,002	24,697	100,582	453,211
5. Decrease	421,718	668,504	307,398	127,255	1,524,875
(1) Disposal or written-off	314,682	579,175	300,652	108,514	1,303,023
(2) Decrease in disposal of subsidiaries	-	61	1,567	136	1,764
(3) Transferred to investment properties	67,358	-	-	-	67,358
(4) Others	39,678	89,268	5,179	18,605	152,730
6. At 31 December 2019	23,390,553	22,725,609	2,019,585	3,894,365	52,030,112

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Fixed assets (Continued)

(1) Fixed assets (Continued)

Items	Buildings and structures	Machinery and equipment	Transportation vehicles	Office equipment and others	Total
II. Accumulated depreciation					
1. At 31 December 2018	6,362,194	12,744,945	1,471,736	1,445,542	22,024,417
2. Adjustments for changes in accounting policies (Note V 28)	(2,218)	(294,486)	(44,844)	-	(341,548)
3. At 1 January 2019	6,359,976	12,450,459	1,426,892	1,445,542	21,682,869
4. Increase	852,241	1,485,142	159,833	244,427	2,741,643
(1) Provision	809,243	1,367,254	147,957	225,802	2,550,256
(2) Transferred from investment properties	8,397	-	-	-	8,397
(3) Transferred from right-to-use assets	-	58,818	-	-	58,818
(4) Others	34,601	59,070	11,876	18,625	124,172
5. Decrease	115,136	417,275	262,337	109,555	904,303
(1) Disposal or written-off	95,389	393,191	259,776	94,449	842,805
(2) Decrease in disposal of subsidiaries	-	42	1,146	104	1,292
(3) Transferred to investment properties	10,640	-	-	-	10,640
(4) Others	9,107	24,042	1,415	15,002	49,566
6. At 31 December 2019	7,097,081	13,518,326	1,324,388	1,580,414	23,520,209
III. Provision for impairment					
1. 31 December 2018	692,400	1,231,838	22,357	115,695	2,062,290
2. Adjustments for changes in accounting policies (Note V 28)	-	-	-	-	-
3. At 1 January 2019	692,400	1,231,838	22,357	115,695	2,062,290
4. Increase	214,903	166,450	2,819	1,939	386,111
(1) Provision	210,960	160,602	2,595	65	374,222
(2) Others	3,943	5,848	224	1,874	11,889
5. Decrease	21,068	38,080	530	59	59,737
(1) Disposal or written-off	10,653	23,631	378	13	34,675
(2) Others	10,415	14,449	152	46	25,062
6. At 31 December 2019	886,235	1,360,208	24,646	117,575	2,388,664
IV. Total carrying amount					
1. At 31 December 2019	15,407,237	7,847,075	670,551	2,196,376	26,121,239
2. At 31 December 2018	15,737,226	8,796,586	733,940	2,102,288	27,370,040

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Fixed assets (Continued)

(2) Temporary idle fixed assets

All amounts in RMB'000

Items	Historical cost	Accumulated depreciation	Provision for impairment	Carrying amount	Notes
Buildings and structures	654,754	194,602	378,057	82,095	Seasonal suspension or idle
Machinery and equipment	1,404,110	788,089	514,535	101,486	Seasonal suspension or idle
Other equipment	14,610	6,884	2,908	4,818	Seasonal suspension or idle

(3) Fixed assets under operating leases

All amounts in RMB'000

Items	31 December 2019 Carrying amount
Machinery equipment and others	126,701

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

Buildings and structures with an aggregate carrying amount of RMB262,597,000 (historical cost: RMB336,990,000) as at 31 December 2019 (as at 31 December 2018: carrying amount of RMB311,177,000; historical cost of RMB372,988,000) were in the process of applying for relevant title certificates.

All amounts in RMB'000

Items	Carrying amount	Reasons for title certificates outstanding
Scientific Research Building of China ENFI Engineering Co., Ltd.	120,749	In the process
Heavy industry production base project of China First Metallurgical Group Co., Ltd.	128,023	In the process
The office building of China Huaye Group Co., Ltd. in Beijing	13,825	In the process

(5) Fixed assets with title restriction as at 31 December 2019 are set out in Note VII 70.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Construction in progress

(1) Construction in progress analysed by category

All amounts in RMB'000

Category	31 December 2019	31 December 2018
Construction in progress	4,359,866	3,308,517
Materials for construction of fixed assets	66,652	71,454
Total	4,426,518	3,379,971

(2) Construction in progress

(a) Construction in progress

All amounts in RMB'000

Items	31 December 2019			31 December 2018		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Infrastructure Project of MCC JCL Anak Mining Co., Ltd.	1,111,505	-	1,111,505	1,067,758	-	1,067,758
MCC Tongluo Town Supporting Project	872,933	-	872,933	-	-	-
Courtyard Development and Reform Project of Central Research Institute of Building and Construction Co., Ltd.	274,556	-	274,556	152,768	-	152,768
Hotel of Holiday Resort On BAIZHI Mountain Of MCC	230,583	-	230,583	180,315	-	180,315
Development and industrialization of high-level purity electronic polysilicon	146,589	-	146,589	102,719	-	102,719
Infrastructure Investment Project for Industrialization of Prefabricated Housing	100,392	-	100,392	-	-	-
Duda Lead Zinc Project	698,300	603,202	95,098	697,957	603,202	94,755
Zhengzhou Baoye Steel Structure Co., Ltd. Steel Structure Project	79,556	-	79,556	183,682	-	183,682
Shenzhen Qianhai MCC Science and Technology Building Project	78,733	-	78,733	-	-	-
Hunnan District Technology Research Center	78,557	-	78,557	58,258	-	58,258
Others	1,373,144	81,780	1,291,364	1,481,107	12,845	1,468,262
Total	5,044,848	684,982	4,359,866	3,924,564	616,047	3,308,517

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Construction in progress (Continued)

(2) Construction in progress (Continued)

(b) Movements of the significant items of construction in progress

All amounts in RMB'000

Items	Budgeted amount	31 December 2018	Increase	Transfer to fixed assets/ intangible assets	Other changes	31 December 2019	Cost incurred as a percentage of budgeted amount (%)	Construction progress (%)	Accumulated capitalized borrowing costs	Including: Capitalized borrowing costs for the current year	Latest rate	Sources of fund
											of borrowing costs for the current year (%)	
Infrastructure Project of MCC JCL Anak Mining Co., Ltd.	23,847,800	1,067,758	43,747	-	-	1,111,505	19.63	19.63	-	-	-	Self-raised funds
MCC Tongluo Town Supporting Project Courtyard Development and Reform	1,037,373	-	872,933	-	-	872,933	84.15	84.15	-	-	-	Self-raised funds
Project of Central Research Institute of Building and Construction Co., Ltd.	1,000,000	152,768	121,788	-	-	274,556	27.46	27.46	8,707	5,573	6.64	Self-raised funds and loans from financial institutions
Hotel of Holiday Resort On BAIZHI Mountain Of MCC	250,000	180,315	50,268	-	-	230,583	92.23	92.23	-	-	-	Self-raised funds
Development and industrialization of high-level purity electronic polysilicon	280,000	102,719	43,870	-	-	146,589	52.35	52.35	-	-	-	Self-raised funds
Infrastructure Investment Project for Industrialization of Prefabricated Housing	190,000	-	100,392	-	-	100,392	52.84	52.84	6,230	6,230	5.00	Self-raised funds and loans from financial institutions
Duda Lead Zinc Project	1,116,845	697,957	69,522	(69,179)	-	698,300	93.94	93.94	9,553	933	5.00	Self-raised funds and loans from financial institutions
Zhengzhou Baoye Steel Structure Co., Ltd. Steel Structure Project	400,000	183,682	15,105	(119,231)	-	79,556	49.70	49.70	-	-	-	Self-raised funds
Shenzhen Qianhai MCC Science and Technology Building Project	1,695,938	-	78,733	-	-	78,733	4.64	4.64	67,736	67,736	4.75	Self-raised funds and loans from financial institutions
Hunan District Technology Research Center	83,000	58,258	20,299	-	-	78,557	94.65	94.65	-	-	-	Self-raised funds
Others	9,657,433	1,481,107	880,713	(817,027)	(171,649)	1,373,144	/	/	54,521	13,061	/ /	
Total	39,558,389	3,924,564	2,297,370	(1,005,437)	(171,649)	5,044,848	/	/	146,747	93,533	/ /	

(c) The Group made provision for impairment of construction in progress of RMB70,481,000 for 2019 (2018: RMB4,212,000). As at 31 December 2019, the balance of the impairment provision for construction in progress of the Group was RMB684,982,000 (as at 31 December 2018: RMB616,047,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Construction in progress (Continued)

(3) Materials for construction

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Materials	18,946	22,776
Equipment	47,021	47,985
Tools and instruments prepared for production	660	669
Others	25	24
Total	66,652	71,454

20. Right-of-use assets

All amounts in RMB'000

Items	Buildings and structures	Machinery and equipment	Transportation vehicles	Others	Total
I. Total historical cost:					
1. At 1 January 2019	184,851	60,991	419,746	9,025	674,613
2. Increase	328,158	4,064	121,732	2,050	456,004
(1) New leases	326,143	4,064	121,732	2,050	453,989
(2) Others	2,015	-	-	-	2,015
3. Decrease	-	-	100,000	1,888	101,888
(1) Transferred the ownership of assets to fixed assets from expired lease contract	-	-	100,000	-	100,000
(2) Others	-	-	-	1,888	1,888
4. At 31 December 2019	513,009	65,055	441,478	9,187	1,028,729
II. Accumulated depreciation					
1. At 1 January 2019	2,218	44,844	294,486	-	341,548
2. Increase	136,293	5,591	61,549	2,799	206,232
(1) Provision	135,495	5,591	61,549	2,799	205,434
(2) Others	798	-	-	-	798
3. Decrease	-	-	58,818	755	59,573
(1) Transferred the ownership of assets to fixed assets from expired lease contract	-	-	58,818	-	58,818
(2) Others	-	-	-	755	755
4. At 31 December 2019	138,511	50,435	297,217	2,044	488,207
III. Provision for impairment					
1. At 1 January 2019	-	-	-	-	-
2. At 31 December 2019	-	-	-	-	-
IV. Carrying amount					
1. At 31 December 2019	374,498	14,620	144,261	7,143	540,522
2. At 1 January 2019 (Note V 28)	182,633	16,147	125,260	9,025	333,065

(1) For the current year, the Group's short-term leasing fee, which is simplified and charged to current profits and losses, is RMB254,020,000.00.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Intangible assets

(1) Intangible assets

All amounts in RMB'000

Items	Land use rights	Mining rights	Franchise	Software	Patent and proprietary technology	Trademark right	Total
I. Total historical cost							
1. At 31 December 2018	7,879,386	3,992,984	9,338,971	620,652	72,459	270	21,904,722
2. Increase	128,239	67,784	1,013,263	144,715	90,035	-	1,444,036
(1) Purchase	127,431	14,264	862,885	90,718	90,035	-	1,185,333
(2) Transferred from construction in progress	-	-	150,378	5,460	-	-	155,838
(3) Internal research and development	-	-	-	46,568	-	-	46,568
(4) Others	808	53,520	-	1,969	-	-	56,297
3. Decrease	32,597	-	1,348,443	16,122	-	-	1,397,162
(1) Disposal or written-off	26,620	-	87,220	15,448	-	-	129,288
(2) Decrease in disposal of subsidiaries	-	-	1,261,223	618	-	-	1,261,841
(3) Others	5,977	-	-	56	-	-	6,033
4. At 31 December 2019	7,975,028	4,060,768	9,003,791	749,245	162,494	270	21,951,596
II. Accumulated amortization							
1. At 31 December 2018	1,366,763	57,699	1,250,888	446,033	43,136	270	3,164,789
2. Increase	141,576	4,453	280,065	60,116	5,842	-	492,052
(1) Amortization	141,576	4,288	280,065	58,889	5,842	-	490,660
(2) Others	-	165	-	1,227	-	-	1,392
3. Decrease	6,723	-	110,344	15,894	-	-	132,961
(1) Disposal or written-off	5,499	-	11,422	15,262	-	-	32,183
(2) Decrease in disposal of subsidiaries	-	-	98,922	618	-	-	99,540
(3) Others	1,224	-	-	14	-	-	1,238
4. At 31 December 2019	1,501,616	62,152	1,420,609	490,255	48,978	270	3,523,880
III. Provision for impairment							
1. At 31 December 2018	99,606	2,501,565	-	250	4,783	-	2,606,204
2. Increase	415	30,496	-	-	-	-	30,911
(1) Others	415	30,496	-	-	-	-	30,911
3. Decrease	6,272	-	-	-	-	-	6,272
(1) Disposal or written-off	471	-	-	-	-	-	471
(2) Others	5,801	-	-	-	-	-	5,801
4. At 31 December 2019	93,749	2,532,061	-	250	4,783	-	2,630,843
IV. Carrying amount							
1. 31 December 2019	6,379,663	1,466,555	7,583,182	258,740	108,733	-	15,796,873
2. 31 December 2018	6,413,017	1,433,720	8,088,083	174,369	24,540	-	16,133,729

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Intangible assets (Continued)

(1) Intangible assets (Continued)

As at 31 December 2019, the internally developed intangible assets as a percentage of total intangible assets of the Group were 0.26% (as at 31 December 2018: 0.04%).

(2) The Group made no extra impairment provision of Cape Lambert Iron Project owned by the Group for the current year. As at 31 December 2019, the accumulated impairment provision for the Cape Lambert Iron Project intangible assets amounting to RMB2,511,838,000, including the decreasing accumulated impact on exchange fluctuation of Australian dollars of RMB308,924,000. The related intangible assets belong to the resource development segment.

(3) Intangible assets with title restriction as at 31 December 2019 are set out in Note VII 70.

22. Goodwill

(1) Original historical cost

All amounts in RMB'000

Name of investee	31 December 2018	Increase		Decrease		31 December 2019
		Business combinations	Others	Disposal	Others	
MCC Finance Corporation Ltd.	105,032	-	-	-	-	105,032
Beijing ShengPeng Real Estate Development Co., Ltd.	94,923	-	-	-	-	94,923
MCC Minera Sierra Grande S.A	31,412	-	-	-	7,998	23,414
Chengde Tiangong Architectural Design Co., Ltd.	33,460	-	-	-	-	33,460
China Metallurgical Construction Engineering Group Chongqing Heyuan Concrete Co., Ltd.	18,533	-	-	-	-	18,533
Beijing XinAn Real Estate Development Co., Ltd.	11,830	-	-	-	-	11,830
Qingdao JinZe HuaDi Real Estate Development Co., Ltd.	9,779	-	-	-	-	9,779
Beijing HaiKe Real Estate Development Co., Ltd.	6,477	-	-	-	-	6,477
Beijing Tianrun Construction Co., Ltd.	5,142	-	-	-	-	5,142
Shanghai WuGang Equipment Engineering Co., Ltd.	1,114	-	-	-	-	1,114
Total	317,702	-	-	-	7,998	309,704

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Goodwill (Continued)

(2) Provision for impairment of goodwill

All amounts in RMB'000

Name of investee	31 December	Increase		Decrease		31 December
	2018	Provision	Others	Disposal	Others	
Beijing ShengPeng Real Estate Development Co., Ltd.	94,923	-	-	-	-	94,923
MCC Minera Sierra Grande S.A	31,412	-	-	-	7,998	23,414
Beijing XinAn Real Estate Development Co., Ltd.	11,830	-	-	-	-	11,830
Qingdao JinZe HuaDi Real Estate Development Co., Ltd.	9,071	113	-	-	-	9,184
Beijing HaiKe Real Estate Development Co., Ltd.	6,477	-	-	-	-	6,477
China Metallurgical Construction Engineering Group Chongqing Heyuan Concrete Co., Ltd.	810	1,543	-	-	-	2,353
Total	154,523	1,656	-	-	7,998	148,181

(3) When the Group performs impairment assessment on goodwill arising from business combination, the Group allocates the book value of goodwill to the asset group or portfolio that is expected to benefit from the synergistic effect of enterprise merger, and evaluates the recoverable amount of the asset group or portfolio that contains the apportioned goodwill.

(4) The recoverable value of the asset groups is calculated based on the present value of future cash flows which is approved by the management. MCC Finance Corporation Ltd. adopts a pre-tax discount rate of 17.33% (As at 31 December 2018: 17.33%. Cash flow projections during the forecast period for the asset groups are based on the expected growth rates and gross margins during the forecast period. Forecast growth rate is based on the expected growth rate for the industry. Forecast gross margin has been determined based on past performance and management's expectations for the market development. The recoverable value of the asset groups of the other subsidiaries, are calculated based on the present value of future cash flows as well, but not significant to the Group.

23. Long-term prepayments

All amounts in RMB'000

Items	31 December	Changes of	1 January	Increase	Amortization	Other	31 December
	2018	accounting policies	2019				
Improvements of leasehold	24,393	-	24,393	24,790	10,619	-	38,564
Insurance expenditures	16,702	-	16,702	-	7,926	-	8,776
Rental expenditures	26,737	(26,737)	-	-	-	-	-
Repair expenditures	15,293	-	15,293	12,363	5,612	-	22,044
Others	186,545	-	186,545	74,642	64,671	-	196,516
Total	269,670	(26,737)	242,933	111,795	88,828	-	265,900

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Deferred tax assets/Deferred tax liabilities

(1) *Deferred tax assets without taking into consideration of the offsetting of balances within the same tax jurisdiction*

All amounts in RMB'000

Items	31 December 2019		31 December 2018	
	Deductible temporary differences/tax losses	Deferred tax assets	Deductible temporary differences/tax losses	Deferred tax assets
Impairment provision	22,648,841	4,052,091	20,298,566	3,759,761
Unrealized profit on inter-company transactions	2,526,258	584,565	2,025,496	471,805
Defined benefit plans	1,402,165	317,122	1,545,866	359,206
Deductible tax losses	1,364,635	235,677	737,101	160,586
Employee benefits payable	358,475	57,355	384,224	65,199
Changes in the fair value of other equity instrument investments	203,960	42,927	205,960	42,082
Others	1,811,225	410,856	1,685,999	372,152
Total	30,315,559	5,700,593	26,883,212	5,230,791

(2) *Deferred tax liabilities without taking into consideration of the offsetting of balances within the same tax jurisdiction*

All amounts in RMB'000

Items	31 December 2019		31 December 2018	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Fair value adjustments upon business combination not under common control	46,857	13,397	59,892	17,937
Changes in the fair value of investments of other equity instruments	197,372	31,219	232,034	37,175
Others	453,533	109,067	547,159	134,634
Total	697,762	153,683	839,085	189,746

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Deferred tax assets/Deferred tax liabilities (Continued)

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

All amounts in RMB'000

Items	The offset amount of deferred tax assets and liabilities at the end of the year	Deferred tax assets and liabilities after offset at the end of the year	The offset amount of deferred tax assets and liabilities at the beginning of the year	Deferred tax assets and liabilities after offset at the beginning of the year
Deferred tax assets	81,998	5,618,595	78,359	5,152,432
Deferred tax liabilities	81,998	71,685	78,359	111,387

(4) *Details of the Group's unrecognized deferred tax assets*

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Deductible temporary differences	7,378,256	6,914,459
Deductible tax losses	10,711,071	12,716,672
Total	18,089,327	19,631,131

(5) *Deductible tax losses that are not recognized as deferred tax assets will expire in the following years*

All amounts in RMB'000

Year	31 December 2019	31 December 2018
2019	–	2,754,216
2020	2,052,423	2,639,704
2021	3,270,920	3,427,601
2022	1,675,496	1,824,709
2023	1,853,487	2,070,442
2024	1,858,745	–
Total	10,711,071	12,716,672

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Other non-current assets

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Deposits for acquisition of assets	156,713	61,393
Continuing involvement in the transferred financial asset (Note VII 5(5))	14,600	14,600
Total	171,313	75,993

26. Short-term borrowings

(1) Categories of short-term borrowings

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Pledged loans (a)	3,000	–
Mortgaged loans (b)	149,000	1,171,500
Credit loans	40,324,556	46,802,064
Total	40,476,556	47,973,564

(a) Pledged loans

As at 31 December 2019, the pledged loans of RMB3,000,000 (December 31, 2018: Nil) were obtained by pledging accounts receivable with the carrying amount of RMB6,050,000 as a collateral (December 31, 2018: Nil) to the bank.

(b) Mortgaged loans

As at 31 December 2019, the mortgaged loans of RMB149,000,000 (as at 31 December 2018: RMB1,171,500,000) were secured by the mortgage of the Group's intangible assets and fixed assets in an aggregate carrying amount of RMB438,824,000 (as at 31 December 2018: RMB1,503,143,000).

(2) In 2019, the weighted average interest rate of short-term borrowings was 4.25% per annum (as at 31 December 2018: 4.51% per annum).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Derivative financial liabilities

All amounts in RMB'000

Items	31 December 2019	31 December 2018
USD foreign exchange option	4,225	–
Forward exchange contracts	5	496
Total	4,230	496

Determination of fair value of derivative financial liabilities is set out in Note XI 3.

28. Bills payable

All amounts in RMB'000

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

29. Accounts payable

(1) Presentation of accounts payable

All amounts in RMB'000

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Accounts payable (Continued)

(2) Aging analysis of accounts payable

All amounts in RMB'000

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

(3) On 31 December 2019, accounts payable of RMB30,911,180,000 (31 December 2018: RMB32,780,123,000) aged over one year were mainly due to project and materials payable, as both parties remained business transactions and the amount has not been settled.

30. Receipts in advance

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Lease receipts in advance	245,284	191,783
Total	245,284	191,783

31. Contract liabilities

(1) Presentation of contract liabilities

All amounts in RMB'000

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Contract liabilities (Continued)

(2) Qualitative analysis on contract liabilities

The contract liabilities of the Group mainly derives from engineering contracting service contracts and sales contracts.

As presented in Note VII 10, the engineering contracting services provided by the Group require regular settlements with the customers. Under normal circumstances, there are some time differences among the implementation and settlement progress of the engineering contracting service contracts or the progress of receipt. As at 31 December 2019, the implementation progress of some engineering contracting service contracts lagged behind the settlement progress or receipt progress, which means the Group has acquired the contract consideration or the right to gain contract consideration unconditionally, thus forming the contract liabilities relating to engineering contracting services.

The sales contracts of the Group are normally satisfied at a point in time. The Group will recognize revenue at the time of acquiring the control of the related goods. As at 31 December 2019, the implementation time of performance obligation of the Group in the sale contract was later than the payment time of the customers, thus forming the related contract liability of the sale contract.

32. Employee benefits payable

(1) Employee benefits payable

All amounts in RMB'000

Items	31 December 2018	Increase	Decrease	31 December 2019
I. Short-term employee benefits	1,682,251	18,761,470	18,783,205	1,660,516
II. Post-employment benefits – defined contribution plan	260,386	3,501,845	3,412,851	349,380
III. Termination benefits	11,255	74,311	77,365	8,201
IV. Other benefits	4,269	1,775,383	1,759,755	19,897
Total	1,958,161	24,113,009	24,033,176	2,037,994

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Employee benefits payable (Continued)

(2) Short-term employee benefits

All amounts in RMB'000

Items	31 December 2018	Increase	Decrease	31 December 2019
I. Salaries, bonuses, allowances and subsidies	626,787	15,209,382	15,322,072	514,097
II. Staff welfare	9,070	727,761	710,605	26,226
III. Social insurance premiums	30,607	1,202,098	1,201,219	31,486
Including: Medical insurance	28,805	1,047,185	1,046,572	29,418
Work-related injury insurance	1,208	82,280	82,223	1,265
Maternity insurance	594	72,633	72,424	803
IV. Housing provident funds	195,216	1,219,861	1,217,979	197,098
V. Labor union expenditures and employees' education expenses	820,571	402,368	331,330	891,609
Total	1,682,251	18,761,470	18,783,205	1,660,516

(3) Defined contribution plan

All amounts in RMB'000

Items	31 December 2018	Increase	Decrease	31 December 2019
1. Basic retirement insurance	140,848	2,606,065	2,612,396	134,517
2. Unemployment insurance	7,317	99,184	99,673	6,828
3. Supplementary pension	112,221	796,596	700,782	208,035
Total	260,386	3,501,845	3,412,851	349,380

The Group participated in the social insurance premiums plans set up by the government according to the regulations. According to the plan, the Group makes deposits into the plans according to the regulations. Other than the deposits mentioned above, the Group does not need to make any further payments. The corresponding expenses shall be charged to the profit or loss in the period as and when incurred.

The Group made deposits amounting to RMB3,501,845,000 (for the year ended 31 December 2018: RMB3,136,676,000) to the defined contribution plan for the current year. As at 31 December 2019, there was a payable amount of RMB349,380,000 (as at 31 December 2018: RMB260,386,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Taxes payable

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Value added tax	468,570	685,467
Consumption tax	1,709	16,806
Enterprise income tax	1,328,077	1,442,077
Individual income tax	333,520	343,598
City maintenance and construction tax	56,216	57,206
Education surcharges	38,215	41,367
Land appreciation tax	962,453	981,005
Others	273,000	226,538
Total	3,461,760	3,794,064

34. Other payables

(1) Other payables disclosed by nature

All amounts in RMB'000

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

(2) Interest payable

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Interests payable on long-term borrowings	16,589	120,116
Interest payable on corporate bonds	–	24,697
Interest payable on short-term borrowings	546	12,308
Others	851	7,541
Total	17,986	164,662

As at 31 December 2019, the Group did not have any significant overdue interest.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Other payables (Continued)

(3) Dividends payable

All amounts in RMB'000

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

Dividends aged over one year but not settled yet is RMB409,495,000, relevant subsidiaries are discussing with the relevant shareholders for the settlement plan.

(4) Other payables

(a) Other payables disclosed by nature

All amounts in RMB'000

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

(b) On 31 December 2019, other payables aged over one year of RMB10,001,652 (31 December 2018: RMB10,105,658,000) were mainly guarantees and deposits payable collected by the Group. As both parties remained business transactions, the amount has not been settled.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Non-current liabilities due within one year

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Long-term borrowings due within one year (Note VII 37)	7,754,919	13,136,111
Bonds payable due within one year (Note VII 38)	7,010,027	989,992
Lease liabilities due within one year (Note VII 39)	216,602	–
Long-term payables due within one year (Note VII 40)	378,980	290,189
Employee benefits payable due within one year (Note VII 41)	322,888	356,210
Total	15,683,416	14,772,502

36. Other current liabilities

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Amounts to be transferred to output VAT	5,856,396	4,811,859
Total	5,856,396	4,811,859

37. Long-term borrowings

(1) Long-term borrowings disclosed by category

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Pledged loans (a)	3,083,279	1,424,968
Mortgaged loans (b)	4,566,594	5,036,346
Guaranteed loans (c)	3,453,508	1,501,860
Credit loans	23,871,153	28,966,173
Total	34,974,534	36,929,347
Less: Long-term borrowings due within one year (Note VII 35)	7,754,919	13,136,111
Including: Pledged loans	923,623	432,549
Mortgaged loans	961,870	2,561,709
Guaranteed loans	1,360,648	–
Credit loans	4,508,778	10,141,853
Long-term borrowings due over one year	27,219,615	23,793,236

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Long-term borrowings (Continued)

(1) Long-term borrowings disclosed by category (Continued)

(a) Pledge loans

As at 31 December 2019, long-term borrowings of RMB3,083,279,000 (as at 31 December 2018: RMB1,424,968,000) were secured by the pledge of the Group's accounts receivable in amount of RMB3,746,313,000 (as at 31 December 2018: RMB1,580,739,000).

(b) Mortgage loans

As at 31 December 2019, long-term borrowings of RMB4,566,594,000 (as at 31 December 2018: RMB5,036,346,000) were secured by the mortgage of the Group's intangible assets, investment properties and inventories in amount of 6,741,436,000 (as at 31 December 2018: RMB7,977,452,000).

(c) Guaranteed loans

As at 31 December 2019, long-term borrowings of RMB3,453,508,000 were guaranteed by CMGC (as at 31 December 2018: RMB1,501,860,000).

(2) Analysis of the maturity profile of long-term borrowings due over one year

All amounts in RMB'000

Maturity Date	31 December 2019	31 December 2018
1 to 2 years	11,261,882	8,061,123
2 to 5 years	11,683,899	11,561,184
Over 5 years	4,273,834	4,170,929
Total	27,219,615	23,793,236

(3) In 2019, the weighted average interest rate of long-term borrowings was 5.24% per annum (as at 31 December 2018: 4.84% per annum).

(4) As at 31 December 2019, the Group did not have any significant overdue long-term borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Bonds payable

(1) Bonds payable

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Corporate debentures	1,691,143	2,643,775
USD debentures	6,978,884	6,858,308
Total	8,670,027	9,502,083
Including: Bonds payable due within one year (Note VII 35)	7,010,027	989,992
Bonds payable due over one year	1,660,000	8,512,091

(2) Movements of bonds payable

All amounts in RMB'000

Name of bonds	Face value	Issue date	Term	Issue amount	31 December 2018	Issued in the current year	Interest accrued based on face value	Effect of change of exchange rate	Premium and discount amortization	Repaid in the current year	31 December 2019
Corporate debentures	3,500,000	2016-03-03	3 years	3,500,000	952,632	-	5,868	-	-	958,500	-
USD debentures (a)	3,431,650	2017-05-31	3 years	3,411,043	3,426,105	-	104,789	56,217	7,180	107,898	3,486,393
USD debentures (b)	3,378,100	2017-07-17	To 2020-05-30	3,376,770	3,432,203	-	98,724	62,923	474	101,833	3,492,491
Corporate debentures (c)	570,000	2017-10-24 to 2017-10-25	5 years	570,000	573,377	-	28,443	-	-	28,443	573,377
Corporate debentures (d)	870,000	2018-05-07 to 2018-05-08	3 years	870,000	891,639	-	41,586	-	-	41,586	891,639
Corporate debentures (e)	220,000	2018-05-07 to 2018-05-08	5 years	220,000	226,127	-	10,956	-	-	10,956	226,127
Total	11,969,750	/	/	11,947,813	9,502,083	-	290,366	119,140	7,654	1,249,216	8,670,027

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Bonds payable (Continued)

(2) Movements of bonds payable (Continued)

- (a) MCC Holding (Hong Kong) Corporation Limited issued USD debentures on 31 May 2017 at a discounted price of USD496,998,000 with a face value of USD500,000,000, a term of three years from issuance. The debentures bear interest at a fixed rate of 2.950% per annum. Interest will be paid every half year and principal will be paid upon maturity date.
- (b) MCC Holding (Hong Kong) Corporation Limited issued USD debentures on 17 July 2017 at a discounted price of USD499,803,000 with a face value of USD500,000,000. The maturity date is 30 May 2020. The debentures bear interest at a fixed rate of 2.950% per annum. Interest will be paid every half year and principal will be paid upon maturity date.
- (c) As approved by CSRC, the Company issued corporate debentures publicly from 24 October 2017 to 25 October 2017, at an equal price with the face value of RMB570,000,000, a term of five years from issuance. The debentures bear interest at a fixed rate of 4.99% per annum. Interest will be paid every year and principal will be paid upon maturity date.
- (d) As approved by CSRC, the Company issued corporate debentures on a public issuance basis from 7 May 2018 to 8 May 2018 at an equal price with the face value of RMB870,000,000 with a term of three years from issuance and interest bearing at a fixed rate of 4.78%. Interest will be paid every year and principal will be paid upon maturity date.
- (e) As approved by CSRC, the Company issued corporate debentures on a public issuance basis from 7 May 2018 to 8 May 2018 at an equal price with the face value of RMB220,000,000 with a term of five years from issuance and interest bearing at a fixed rate of 4.98%. Interest will be paid every year and principal will be paid upon maturity date.

39. Lease liabilities

(1) Lease liabilities disclosed by nature

All amounts in RMB'000

Items	31 December 2019
Lease of buildings and structures	362,548
Other leases	156,108
Total	518,656
Including: Lease liabilities due within one year (Note VII 35)	216,602
Lease liabilities due over one year	302,054

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Lease liabilities (Continued)

(2) *Analysis of the maturity profile of lease liabilities*

All amounts in RMB'000

Maturity Date	31 December 2019
1st year after the balance sheet date	231,986
2nd year after the balance sheet date	164,874
3rd year after the balance sheet date	57,902
Subsequent years	119,428
Total minimum lease payments	574,190
Less: Unrecognized financing cost	55,534
Total lease liabilities	518,656

40. Long-term payables

(1) *Presentation of long-term payables*

All amounts in RMB'000

Categories	31 December 2019	31 December 2018
Long-term payables	440,111	921,514
Special payables	452,882	259,006
Total	892,993	1,180,520

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Long-term payables (Continued)

(2) Long-term payables

(a) Long-term payables disclosed by nature

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Finance lease payables	–	115,894
Housing maintenance fee payables	42,050	41,911
Amounts due to funds	376,858	376,858
Others	400,183	677,040
Total	819,091	1,211,703
Including: Long-term payables due within one year (Note VII 35)	378,980	290,189
Long-term payables due over one year	440,111	921,514

(b) Analysis of the maturity profile of long-term payables due over one year

All amounts in RMB'000

Maturity Date	31 December 2019	31 December 2018
1 to 2 years	2,445	385,878
2 to 5 years	4,101	85,575
Over 5 years	433,565	450,061
Total	440,111	921,514

(c) Details of finance lease payables

All amounts in RMB'000

	31 December 2018
1st year after the balance sheet date	39,064
2nd year after the balance sheet date	30,842
3rd year after the balance sheet date	14,126
Subsequent years	49,442
Total minimum lease payments	133,474
Less: Unrecognized finance cost	17,580
Finance lease payables	115,894
Including: Finance lease payables due within one year	32,057
Finance lease payables due over one year	83,837

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Long-term payables (Continued)

(3) Special payables

All amounts in RMB'000

Items	31 December 2018	Increase	Decrease	31 December 2019
Housing allowance payables	607	-	36	571
Special housing maintenance fee payables	47	11	-	58
Special payables for water/power/gas supply and property (Note)	254,978	450,217	256,316	448,879
Others	3,374	-	-	3,374
Total	259,006	450,228	256,352	452,882

Note: The Group has commenced the transfer of water/power/gas supply and property with the received special payables for water/power/gas supply and property aggregated to the special payables for settlement, in accordance with the *Notice of Rewarding the Guidance on the Separation and Transfer of Water/Power/Gas Supply and Property in Residential Quarters for Employees of the State-owned Enterprises by State-owned Assets Supervision and Administration Commission of the State Council, the MoF from the General Office of the State Council* (Guo Ban Fa [2016] No.45), and the *Management of Central Government Grants on the Separation and Transfer of Water/Power/Gas Supply and Property to Employees and Their Relatives of Central Enterprises* (Cai Zi [2016] No.38) and other related management documents etc.

41. Long-term employee benefits payable

(1) Long-term employee benefits payable

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Post-employment benefits -Net liability arising from defined benefit plans	3,438,881	3,853,063
Total	3,438,881	3,853,063
Including: Long-term employee benefits payable due within one year (Note VII 35)	322,888	356,210
Long-term employee benefits payable due over one year	3,115,993	3,496,853

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Long-term employee benefits payable (Continued)

(1) Long-term employee benefits payable (Continued)

(a) Movements in the defined benefit plans

All amounts in RMB'000

Items	2019	2018
I. Opening balance	3,853,063	3,933,492
II. Defined benefit costs recognized		
in profit or loss	136,144	151,341
1. Past service cost	16,671	1,757
2. Net interest expense	119,473	149,584
III. Defined benefit costs recognized		
in other comprehensive income	(157,846)	217,676
1. Actuarial (gains) losses	(157,846)	217,676
IV. Other movements	(392,480)	(449,446)
1. Benefits paid	(392,480)	(449,446)
V. Closing balance	3,438,881	3,853,063

(2) Details of the defined benefit plan and its corresponding risk, effect on further cash flows, maturity and uncertainty of the Group

- (a) Defined benefit plan was for the staff retired before 31 December 2007. The retirement benefits received are depended on the retirement position, seniority and salary of the staff etc. The Group's supplementary-retirement benefits obligation at the balance sheet date was calculated by an external independent actuary "Willis Towers Watson" using projected unit credit actuarial cost method.
- (b) The Group's weighted average period of the present value for the defined benefit plan is 7-8 years.
- (c) Expected maturity analysis of undiscounted post-employment benefits:

All amounts in RMB'000

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Post-employment benefits	322,888	300,053	765,038	2,141,940	3,529,919

- (d) Defined benefits plan exposes the Group to various risks, mainly including the risk of change of interest rate of treasury bonds, inflation rate risk, and risk of the increase in life expectancy. The drop of the interest rate of treasury bonds will increase the defined benefit plan obligations. The Group is of the view that the interest rate of treasury bonds will not have significant fluctuations in the future. The changes of inflation rate will have impact on the significant assumptions of the living costs of the underlying staff and survivors, and the growth rate of the staff medical expense reimbursements. The Group believes this risk is not significant. The increase of the life expectancy will increase the defined benefit plan obligations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Long-term employee benefits payable (Continued)

(3) *The principal assumptions used for the purposes of the actuarial valuations and sensitivity analyses*

(a) The major actuarial assumptions used for calculating the present value of the defined benefit obligations of the Group

	31 December 2019	31 December 2018
Discount rate	3.00%	3.25%
Mortality rate	CLA CL5/CL6 up 3	CLA CL5/CL6 up 3
Annual growth rate of living cost for retirement staff and survivors	4.50%	4.50%
Annual growth rate of various employee medical expense reimbursement	8.00%	8.00%

(b) The sensitivity analysis of the major actuarial assumptions used for calculating the present value of the defined benefit obligations of the Group

	Impact on present value of the defined benefit obligations		
	Assumed changes	Assumed increase	Assumed decrease
Discount rate	0.25%	1.60% down	1.60% up
Annual growth rate of living cost for retirement staff and survivors	1.00%	0.90% up	0.70% down
Annual growth rate of various employee medical expense reimbursement	1.00%	2.00% up	1.70% down

The sensitivity analysis above was prepared based on the change of one assumption but all other variables were held constant. However, the assumptions above are usually inter-related. The calculation of the present value of the defined benefit obligation in the sensitivity analysis above also adopted the projected unit credit actuarial cost method.

Method and type of significant assumptions used in the sensitivity analysis for the current year remained unchanged comparing with the previous year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Provisions

All amounts in RMB'000

Items	31 December 2019	31 December 2018	Reasons
Pending litigations	98,741	41,511	Because of the verdict of losing a lawsuit, the Group needed to bear the present obligations of the pending litigations, and that an outflow of resources would be required to settle this obligations and the amount had been reliably estimated.
Product quality warranties	5,238	4,966	Because of the sales contract, the Group needed to bear the present obligations of the product quality warranties, and that an outflow of resources would be required to settle this obligations and the amount had been reliably estimated.
Restoration, rehabilitation and environmental provision	220,821	201,474	Because of the resource development contract, the Group needed to bear the present obligations of the restoration of the environment, and that an outflow of resources would be required to settle this obligations and the amount had been reliably estimated.
Onerous contract to be performed	225,243	182,893	It is probable that the performance of the present obligation arising from the Group's payment for expected contract loss due to the onerous contract to be performed will result in an outflow of economic benefits and reliable measurement of the obligation amount.
The separation and hand-over cost of "Special payables for water/power/gas supply and property"	259,243	417,759	In accordance with the requirement of Guo Ban Fa [2016] No.45, Cai Zi [2016] No.38, and other related management documents, the Group shall bear the current obligation formed during the separation and hand-over of "Special payables for water/power/gas supply and property". An outflow of resources would be required to settle this obligation and the amount had been reliably estimated.
Others	8,645	13,136	Others
Total	817,931	861,739	/

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Deferred income

All amounts in RMB'000

Items	31 December	Increase	Decrease	31 December	Reasons
	2018			2019	
Government grants	1,188,056	500,231	183,002	1,505,285	The government grants related to assets mainly include the investment subsidies for the purchase of new equipment and other production infrastructure; the government grants related to profits mainly include research subsidies.
Others	102,070	475	25,533	77,012	Others
Total	1,290,126	500,706	208,535	1,582,297	/

44. Other non-current liabilities

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Continuing involvement in liabilities (Note VII 5(5))	14,600	14,600
Total	14,600	14,600

45. Share capital

All amounts in RMB'000

Items	31 December 2018	Movements during the current year					Sub-total	31 December 2019
		Issue of new shares	Bonus issue	Shares converted from capital reserve	Others			
Total shares	20,723,619	-	-	-	-	-	20,723,619	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Other equity instruments

All amounts in RMB'000

Name of financial instrument	31 December 2018		Increase		Decrease		31 December 2019	
	Number (ten thousand)	Carrying amount	Number (ten thousand)	Carrying amount	Number (ten thousand)	Carrying amount	Number (ten thousand)	Carrying amount
2015 First Tranche of Interim Notes	5,000	4,925,000	-	-	-	-	5,000	4,925,000
Public Offering of Renewable Corporate Bonds in 2017 (First Tranche)	2,700	2,699,779	-	-	-	-	2,700	2,699,779
Public Offering of Renewable Corporate Bonds in 2017 (Second Tranche)	2,000	1,999,836	-	-	-	-	2,000	1,999,836
Public Offering of Renewable Corporate Bonds in 2017 (Third Tranche)	2,000	1,999,803	-	-	-	-	2,000	1,999,803
Public Offering of Renewable Corporate Bonds in 2017 (Fourth Tranche)	1,300	1,299,872	-	-	-	-	1,300	1,299,872
Renewable Financing Instruments in 2018	/	3,000,000	-	-	-	3,000,000	/	-
Renewable Financing Instruments of Generali China Asset Management in 2019 (a/)	/	-	-	3,000,000	-	-	/	3,000,000
Renewable Financing Instruments of Kunlun Trust in 2019 (b/)	/	-	-	8,000,000	-	-	/	8,000,000
2019 First Tranche of Renewable Financing Instrument of ICBC (c/)	/	-	-	1,000,000	-	-	/	1,000,000
2019 Second Tranche of Renewable Financing Instrument of ICBC (d/)	/	-	-	1,000,000	-	-	/	1,000,000
Total	13,000	15,924,290	-	13,000,000	-	3,000,000	13,000	25,924,290

As it is at the discretion of the Company to decide whether to redeem the above-mentioned medium-term notes or defer payments on the above-mentioned corporate bonds and renewable financing instruments, the above-mentioned renewable financing instruments' perpetuity remains in effect. Unless otherwise dictated by a compulsory interest payment occurrence that is independently decided and consequently controlled by the Company, the Company can choose, at its own discretion, to defer the current interest payment and previous deferred interests and related yields to next interest payment date without any limitation on the number of deferred interest payments, terms on interest rate step-ups do not constitute indirect obligations of paying cash or other financial assets as well, and the repayment order of such renewable financing instruments at the settlement is inferior to that of ordinary bonds and other debts issued by the Company. The Company believes that such renewable financing instruments do not meet the definition of financial liabilities and are accounted for as other equity instruments subsequent to deduction of related transaction costs from the total issue amount.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Other equity instruments (Continued)

- (a) The Company entered into a renewable financing contract with Generali China Asset Management Co., Ltd. in 2019, totaling RMB3,000,000,000. The Company has the financier redemption option and can choose to exercise the right of repayment on the corresponding expiration date of the 7th year, the 10th year or the expiration date of each year after the 10th year from the date (inclusive) when each tranche of investment funds is substantially transferred into the account designated by the Company. The renewable financing instrument does not include the contractual obligation to deliver cash or other financial assets to other parties, or to exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions. Therefore, the Company treats the renewable financing instruments as other equity instruments.
- (b) The Company entered into a renewable financing contract with Kunlun Trust Co., Ltd in 2019, totaling RMB8,000,000,000. The Company has the financier redemption option and can choose to exercise the right of repayment on the corresponding expiration date of the 5th year or the expiration date of each year after the 5th year from the initial day (inclusive) of investment income (i.e., the date when Kunlun Trust Co., Ltd. transfers investment funds to the Company). The renewable financing instrument does not include the contractual obligation to deliver cash or other financial assets to other parties, or to exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions. Therefore, the Company treats the renewable financing instruments as other equity instruments.
- (c) The Company entered into a renewable financing contract with Industrial and Commercial Bank of China Limited in 2019, totaling RMB1,000,000,000. The Company has the financier redemption option and can choose to exercise the right of repayment on the corresponding expiration date of the 2nd year or the expiration date of each year after the 2nd year from the date when the first tranche of investment funds is substantially transferred into the account designated by the Company. The renewable financing instrument does not include the contractual obligation to deliver cash or other financial assets to other parties, or to exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions. Therefore, the Company treats the renewable financing instruments as other equity instruments.
- (d) The Company entered into a renewable financing contract with Industrial and Commercial Bank of China Limited in 2019, totaling RMB1,000,000,000. The Company has the financier redemption option and can choose to exercise the right of repayment on the corresponding expiration date of the 3rd year or the expiration date of each year after the 3rd year from the date when the first tranche of investment funds is substantially transferred into the account designated by the Company. The renewable financing instrument does not include the contractual obligation to deliver cash or other financial assets to other parties, or to exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions. Therefore, the Company treats the renewable financing instruments as other equity instruments.

47. Capital reserve

All amounts in RMB'000

Items	31 December 2018	Increase	Decrease	31 December 2019
Share premium	22,467,142	–	–	22,467,142
Other capital reserve	25,534	–	16,228	9,306
Total	22,492,676	–	16,228	22,476,448

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Other comprehensive income

All amounts in RMB'000

Items	31 December 2018	Other comprehensive income before tax for the year	Amount for the current year				Less: Retained earnings transferred from other comprehensive income	31 December 2019
			Less: Amount included in other comprehensive income in the prior periods that is transferred to profit or loss for current period	Less: Income tax expenses	Attributable to owners of the Company, net of income tax	Attributable to non-controlling interests, net of income tax		
(II) Other comprehensive income that will not be reclassified to profit or loss	(318,897)	217,577	-	(10,908)	225,096	3,389	62,190	(155,991)
1. Changes in re-measurement of defined benefit obligations	(313,038)	157,846	-	(2,924)	163,322	(2,552)	-	(149,716)
2. Fair value changes in investments in other equity instruments	(5,859)	59,731	-	(7,984)	61,774	5,941	62,190	(6,275)
(III) Other comprehensive income that may be reclassified to profit or loss	106,755	(13,495)	-	(7,217)	(10,382)	4,104	-	96,373
1. Other comprehensive income that may be transferred to profit or loss under equity method	(550)	(3)	-	-	(5)	2	-	(555)
2. Changes in fair value of receivables at FVTOCI	-	(106,284)	-	(7,217)	(91,861)	(7,206)	-	(91,861)
3. Exchange differences on translating foreign operations	107,305	92,792	-	-	81,484	11,308	-	188,789
Total other comprehensive income	(212,142)	204,082	-	(18,125)	214,714	7,493	62,190	(59,618)

49. Special reserve

All amounts in RMB'000

Items	31 December 2018	Increase	Decrease	31 December 2019
Production safety fee	12,550	4,895,384	4,895,384	12,550
Total	12,550	4,895,384	4,895,384	12,550

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Surplus reserve

All amounts in RMB'000

Items	31 December 2018	Increase	Decrease	31 December 2019
Statutory surplus reserve	1,455,419	293,519	-	1,748,938
Total	1,455,419	293,519	-	1,748,938

- (a) In accordance with the *Company Law of the PRC* and the Company's Articles of Association, the Company appropriated 10% of the net profit to the statutory surplus reserve. When the accumulated amount of statutory surplus reserve reaches 50% of the Company's registered capital, further appropriation will not be needed. Upon the approval of the board, the statutory surplus reserve can be used to offset previous years' losses or increase the share capital. The Company appropriated 10% of the net profit, amounting to RMB293,519,000 for the year ended 31 December 2019 (for the year ended 31 December 2018: RMB116,804,000), to the statutory surplus reserve.

51. Retained earnings

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Retained earnings at the beginning of the year	23,546,950	19,864,694
Add: Net profit attributable to shareholders of the parent company for the current year	6,599,712	6,371,580
Other comprehensive income carried forward to retained earnings	62,190	(12,278)
Less: Appropriation to surplus reserve (<i>Note VII 50 (a)</i>)	293,519	116,804
Less: Declaration of dividends on ordinary shares (<i>a</i>)	1,450,653	1,409,206
Declaration of dividends on perpetual bonds (<i>c</i>)	1,341,182	1,151,036
Retained earnings at the end of the year (<i>b</i>)/(<i>c</i>)	27,123,498	23,546,950

- (a) In accordance with the resolution at the 2018 annual general meeting of shareholders on 26 June 2019, a final cash dividend of RMB0.70 (inclusive of tax) for every ten shares was approved after the appropriation to statutory surplus reserve, which amounted to RMB1,450,653,000. These dividends have been paid in the current year.
- (b) As at 31 December 2019, retained earnings of the Group contained statutory surplus reserve of subsidiaries of the parent company amounting to RMB12,347,493,000 (as at 31 December 2018: RMB11,421,725,000).
- (c) For the year ended 31 December 2019, dividends on perpetual bond amounted to RMB1,341,182,000 (2018: RMB1,151,036,000). As at 31 December 2019, retained earnings contained no interests belonging to the perpetual bond holders (as at 31 December 2018: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Operating revenue and operating costs

(1) Operating revenue and operating costs

All amounts in RMB'000

Items	Amount for the current year		Amount for the prior year	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Principal business	337,588,847	298,705,458	288,286,154	252,375,726
Other business	1,048,762	541,657	1,248,369	746,240
Total	338,637,609	299,247,115	289,534,523	253,121,966

(2) The segment information of operating revenue and operating costs for the year ended 31 December 2019 is set out in Note XV 1.

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

The total amount of operating revenue from the top five largest customers of the Group is RMB17,297,429,000 (for the year ended 31 December 2018: RMB10,463,667,000), accounting for 5.11% of the total operating revenue of the Group (for the year ended 31 December 2018: 3.61%). The details are set out below:

All amounts in RMB'000

Customers	Operating revenue	As a percentage of total operating revenue of the Group (%)
Party 1	7,402,176	2.19
Party 2	3,263,144	0.96
Party 3	2,941,655	0.87
Party 4	1,859,618	0.55
Party 5	1,830,836	0.54
Total	17,297,429	5.11

(4) The engineering contracting services provided by the Group generally constitutes a single performance obligation as a whole and is performed over time. As at 31 December 2019, some of the Group's engineering contracting service contracts are still in the process of performance, the transaction price allocated to the outstanding (or partially unperformed) performance obligations is related to the performance progress of each service contract, and will be recognized as revenue in the future performance period of each contract based on the performance progress.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Taxes and levies

All amounts in RMB'000

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

54. Selling expenses

All amounts in RMB'000

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Administrative expenses

All amounts in RMB'000

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

The administrative expenses for the current year include audit fees of RMB20,350,000 (for the year ended 31 December 2018: RMB23,400,000), among which audit fees for internal control for the current year amounted to RMB2,000,000 (for the year ended 31 December 2018: RMB2,700,000).

56. Research and development expenditure

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Research and development material expenditure	6,370,730	4,255,315
Employee benefits	2,835,670	2,337,613
Depreciation of fixed assets	123,618	96,696
Amortization of intangible assets	18,646	17,027
Others	585,780	476,015
Total	9,934,444	7,182,666

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. Financial expenses

All amounts in RMB'000

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

58. Other income

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Government grants related to routine activities	209,712	228,241
Others	32,233	9,412
Total	241,945	237,653

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

59. Investment losses

All amounts in RMB'000

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

Note: For the current year, the Group's investment losses due to the transfer of bank acceptance bills and accounts receivable measured by amortized cost to financial institutions in the form of discount, non-recourse protection factoring and asset securitization were RMB945,269,000 (for the period ended 31 December 2018: RMB334,841'000).

60. (Losses) gains from changes in fair values

All amounts in RMB'000

Sources	Amount for the current year	Amount for the prior year
Gains arising on changes in fair value of financial assets held for trading	(11,718)	22,482
(Losses) Gains arising on changes in fair value of derivative financial assets	(1,964)	2,365
Losses arising on changes in fair value of derivative financial liabilities	(3,734)	(496)
Gains arising on changes in fair value of other non-current financial assets	4,606	4,648
Total	(12,810)	28,999

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Impairment losses of credit

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Credit losses of bills receivable (Note VII 4(4))	8,550	(17,920)
Credit losses of accounts receivable (Note VII 5(3))	(598,022)	(657,806)
Credit losses of other receivables (Note VII 8(4)(b))	(959,297)	(859,231)
Impairment losses of contract assets (Note VII 10(2))	(825,583)	(954,257)
Credit losses of long-term receivables (Note VII 13(2))	(44,187)	(182,124)
Total	(2,418,539)	(2,671,338)

62. Impairment losses of assets

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
I. Impairment of inventories (Note VII 9(2))	(394,535)	(276,513)
II. Impairment of long-term equity investments (Note VII 14)	(98,855)	(154,830)
III. Impairment of investment properties (Note VII 17(1))	–	(21,471)
IV. Impairment of fixed assets (Note VII 18(1))	(374,222)	(352,353)
V. Impairment of construction in progress (Note VII 19(2)(c))	(70,481)	(4,212)
VI. Impairment of intangible assets (Note VII 21)	–	(352,179)
VII. Impairment of goodwill (Note VII 22(2))	(1,656)	(266)
VIII. Others	–	(3,326)
Total	(939,749)	(1,165,150)

63. Gains on disposal of assets

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Gains on disposal of fixed assets	69,919	134,436
(Losses) Gains on disposal of intangible assets	(2,109)	3,979
Total	67,810	138,415

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. Non-operating income

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year	Recognized in non-recurring profit or loss for the current period
Income from penalty	24,523	75,294	24,523
Government grants irrelevant to routine activities	212,022	158,159	212,022
Unpayable balances	142,918	70,163	142,918
Others	144,314	146,250	144,314
Total	523,777	449,866	523,777

65. Non-operating expenses

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year	Recognized in non-recurring profit or loss for the current period
Fines and surcharges for overdue payments	23,854	64,486	23,854
Compensation and default payments	26,748	53,129	26,748
The separation and hand-over cost of "Special payables for water/power/gas supply and property"	—	559,367	—
Others	33,433	80,454	33,433
Total	84,035	757,436	84,035

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

66. Income tax expenses

(1) Income tax expenses

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Current year tax expenses	2,689,518	2,526,598
Deferred tax expenses	(484,179)	(572,761)
Total	2, 205,339	1,953,837

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

All amounts in RMB'000

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

67. Other comprehensive income

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
(I) Other comprehensive income that will not be reclassified to profit or loss		
1. Changes in re-measurement of defined benefit obligations	157,846	(217,676)
Less: Income tax effects on changes in re-measurement of defined benefit obligations	(2,924)	(14,661)
Sub-total	160,770	(203,015)
2. Fair value changes of investments in other equity instruments	59,731	(161,096)
Less: Income tax effects arising from fair value changes of investments in other equity instruments	(7,984)	(44,049)
Sub-total	67,715	(117,047)
(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	(3)	5
Less: Effect of income tax incurred by other comprehensive income under equity method	-	-
Sub-total	(3)	5
2. Changes in fair value of receivables at FVTOCI	(106,284)	-
Less: Effect of changes in fair value of receivables at FVTOCI on income tax	(7,217)	-
Sub-total	(99,067)	-
3. Exchange differences on translating foreign operations	92,792	255,769
Total	222,207	(64,288)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

68. Notes to items in the cash flow statements

(1) Other cash receipts relating to operating activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Receipts of deposits and guarantee funds	421,270	55,149
Interest income	644,309	499,246
Recovery of receivables	1,093,634	1,757,178
Government grants received	923,443	583,539
Petty cash funds returned by employees	27,380	45,897
Others	393,197	555,175
Total	3,503,233	3,496,184

(2) Other cash payments relating to operating activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Payments of deposits and guarantee funds	1,453,958	4,051,091
Research and development expenses	6,954,543	4,730,657
Payments for retirement benefits	392,480	449,446
Travelling expenses	612,512	576,420
Office expenses	897,969	502,405
Repair and maintenance expenses	132,784	171,899
Advertising and sales service expenses	413,857	393,652
Settlements for payables	474,000	620,313
Conference expenses and association fees	11,867	14,129
Others	277,217	495,070
Total	11,621,187	12,005,082

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

68. Notes to items in the cash flow statements (Continued)

(3) Other cash receipts relating to investing activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Interest income from loans	1,400,196	1,266,874
Recovery of loans to related parties	866,986	–
Total	2,267,182	1,266,874

(4) Other cash payments relating to investing activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Providing loans to related parties	–	303,286
Total	–	303,286

(5) Other cash payments relating to financing activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Redemption of perpetual medium-term notes	3,000,000	5,000,000
Increase in restricted deposits	536,462	4,196,812
Payments for lease liabilities	185,031	–
Transactions with non-controlling interests	44,500	–
Settlements of finance lease obligations	–	276,934
Total	3,765,993	9,473,746

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

69. Supplementary information to the cash flow statements

(1) *Supplementary information to the cash flow statements*

All amounts in RMB'000

Supplementary information	Amount for the current year	Amount for the prior year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	7,576,819	7,570,607
Add: Provision for impairment losses of assets and credit losses	3,358,288	3,836,488
Depreciation of fixed assets and right-of-use assets, and amortization of investment properties	2,834,633	2,396,610
Amortization of intangible assets	487,170	462,853
Amortization of long-term prepayments	62,440	79,672
Gains on disposal of fixed assets, intangible assets and other long-term assets	(67,810)	(138,415)
Losses on written-off of fixed assets	11,374	9,408
Losses (gains) from changes in fair value	12,810	(28,999)
Financial expenses	2,802,509	3,460,063
Investment income	(382,312)	(375,980)
Increase in deferred tax assets	(457,633)	(569,707)
Decrease in deferred tax liabilities	(26,545)	(3,054)
(Increase) decrease in inventories	(3,343,421)	62,326,114
Increase in contract assets	(6,891,092)	(69,591,089)
Increase in contract liabilities	5,677,677	58,918,293
Decrease (increase) in receivables from operating activities	1,009,591	(6,270,942)
Increase (decrease) in payables from operating activities	4,913,435	(48,031,952)
Net cash flows from operating activities	17,577,933	14,049,970
2. Significant non-cash investing and financing activities:		
None		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	31,814,900	33,151,002
Less: Opening balance of cash	33,151,002	36,464,134
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net decrease in cash and cash equivalents	(1,336,102)	(3,313,132)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

69. Supplementary information to the cash flow statements (Continued)

(2) Net cash received from disposal of subsidiaries in the current year

All amounts in RMB'000

Items	Amount
Cash and cash equivalents received from disposal of subsidiaries in the current year	364,611
Less: cash and cash equivalents held by subsidiaries on the date of loss of control	68,431
Add: cash and cash equivalents received from disposal of subsidiaries in the previous year	–
Net cash received from disposal of subsidiaries	<u>296,180</u>

(3) The composition of cash and cash equivalents

All amounts in RMB'000

Items	31 December 2019	31 December 2018
I. Cash	31,814,900	33,151,002
Including: Cash on hand	18,581	18,910
Bank deposits without restriction	30,757,024	31,202,801
Other cash and bank balances without restriction	1,039,295	1,929,291
II. Cash equivalents	–	–
III. Closing balance of cash and cash equivalents	31,814,900	33,151,002
Including: Cash and cash equivalents of the Company or within the Group with restriction	–	–

FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

70. Assets with title restrictions

All amounts in RMB'000

Items	31 December 2019	Reasons
Cash and bank balances	11,862,762	Freeze/Control
Bills receivable	1,858,611	Pledge
Bills receivable	890,271	Endorsed or discounted
Accounts receivable	3,752,363	Pledge
Receivables at FVTOCI	1,084,951	Pledge
Inventories	4,357,587	Mortgage
Investment properties	384,940	Mortgage
Fixed assets	331,291	Mortgage
Fixed assets	194,056	Others-Freeze
Intangible assets	2,106,442	Mortgage
Total	26,823,274	/

FINANCIAL STATEMENTS

For the year ended 31 December 2019

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

71. Foreign currencies denominated items

(1) *Foreign currencies denominated items*

All amounts in RMB'000

Items	Foreign currency at 31 December 2019	Exchange rate	RMB at 31 December 2019
Cash and bank balances			8,344,642
Including: USD	978,087	6.9762	6,823,328
EUR	14,440	7.8155	112,859
AUD	52,285	4.8843	255,377
HKD	41,097	0.8958	36,815
RMB	43,975	1.0000	43,975
Others	/	/	1,072,288
Accounts receivable			1,011,542
Including: USD	98,844	6.9762	689,556
AUD	1,000	4.8843	4,884
Others	/	/	317,102
Other receivables			4,352,360
Including: USD	496,130	6.9762	3,461,100
AUD	77,764	4.8843	379,824
RMB	117,649	1.0000	117,649
Others	/	/	393,787
Short-term borrowings			4,608,407
Including: USD	628,000	6.9762	4,381,054
Others	/	/	227,353
Accounts payable			526,842
Including: USD	4,410	6.9762	30,762
EUR	10,544	7.8155	82,406
RMB	33,057	1.0000	33,057
Others	/	/	380,617
Other payables			7,317,008
Including: USD	754,110	6.9762	5,260,819
AUD	39,096	4.8843	190,958
RMB	115,411	1.0000	115,411
Others	/	/	1,749,820

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

71. Foreign currencies denominated items (Continued)

(2) Notes for the foreign operations

Full name of the major foreign operations	Place of business	Reporting currency	The basis of selecting functional currency
MCC Minera Sierra Grande S.A	Argentina	Argentine Peso	The functional currency of the overseas subsidiaries is selected based on the primary economic environment where they operate.
MCC Mining (Western Australia) Pty Ltd.	Australia	US Dollar	
MCC Australia Holding Pty Ltd.	Australia	Australian Dollar	
MCC Tongsin Resources Ltd.	Pakistan	US Dollar	
MCC Holding (Hong Kong) Corporation Limited	Hong Kong, China	US Dollar	
MCC Ramu NiCo Ltd.	Papua New Guinea	US Dollar	

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

72. Government grants

(1) Basic information of government grants

All amounts in RMB'000

Government grants	Category	Amount received in the current year	Presenting items	Amount recognized in profit or loss
Chengdu Chenghua District Relocation Subsidy	Income related	320,000	Deferred income	-
Compensation for Relocation of Suzhou Industrial Park	Income related	49,381	Non-operating income	49,381
Subsidy from Resource Management Division of Ministry of Science and Technology for restructuring of research institutes	Income related	48,899	Deferred income/administrative expenses	47,343
Compensation for construction site requisition	Asset related	42,837	Deferred income/other income	1,244
Development Subsidy of Finance Bureau, Baoshan District, Shanghai	Income related	20,000	Other income	20,000
Pension expenditure to retirees allocated from the Ministry of Science and Technology	Income related	17,005	Non-operating income	17,005
Unemployment Insurance Subsidy	Income related	13,239	Other income	13,239
VAT Tax Refund	Income related	9,503	Other income	9,503

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

72. Government grants (Continued)

(1) *Basic information of government grants (Continued)*

All amounts in RMB'000

Government grants	Category	Amount received in the current year	Presenting items	Amount recognized in profit or loss
Emergency Job Stabilization Subsidy of Luoyang Social Insurance Administration in 2019	Income related	8,237	Non-operating income	8,237
Government subsidy for environmental tax	Income related	6,757	Other income	6,757
			Deferred income/ operating cost/ administrative expense/ Other income/ non-operating income/financial expenses/ Research and development expenses	
Others	Asset related/ Income related	387,585		433,506
Total	/	923,443	/	606,215

(2) *During the reporting period, the Group has no returned government grants.*

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VIII. CHANGES OF THE SCOPE OF CONSOLIDATION

1. Disposal of subsidiaries

(1) Disposal of subsidiaries through single transaction

All amounts in RMB'000

Name of the subsidiary	Sales proceeds	Percentage of equity interest disposed (%)	Method of disposal	Disposal date	The basis of determining disposal date	The difference between disposal consideration and shares of net assets of the corresponding subsidiaries at the date of disposal	Proportion of the retained interests on disposal date (%)	Carrying amount of the retained interests on disposal date	Fair value of the retained interests on disposal date	Amounts recognized in profit or loss from re-measuring retained interests in accord with its fair value	Key factors and assumptions used in determining the fair value on disposal date	Cumulative gain reclassified from other comprehensive income to profit or loss on disposal
Entity 1	364,611	80.00	Negotiating transfer	2019-09-30	The date of actual loss of control	113,091	-	-	-	-	N/A	-

The Group achieved gains of RMB113,091,000 arising on losing control of above subsidiaries, which was presented in investment income in the consolidated financial statements (Note VII59). The Group achieved net cash inflow of RMB296,180,000 arising on losing control of above subsidiaries.

2. Change of consolidation scope for other reasons

For this reporting period, except for the MCC Urban Investment Holding Co., Ltd. which was newly established through investments, there was no other significant change of the scope of the consolidation.

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IX. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) The constitution of the Group

Details of subsidiaries of the Group:

Name of subsidiary	Place of business	Place of establishment/ incorporation	Business scope	Proportion of ownership interest (%)		Method of getting the subsidiary
				Direct	Indirect	
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	China	Anshan	EPC	87.81	-	Invested by shareholders
Northern Engineering & Technology Corporation, MCC	China	Anshan	EPC	91.26	-	Invested by shareholders
China MCC 3 Group Co., Ltd.	China	Anshan	Engineering contracting	100.00	-	Invested by shareholders
Shen Kan Engineering & Technology Corporation, MCC	China	Shenyang	Investigation, design	100.00	-	Invested by shareholders
MCC Overseas Ltd.	China	Beijing	Engineering contracting	100.00	-	Invested by shareholders
MCC Communication Construction Group Co., Ltd.	China	Beijing	Infrastructure contractor	100.00	-	Invested by shareholders
MCC International Incorporation Ltd.	China	Beijing	Engineering contracting	100.00	-	Invested by shareholders
Ramu NiCo Management (MCC) Ltd.	Papua New Guinea	Papua New Guinea	Nickel cobalt ore mining and smelting	100.00	-	Invested by shareholders
MCC Finance Corporation Ltd.	China	Beijing	Finance	86.13	12.49	Invested by shareholders
MCC Tongsin Resources Ltd.	Pakistan	British Virgin Islands	Resource development	100.00	-	Invested by shareholders
MCC-JJJ Mining Development Company Limited	China	Beijing	Resource development	67.02	-	Invested by shareholders
MCC Capital Engineering & Research Incorporation Limited	China	Beijing	EPC	88.89	-	Invested by shareholders
MCC Real Estate Group Co., Ltd.	China	Beijing	Property development	100.00	-	Invested by shareholders
China 13th Metallurgical Construction Corporation	China	Taiyuan	Engineering contracting	100.00	-	Invested by shareholders
MCC TianGong Group Corporation Limited	China	Tianjin	Engineering contracting	98.53	-	Invested by shareholders

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IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

Details of subsidiaries of the Group: (Continued)

Name of subsidiary	Place of business	Place of establishment/ incorporation	Business scope	Proportion of ownership interest (%)		Method of getting the subsidiary
				Direct	Indirect	
China 22MCC Group Co., Ltd.	China	Tangshan	Engineering contracting	100.00	-	Invested by shareholders
China ENFI Engineering Co., Ltd.	China	Beijing	EPC	100.00	-	Invested by shareholders
China Second Metallurgical Group Corporation Limited	China	Baotou	Engineering contracting	100.00	-	Invested by shareholders
Central Research Institute of Building and Construction Co., Ltd.	China	Beijing	EPC	100.00	-	Invested by shareholders
China Huaye Group Co., Ltd.	China	Beijing	Engineering contracting	100.00	-	Invested by shareholders
Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	China	Beijing	EPC	100.00	-	Invested by shareholders
CISDI Group Co., Ltd.	China	Chongqing	Design, service	100.00	-	Invested by shareholders
China MCC 5 Group Co., Ltd.	China	Chengdu	Engineering contracting	98.58	-	Invested by shareholders
China Metallurgical Construction Engineering Group Co., Ltd.	China	Chongqing	Engineering contracting	100.00	-	Invested by shareholders
China MCC 19 Group Co., Ltd.	China	Panzhuhua	Engineering contracting	100.00	-	Invested by shareholders
MCC Baosteel Technology Services Co., Ltd.	China	Shanghai	Repair work	59.65	20.89	Invested by shareholders
China MCC 20 Group Co., Ltd.	China	Shanghai	Engineering contracting	69.00	-	Invested by shareholders
Shanghai Baoye Group Co., Ltd.	China	Shanghai	Engineering contracting	97.93	0.80	Invested by shareholders
Huatian Engineering & Technology Corporation, MCC	China	Ma'anshan	EPC	85.10	-	Invested by shareholders
China MCC 17 Group Co., Ltd.	China	Ma'anshan	Engineering contracting	72.39	-	Invested by shareholders

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IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

Details of subsidiaries of the Group: (Continued)

Name of subsidiary	Place of business	Place of establishment/ incorporation	Business scope	Proportion of ownership interest (%)		Method of getting the subsidiary
				Direct	Indirect	
China MCC International Economic and Trade Co., Ltd.	China	Shanghai	Trading	54.58	40.99	Invested by shareholders
WISDRI Engineering & Research Incorporation Limited	China	Wuhan	EPC	83.08	-	Invested by shareholders
China First Metallurgical Group Co., Ltd.	China	Wuhan	Engineering contracting	93.07	-	Invested by shareholders
Zhong Ye Chang Tian International Engineering Co., Ltd.	China	Changsha	EPC	92.61	-	Invested by shareholders
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	China	Wuhan	Investigation, design	100.00	-	Invested by shareholders
MCC-SFRE Heavy Industry Equipment Co., Ltd.	China	Xi'an	Metallurgy equipment manufacture	71.47	-	Invested by shareholders
MCC Mining (Western Australia) Pty Ltd.	Australia	Australia	Resource development	100.00	-	Invested by shareholders
MCC Australia Holding Pty Ltd.	Australia	Australia	Resource development	100.00	-	Invested by shareholders
MCC Holding (Hong Kong) Corporation Limited (i)(ii)	China	Hong Kong, China	Others	100.00	-	Established through investments
MCC Financial Leasing Co., Ltd.	China	Zhuhai	Finance lease	51.00	49.00	Established through investments
MCC Inner Mongolia Construction Investment Co., Ltd.	China	Hohhot	Engineering contracting	100.00	-	Established through investments

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IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

Details of subsidiaries of the Group: (Continued)

Name of subsidiary	Place of business	Place of establishment/ incorporation	Business scope	Proportion of ownership interest (%)		Method of getting the subsidiary
				Direct	Indirect	
MCC South China Construction Investment Co., Ltd.	China	Shenzhen	Engineering contracting	51.00	-	Established through investments
MCC Rail Transit Co., Ltd.	China	Langfang	Engineering contracting	100.00	-	Established through investments
MCC Zhongyuan Construction Investment Co., Ltd.	China	Zhengzhou	Engineering contracting	100.00	-	Established through investments
MCC Integrated Pipe Network Technology & Development Co., Ltd.	China	Baoding	Project contracting, Integrated pipe network technology development, etc.	100.00	-	Established through investments
MCC Vietnam Engineering Technology Co., Ltd.	Vietnam	Vietnam	Engineering contracting	100.00	-	Established through investments
MCC (Hainan) Investment Development Co., Ltd.	China	Hainan	Engineering contracting	60.00	37.23	Established through investments
MCC Urban Investment Holding Co., Ltd.	China	Guangdong	Engineering contracting	60.00	-	Established through investments

Note:

- (i) At 31 December 2019, except for the Company and MCC Holding (Hong Kong) Corporation Limited (the "MCC Hong Kong"), other subsidiaries have not issued any bond. None of the subsidiaries of the Company have issued share capital.
- (ii) MCC Hong Kong, one of the Company's subsidiary, issued overseas perpetual bonds in 2018. The amounts received after deducting relative transaction costs are recognized in other equity instruments and presented under the headline of minority interests in the consolidated financial statements. At 31 December 2019, the closing balance of this minority interest is RMB3,296,390,000.
- (a) There is no difference between proportion of ownership interest and proportion of voting power in subsidiaries in the current period.

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IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

(b) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights, and the grounds for not controlling the investees of which the Group is holding more than half of the voting rights

(i) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights

Name of investee	The proportion of voting power (%)	The reason for forming part of consolidation scope
Qingdao JinZe HuaDi Real Estate Development Co., Ltd.	50.00	According to the agreement among shareholders, the Group can control the investee.
Beijing Jinwei Soldering Material Co., Ltd.	45.00	According to the rules as agreed in the articles of association, the Group can control the investee.
Shenzhen Qianhai Public Safety Science Research Institute Co., Ltd	45.00	According to the rules as agreed in the articles of association, the Group can control the investee.
Jingjinji MCC Minxin Infrastructure Construction Co., Ltd.	30.00	According to the agreement among shareholders, the Group can control the investee.
Wuhan Zhongyi Communication Construction Co., Ltd.	25.10	According to the agreement of shareholding entrustment, the Group can control the investee.

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IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

(b) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights, and the grounds for not controlling the investees of which the Group is holding more than half of the voting rights (Continued)

(ii) The grounds for not controlling the investees in which the Group holds more than half of the voting rights

Name of investee	The proportion of voting power (%)	The reason for forming part of consolidation scope
Fuzhou MCC Infrastructure Investment Co., Ltd.	90.00	The other shareholder has one vote of veto, accounted for as a joint venture
Zhongshan MCC Cuicheng Street Integrated Pipe Network Co.,Ltd.	90.00	The other shareholder can decide the related activities of name of investee, accounted for as an associate
Tianjin Mingjin MCC Real Estate Co., Ltd.	80.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Zhengzhou Baoye Zhicheng Pipe Network Construction and Management Co., Ltd.	80.00	Each shareholder has one vote of veto, accounted for as a joint venture
Zhuzhou Beihuan Dafeng Municipal Construction Co., Ltd.	80.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd.	70.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture (Note IX 2(1))
Xuzhou MCC Chengdong Express Way Co., Ltd.	70.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture

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IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

(b) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights, and the grounds for not controlling the investees of which the Group is holding more than half of the voting rights (Continued)

(ii) The grounds for not controlling the investees in which the Group holds more than half of the voting rights (Continued)

Name of investee	The proportion of voting power (%)	The reason for forming part of consolidation scope
Ba Zhong Sheng Rong Construction Investment Management Co., Ltd.	68.83	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Ba Zhong De Rong Construction Engineering Management Co., Ltd.	68.82	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Wuzhong City Underground Integrated Pipe Network Co., Ltd.	66.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Anshan MCC Jiantou Xinggang Development Co., Ltd.	65.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Anshan MCC Jiantou Gangcheng Development Co., Ltd.	65.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Yinchuan Binhe New Area Water Center Management Co., Ltd.	60.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture

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IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

(b) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights, and the grounds for not controlling the investees of which the Group is holding more than half of the voting rights (Continued)

(ii) The grounds for not controlling the investees in which the Group holds more than half of the voting rights (Continued)

Name of investee	The proportion of voting power (%)	The reason for forming part of consolidation scope
Beijing New Century Restaurant Co., Ltd.	60.00	Each shareholder has one vote of veto, accounted for as a joint venture
MCC real estate group Xianghe Mingxin Real Estate Development Co., Ltd.	60.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Xing Long County MCC Minglu Real Estate Development Co., Ltd.	60.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Guizhou Ziwang Highway Construction Co., Ltd.	59.96	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture (Note IX 2(1))
Guizhou Sanli Highway Construction Co., Ltd.	59.95	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture (Note IX 2(1))
Guizhou Sanshi Highway Construction Co., Ltd.	59.90	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture (Note IX 2(1))

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IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

- (b) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights, and the grounds for not controlling the investees of which the Group is holding more than half of the voting rights (Continued)
- (ii) The grounds for not controlling the investees in which the Group holds more than half of the voting rights (Continued)

Name of investee	The proportion of voting power (%)	The reason for forming part of consolidation scope
Sanya MCC Minglan Development Co., Ltd.	55.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Ningcheng County HongDa Mining Co., Ltd.	54.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Zhuhai MCC Jianxin Investment Management Partnership (LP)	51.01	Other shareholders can control the investee's activities, accounted for as an associate
MCC Rong Xing Building Materials(Chengdu) Co., Ltd.	51.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as an associate
Zhuhai MCC Huafumingwan Real Estate Co., Ltd.	51.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Zhongye Tap Water (Zhumadian) Co., Ltd.	51.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture

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IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

(b) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights, and the grounds for not controlling the investees of which the Group is holding more than half of the voting rights (Continued)

(ii) The grounds for not controlling the investees in which the Group holds more than half of the voting rights (Continued)

Name of investee	The proportion of voting power (%)	The reason for forming part of consolidation scope
Lahore Xingzhong Renewable Energy Co. Ltd	51.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Hangzhou MCC Mingze Real Estate Development Co., Ltd.	51.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	51.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Baoye Yonglian (Jiangsu) Construction Technology Co., Ltd	51.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture

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IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(2) Material non-controlling interests

All amounts in RMB'000

Company name	Proportion of equity interest held by non-controlling interests (%)	Profit or loss attributable to non-controlling interests in the current year	Declaration of cash dividends to non-controlling interests	Non-controlling interests at the end of the year
WISDRI Engineering & Research Incorporation Limited	16.92	146,707	24,015	1,760,636
China MCC 20 Group Co., Ltd.	31.00	37,237	4,308	1,488,621
China First Metallurgical Group Co., Ltd.	6.93	33,782	13,592	1,264,097
China MCC 17 Group Co., Ltd.	27.61	208,267	61,730	1,229,470
MCC Capital Engineering & Research Incorporation Limited	11.11	33,232	33,371	510,573

- (a) Except for the situation disclosed in Note IX 1(1) (b), there is no significant difference between proportion of ownership interest and proportion of voting power in subsidiaries in the current reporting period.

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IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(3) Summarized financial information of subsidiaries with material non-controlling interests

All amounts in RMB'000

Name of subsidiary	31 December 2019						31 December 2018					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
WISDRI Engineering & Research Incorporation Limited	15,009,774	5,357,116	20,366,890	13,159,282	303,202	13,462,484	13,985,118	4,861,734	18,846,852	12,149,148	195,477	12,344,625
China MCC 20 Group Co., Ltd.	22,861,440	3,882,290	26,743,730	21,338,036	380,130	21,718,166	22,446,461	4,143,198	26,589,659	21,288,685	402,300	21,690,985
China First Metallurgical Group Co., Ltd.	18,311,202	3,670,297	21,981,499	15,508,329	1,673,716	17,182,045	19,047,244	3,689,004	22,736,248	16,238,340	1,587,039	17,825,379
China MCC 17 Group Co., Ltd.	16,346,334	2,718,432	19,064,766	13,796,565	826,834	14,623,399	16,171,139	2,173,922	18,345,061	13,896,001	534,562	14,430,563
MCC Capital Engineering & Research Incorporation Limited	13,619,325	3,177,391	16,796,716	12,367,923	173,860	12,541,783	12,126,373	3,203,006	15,329,379	10,836,782	200,368	11,037,150

All amounts in RMB'000

Name of subsidiary	Amount for the current year				Amount for the prior year			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
WISDRI Engineering & Research Incorporation Limited	13,395,757	527,031	527,710	99,524	11,040,171	424,525	405,930	1,780,495
China MCC 20 Group Co., Ltd.	27,519,015	127,502	131,198	283,777	21,159,448	459,177	599,488	707,290
China First Metallurgical Group Co., Ltd.	21,017,438	409,549	425,055	891,935	17,674,359	468,787	485,780	952,485
China MCC 17 Group Co., Ltd.	26,094,877	754,179	750,449	793,371	21,365,274	602,173	595,464	625,866
MCC Capital Engineering & Research Incorporation Limited	11,979,494	140,558	123,177	1,626,304	9,234,804	243,300	230,097	1,090,633

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IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates

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

Name of joint ventures and associates	Principal place of operation	Place of establishment	Principal activities	Proportion of ownership interest held by the Group (%)		Accounting method
				Direct	Indirect	
Guizhou Sanli Highway Construction Co., Ltd.	China	Qiannan Buyi and Miao Autonomous Prefecture	Highway investment and development	59.95	-	Equity method
Guizhou Ziwang Highway Construction Co., Ltd.	China	Anshun	Highway investment and development	59.96	-	Equity method
Guizhou Sanshi Highway Construction Co., Ltd.	China	Qiandongnan Miao and Dong Autonomous Prefecture	Highway investment and development	59.90	-	Equity method
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd.	China	Yinchuan	Construction and operation of comprehensive pipe network	70.00	-	Equity method
Beijing New Century Restaurant Co., Ltd.	China	Beijing	Hotel service	60.00	-	Equity method
Zhuhai MCC Jianxin Investment Management Partnership (LP)	China	Zhuhai	Investment management	51.01	-	Equity method
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	China	Yingkou	Special steel production and equipment manufacturing	48.96	-	Equity method
Tianjin SERI Machinery Equipment Corporation Ltd.	China	Tianjin	Equipment manufacturing	50.00	-	Equity method
Beijing City Vice-Center Investment Fund Partnership (Limited Partnership)	China	Beijing	Investment management	13.88	-	Equity method
Shiyan Baoye Urban Construction Co., Ltd.	China	Shiyan	Municipal road construction and operation	47.98	-	Equity method

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

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IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

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

- (a) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees, and the grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence.
- (i) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees

Name of investee	The proportion of voting power (%)	Reason for having significant influence
Hunchun Yilianda Pipe Network Construction Management Co., Ltd.	19.90	Representative is appointed on the board of directors of the investee
Erlian Haote Xinye Yixin Infrastructure Construction and Operation Co., Ltd.	19.68	Representative is appointed on the board of directors of the investee
Tianjin MCC Heyuan Real Estate Co., Ltd.	19.00	Representative is appointed on the board of directors of the investee
Tianjin Yuanda Xingchen Residential Industry Co., Ltd.	18.89	Representative is appointed on the board of directors of the investee
Meizhou Pingye Highway Construction Co., Ltd.	18.00	Representative is appointed on the board of directors of the investee
Changsha Happy Ocean Park Co., Ltd.	16.00	Representative is appointed on the board of directors of the investee
Huixian Yushi Infrastructure Investment Co., Ltd.	16.00	Representative is appointed on the board of directors of the investee
Tongren Jingjiang Cultural Tourism Co., Ltd.	15.10	Representative is appointed on the board of directors of the investee
Kunming MCC Urban Construction Co., Ltd.	15.00	Representative is appointed on the board of directors of the investee
Binhai County Panxi Public Infrastructure Investment and Construction Co., Ltd.	15.00	Representative is appointed on the board of directors of the investee
Jiangxi Shangli Jiasheng City Construction Development Co., Ltd.	15.00	Representative is appointed on the board of directors of the investee
Qingyang Longjie sponge city construction management and Operation Co., Ltd.	15.00	Representative is appointed on the board of directors of the investee
Anyang MCC Pu'an Highway Engineering Co., Ltd	15.00	Representative is appointed on the board of directors of the investee
Baiyin Integrated Pipe Network Management Co., Ltd.	14.29	Representative is appointed on the board of directors of the investee

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IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

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

- (a) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees, and the grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence. (Continued)
- (i) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees (Continued)

Name of investee	The proportion of voting power (%)	Reason for having significant influence
Changchun Runde Construction Project Management Co., Ltd.	13.54	Representative is appointed on the board of directors of the investee
Beijing City Vice-Center Investment Fund Partnership (Limited Partnership)	13.88	Represented in the Investment Committee of the investee
Changji City Haichang Project Management Co., Ltd.	13.00	Representative is appointed on the board of directors of the investee
Yuhuan Tianshang Construction and Development Co., Ltd.	12.20	Representative is appointed on the board of directors of the investee
Shangqiu City Tiangong Engineering Management Co., Ltd.	12.00	Representative is appointed on the board of directors of the investee
Jiayang MCC Xiongzhou City Development Co., Ltd.	11.00	Representative is appointed on the board of directors of the investee
Leshan City Legao Urban Construction Engineering Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Chuzhou Kangjian Sports Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Chongqing Xiema East& West Main Line Construction Engineering Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Yichun MCC Tiangong Xiujiang Real Estate Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Nanchong Shunjian Urban Construction Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Luxi Huarui Construction Engineering Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Cangnan Zhonggong Construction and Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee

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IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

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

- (a) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees, and the grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence. (Continued)
- (i) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees (Continued)

Name of investee	The proportion of voting power (%)	Reason for having significant influence
Nanchong Shunye Investment and Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Yiyang MCC Science and Industry Infrastructure Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Jianyang Zhongye Tianshun Construction Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Qingdao Qingping Olympic Sports Engineering Construction Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Foshan Jianxin Infrastructure Construction Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Zhangpu Chengye Construction Investment Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Nanjing Laoshan Shijiu Infrastructure Construction Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Mianyang MCC Three Highway Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Xingtai Runhe Project Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Ya'an Tianshun Kunye Project Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee

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IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

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

- (a) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees, and the grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence. (Continued)
- (i) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees (Continued)

Name of investee	The proportion of voting power (%)	Reason for having significant influence
Renqiu MCC Infrastructure Construction Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Jianyang Tianshun Traffic Investment Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Lanzhou Zhenghao Pipe Network Project Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Meizhou City Meixian MCC Pipe Network Construction Investment and Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Luzhou MCC City Construction Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Xiangxi Houyi Tiangong Tourism Artery Road Construction Operation Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Xiangxi Zhongyi Tengda Project Management Co. Ltd.	10.00	Representative is appointed on the board of directors of the investee
Quanzhou City Quangang MCC Tianfeng Project Management Co., Ltd	10.00	Representative is appointed on the board of directors of the investee

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IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

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

- (a) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees, and the grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence. (Continued)
- (ii) The grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence

Name of investee	The proportion of voting power (%)	Reason for not having significant influence
Tangshan Stainless steel Co., Ltd.	23.89	
Shanghai Clear Environmental Protection Science & Technology Co., Ltd.	22.86	The Company did not assign director into the board of directors of the investee, nor involved in the financial and operating decisions or normal operating activities of the investee in any other forms.
BERIS Engineering and Research Corporation Jiangsu Heavy Industry Co., Ltd.	20.00	
Shanxi Sanjin Mining Holdings Co., Ltd.	20.00	

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IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

(2) Summarized financial information of material joint ventures and associates

All amounts in RMB'000

	31 December 2019/ amount recognized in the current year	31 December 2018/ amount recognized in the prior year
Joint ventures:		
Total carrying amount	6,553,411	4,930,847
The Group's share of the following items		
– Net profit	(14,744)	(67,576)
– Other comprehensive income	(17)	(40)
– Total comprehensive income	(14,761)	(67,616)
Associates:		
Total carrying amount	15,280,955	8,924,008
The Group's share of the following items		
– Net profit	34,498	38,323
– Other comprehensive income	14	45
– Total comprehensive income	34,512	38,368

(3) In the reporting period, there are no significant restrictions on the realization of long-term equity investments, or on the remittance of cash arising from the investment income in joint ventures and associates.

FINANCIAL STATEMENTS

For the year ended 31 December 2019

X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

1. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and other equity instruments, or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as the total borrowings (including short-term borrowings, long-term borrowings, bonds payable and lease liabilities) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet, plus net debt. The Group aims to maintain the gearing ratio at a reasonable level.

The gearing ratios of the Group as at 31 December 2019 and 31 December 2018 are as follows:

All amounts in RMB'000

	31 December 2019	31 December 2018
Total borrowings:		
Short-term borrowings (Note VII 26)	40,476,556	47,973,564
Long-term borrowings (inclusive of those due within one year) (Note VII 37)	34,974,534	36,929,347
Bonds payable (inclusive of those due within one year) (Note VII 38)	8,670,027	9,502,083
Lease liabilities (inclusive of those due within one year) (Note VII 39)	518,656	—
Long term finance lease payables (inclusive of those due within one year)	—	115,894
Less: Cash and cash equivalents (Note VII 69(3))	31,814,900	33,151,002
Net debt	52,824,873	61,369,886
Shareholders' equity	116,905,508	102,669,444
Total capital	169,730,381	164,039,330
The gearing ratio	31.12%	37.41%

X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

2. Financial instruments and risk management

The Group's operating activities expose to a variety of financial risks: market risk (mainly including foreign exchange risk and interest rate risk), credit risk and liquidity risk. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner to address the uncertainty of financial market and to reduce the potential negative impact on the operating results of the Group.

(1) Market risk

(a) Foreign exchange risks

The functional currency of a majority of the entities within the Group is RMB and most of the transactions are settled in RMB. However, there are also foreign currencies denominated transactions. The Group's exposure to foreign exchange risk relates principally to United States Dollars ("USD"). To monitor the impact of exchange rate fluctuations, the Group continually assesses and monitors its exposure to foreign exchange risk. However, management continuously monitors foreign exchange exposure and will prudently consider hedging significant foreign exchange exposure should the need arises. The management is of the view that the reasonable fluctuation of the exchange rate in the near future will not have a significant impact on the operating results of the Group. The Group currently does not have a foreign exchange hedging policy.

Details of the Group's foreign currencies denominated financial assets and financial liabilities (amount translated into RMB) as at 31 December 2019 are set out in Note VII 71.

Mainly influenced by the exchange rate of RMB against USD for the variety of foreign currencies of financial assets and financial liabilities, as at 31 December 2019, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, the profit after tax of the Group for the six months period ended 30 June 2019 would have been approximately RMB90,169,000 lower/higher (as at 31 December 2018: RMB9,185,000 lower/higher).

(b) Interest rate risk

(i) The interest bearing debts at fixed rates expose the Group to fair value interest-rate risk, relating to bank borrowings at fixed rates and bonds payable at fixed rates, etc. The differences between the fair value and the carrying amount of the above fixed rate financial instruments are set out in Note XI 8.

(ii) The interest bearing debts at floating rates expose the Group to cash flow interest-rate risk. The Group chooses the relative proportion of borrowing contracts with floating rates and those with fixed rates according to current market conditions. As at 31 December 2019, short-term borrowings of the Group were amounting to RMB40,476,556,000 (as at 31 December 2018: RMB47,973,564,000); Long-term interest bearing debts at floating rates due within one year were amounting to RMB2,492,248,000 (as at 31 December 2018: RMB3,616,426,000); long-term interest bearing debts at floating rates due over one year were amounting to RMB11,711,086,000 (as at 31 December 2018: RMB14,277,926,000); Long-term interest bearing debts at fixed rates due within one year were amounting to RMB12,489,300,000 (as at 31 December 2018: RMB10,720,886,000); long-term interest bearing debts at fixed rates due over one year were amounting to RMB17,470,583,000 (as at 31 December 2018: RMB18,206,906,000) (Notes VII 26, 35, 37, 38, 39, 40).

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For the year ended 31 December 2019

X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

2. Financial instruments and risk management (Continued)

(1) Market risk (Continued)

(b) Interest rate risk (Continued)

The treasury department of the headquarters of the Group continually monitors its level of interest rate. Any rise in interest rate would increase the cost of new borrowings and interest installments of existing loans with floating interest arrangement, and generate significant negative financial effects on the Group's overall financial performance. The management would make timely strategic adjustments according to latest market conditions; the adjustments of reducing interest rate risk may include but not limited to making interest rate swap arrangements. During the year of 2019 and 2018, the Group was not involved in any interest rate swap arrangements.

During the current year, if the respective interest rates on RMB-denominated floating-rate borrowings had been 100 basis points higher/lower with all other variables held constant, profit after income tax of the Group would have been RMB332,449,000 lower/higher (for the year ended 2018: approximately RMB450,256,000).

During the current year, if the interest rates on USD and other currency-denominated floating-rate borrowings had been 100 basis points higher/lower with all other variables held constant, profit after income tax of the Group would have been RMB91,320,000 lower/higher (for the year ended 2018: approximately RMB72,399,000).

(2) Credit risk

As at 31 December 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from: the carrying amount of the respective recognized bank deposits, bills receivable and accounts receivable, contract assets, other receivables and long-term receivables in the balance sheet of the Group.

To reduce credit risk, the Group has policies in place to ensure that services are rendered and products are sold to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers according to their financial conditions, the likelihood of obtaining guarantee from the third party, credit history and others such as the current market conditions. The Group regularly monitors its customers' credit history, and for customers with bad credit history, the Group shall issue reminder notices, shorten or cancel the credit period to make sure that the Group's overall credit risk is under control.

X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

2. Financial instruments and risk management (Continued)

(2) Credit risk (Continued)

The credit risk on the bank deposits of the Group are limited because they are deposited with national banks and other large and medium listing banks.

In addition, external guarantees incurred by the Group may also result in financial losses. As at 31 December 2019, the Group's external guarantee refers to Note XIII 2(1) (b).

Please refer to Note V 10(2) in respect of the specific methods to assess whether the credit risk has been increased remarkably since initial recognition, the basis to determine whether a credit impairment has happened to the financial assets, the combination methods to divide the financial instruments in a combination as base assessment of anticipated credit risk, and the policies to write down the financial instruments directly. For the changes in the book value and provision for credit losses of bills receivable, refer to Note VII 4(4), changes in the book value and provision for credit losses of accounts receivables, refer to Note VII 5(3), changes in the book value and provision for credit losses of receivables at FVTOCI, refer to Note VII 6(2), changes in the book value and provision for credit losses of other receivables, refer to Note VII 8(4) (b), changes in the book value and provision for credit losses of long-term receivables, refer to Note VII 13(2), and for the changes in the book value and provision for credit losses of the contract assets, refer to Note VII 10(2).

The Group's risk exposure is distributed among multiple contract parties and multiple customers, so the Group has no significant credit concentration risk. As of 31 December 2019, the top five accounts receivable and other receivables of the Group's balances owed by the arrears is shown in Note VII 5(4) and Note VII 8(4)(d).

(3) Liquidity risk

Subsidiaries of the Group take responsibility of their own cash flow forecast. On the basis of summarizing cash flow forecasts from subsidiaries, the treasury department at the headquarters continuously monitors both short-term and long-term financing needs on the Group level in order to obtain adequate cash reserve and quoted securities. Meanwhile, the treasury department will constantly monitor and see any non-compliance of borrowings and obtain sufficient loan facilities from major financial institutions to meet both short-term and long-term financing needs.

FINANCIAL STATEMENTS

For the year ended 31 December 2019

X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

2. Financial instruments and risk management (Continued)

(3) Liquidity risk (Continued)

Analysis of the maturity profile of financial assets and financial liabilities of the Group based on the undiscounted remaining contractual obligations as at 31 December 2019 were as follows:

All amounts in RMB'000

Items	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets-					
Cash and bank balances	43,677,662	-	-	-	43,677,662
Derivative financial assets	256	145	-	-	401
Bills receivable	7,927,397	-	-	-	7,927,397
Accounts receivable	79,527,354	-	-	-	79,527,354
Receivables at FVTOCI	7,962,224	-	-	-	7,962,224
Other receivables	63,917,664	-	-	-	63,917,664
Non-current assets due within one year	2,402,879	-	-	-	2,402,879
Long-term receivables	37,931	11,470,467	11,023,139	3,484,730	26,016,267
Total	205,453,367	11,470,612	11,023,139	3,484,730	231,431,848
Financial liabilities					
Short-term borrowings	41,159,915	-	-	-	41,159,915
Derivative financial liabilities	3,150	937	143	-	4,230
Bills payable	31,487,132	-	-	-	31,487,132
Accounts payable	115,855,013	-	-	-	115,855,013
Other payables	26,219,786	-	-	-	26,219,786
Non-current liabilities due within one year	15,538,550	-	-	-	15,538,550
Long-term borrowings	1,449,045	12,438,023	12,710,629	5,477,633	32,075,330
Bonds payable	80,985	945,622	837,525	-	1,864,132
Lease liabilities	-	164,875	124,321	53,010	342,206
Long-term payables	-	2,445	4,101	433,565	440,111
Total	231,793,576	13,551,902	13,676,719	5,964,208	264,986,405

(4) Transfer of financial assets

Details are set out in Note VII 4(3), Note VII 5(5) and Note VII 6(3).

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XI. FAIR VALUE DISCLOSURES

1. Fair value of the Group's financial assets and financial liabilities that are measured at fair value at the end of the year

All amounts in RMB'000

Items	Fair value at 31 December 2019			Total
	Level 1 of the fair value hierarchy	Level 2 of the fair value hierarchy	Level 3 of the fair value hierarchy	
I. Measured at fair value on a recurring basis				
(I) Financial assets at fair value through profit or loss	2,162,432	4,120,154	51,315	6,333,901
1. Financial assets held for trading	2,162,432	–	–	2,162,432
(1) Monetary fund	2,161,485	–	–	2,161,485
(2) Investment in equity instruments	947	–	–	947
2. Other non-current financial assets	–	4,119,753	51,315	4,171,068
(1) Investment in equity instruments	–	–	51,315	51,315
(2) Investment in unquoted fund product	–	4,119,753	–	4,119,753
3. Derivative financial assets	–	401	–	401
(II) Receivables at FVTOCI3	–	7,855,940	–	7,855,940
(III) Investments in other equity instruments	381,250	–	1,490,497	1,871,747
Total assets that are measured at fair value on a recurring basis	2,543,682	11,976,094	1,541,812	16,061,588
(IV) Financial liabilities held for trading				
1. Derivative financial liabilities	–	4,230	–	4,230
Total liabilities that are measured at fair value on a recurring basis	–	4,230	–	4,230

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

Fair values of held-for-trading financial assets and non-tradable equity instruments of listed companies regarded as investments in other equity instruments are based on their closing prices of publicly traded market on the last trading day of the reporting period.

3. Qualitative and quantitative information of valuation techniques and key inputs on level 2 of the fair value hierarchy

	Valuation techniques	Key inputs
Other non-current financial assets – Investment in unquoted fund product	Discounted cash flow method	Average yield rate of similar products of the same term
Derivative financial instruments	Discounted cash flow method	The forward rate
Receivables at FVTOCI	Discounted cash flow method	Discounting rate of bank acceptance for the same period

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XI. FAIR VALUE DISCLOSURES (CONTINUED)

4. Qualitative and quantitative information of valuation techniques and key inputs on level 3 of the fair value hierarchy

	Valuation techniques	Key inputs
Other equity instrument investments – Investment in unquoted equity instruments	Cost method/Market method/Income method	Future cash flows, discount rate and key financial ratios of comparable listed companies from the same industry
Other non-current financial assets – Investment in equity instruments	Cost method/Market method/Income method	Future cash flows, discount rate and key financial ratios of comparable listed companies from the same industry

5. Reconciliation information of the opening balance and the closing balance on level 3 of the fair value hierarchy

All amounts in RMB'000

Item	31 December 2018	Additions for the period	Fair value changes for the current year	Disposal for the period	31 December 2019
Other equity instrument investments-Investment in unquoted fund product	1,471,284	26,741	75,162	(82,690)	1,490,497
Other non-current financial assets- Investment in equity instruments	30,107	21,208	–	–	51,315

6. There was no transfer between any levels of the fair value hierarchy in the reporting period.

7. There was no change in the valuation techniques in the reporting period.

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XI. FAIR VALUE DISCLOSURES (CONTINUED)

8. Fair value of financial assets and financial liabilities that are measured at fair value on a non-recurring basis

Bills receivables, accounts receivables, other receivables, long-term receivables, non-current assets due within one year, short-term borrowings, bills payables, accounts payables, other payables, long-term borrowings, bonds payable, long-term payables and partial non-current liabilities due within one year included in the financial assets/liabilities are measured at fair value on a non-recurring basis.

Except for the items listed in the table below, the Group considers that the fair value of the financial assets and liabilities measured at amortized cost method are approximate to their carrying amounts.

All amounts in RMB'000

	Fair value as at 31 December 2019				Total
	Carrying amount as at 31 December 2019	Level 1 of the fair value hierarchy	Level 2 of the fair value hierarchy	Level 3 of the fair value hierarchy	
Financial liabilities measured at amortized cost:	17,168,529	-	17,618,015	-	17,618,015
1. Long-term borrowings at fixed interest rate	15,508,529	-	15,905,183	-	15,905,183
2. Bonds payable at fixed interest rate	1,660,000	-	1,712,832	-	1,712,832

All amounts in RMB'000

	Fair value as at 31 December 2018				Total
	Carrying amount as at 31 December 2018	Level 1 of the fair value hierarchy	Level 2 of the fair value hierarchy	Level 3 of the fair value hierarchy	
Financial liabilities measured at amortized cost:	18,027,401	-	18,091,020	-	18,091,020
1. Long-term borrowings at fixed interest rate	9,515,310	-	9,517,704	-	9,517,704
2. Bonds payable at fixed interest rate	8,512,091	-	8,573,316	-	8,573,316

Quantitative information determined in accordance with the level 2:

	Valuation techniques	Key inputs
Long-term borrowings at fixed interest rate	Discounted cash flow method	Benchmark lending rate with corresponding maturity released by the People's Bank of China
Bonds payable at fixed interest rate	Discounted cash flow method	Benchmark lending rate with corresponding maturity released by the People's Bank of China

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XII. RELATED PARTIES AND TRANSACTIONS

1. Details of the parent company of the Company

All amounts in RMB'000

Name of company	Place of registration	Principal activities	Registered capital	Percentage of ownership interest in the Company (%)	Percentage of voting rights in the Company (%)
China Metallurgical Group Corporation	Beijing	Engineering contracting, property development, equipment manufacture, resource development and others	10,338,556	55.10	55.10

As stated in Note III, CMC together with its other subsidiaries other than the Company are the Group's related party.

Related party transactions between the Company and CMC together with its other subsidiaries other than the Company also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

SASAC is the ultimate controlling party of the Group.

2. Subsidiaries of the Company

Details of the subsidiaries of the Company are set out in Note IX 1.

3. Joint ventures and associates of the Group

Details of the principal joint ventures and associates of the Group are set out in Note IX 2.

Joint ventures and associates entered into transactions with the Group during the period, or during the prior period with remaining closing balance were as follows:

Name of joint ventures and associates	Relationship with the Group
Guizhou Ziwang Highway Construction Co., Ltd.	Joint venture
Jianyang MCC Xiongzhou City Development Co., Ltd.	Joint venture
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Joint venture
Tianjin MCC Mingrui Real Estate Co., Ltd.	Joint venture
Zhuhai MCC Mingheng Real Estate Co., Ltd.	Joint venture
Guangzhou MCC Mingjie Real Estate Co., Ltd.	Joint venture
Guangzhou MCC Minghui Real Estate Co., Ltd.	Joint venture
Xuzhou MCC Chengdong Express Way Co., Ltd.	Joint venture
Hangzhou MCC Mingze Real Estate Development Co., Ltd.	Joint venture
Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	Joint venture
Yibin Xinye New Energy Automobile Industry Park Construction Management Co., Ltd.	Joint venture
Chengdu Qingye Tianshun Construction Co., Ltd.	Joint venture
Shijiazhuang MCC Mingsheng Real Estate Development Co., Ltd.	Joint venture

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

3. Joint ventures and associates of the Group (Continued)

Name of joint ventures and associates	Relationship with the Group
Tianjin Mingjin MCC Real Estate Co., Ltd.	Joint venture
Sanya MCC Minglan Development Co., Ltd.	Joint venture
Jingmen Metallurgical Construction Co., Ltd.	Joint venture
Lanzhou New Area MCC Infrastructure Construction Co., Ltd.	Joint venture
Xichang Hesheng Urban Construction Project Investment Co., Ltd.	Joint venture
Yinchuan Riverfront District Comprehensive Pipe Gallery Management Co. Ltd.	Joint venture
MCC Jiaotoushanzhu (Chengdu) Prefabricated Building Technology Development Co., Ltd.	Joint venture
Tangshan City Fengrun District Runfeng Infrastructure Development Construction Co., Ltd.	Joint venture
Panzhuhua Zhongjian Municipal Infrastructure Management Co., Ltd.	Associate
Panzhuhua MCC Urban Construction Development Co., Ltd.	Associate
Tianjin Tuanbo Urban Development Co., Ltd.	Associate
Guiyang City Hongyuan Yongsheng Rail Transit Line II Project II Construction Management Co., Ltd.	Associate
Ningguo Baoye Urban Construction Co., Ltd.	Associate
Nanjing Pukou Xingbao Construction Development Co., Ltd.	Associate
Changchun Airport MCC Xiangrui Infrastructure Construction Operating Co., Ltd.	Associate
Siping City Integrated Pipe Network Construction and Operation Co., Ltd.	Associate
China 22 MCC Corporation Industrial Technology Service Co., Ltd.	Associate
Foshan Jianxin Infrastructure Construction Co., Ltd.	Associate
Qiqihar North MCC Real Estate Co., Ltd.	Associate
Lu County Zhongjian Development Municipal Infrastructure Engineering Investment Co., Ltd.	Associate
Zhongshan MCC Cuicheng Street Integrated Pipe Network Co.,Ltd.	Associate
Puyang City Jinhe Yuxin Construction Engineering Co., Ltd.	Associate
Chongqing Beimeng Project Management Limited Liability Company	Associate
Nanchong Zhongjian Shijiu Road Construction and Investment Co., Ltd.	Associate
Ma'anshan MCC Economic Development Company Ltd.	Associate
Lu'an MCC Project Management Co., Ltd.	Associate
Xi'an MCC Pipe Network Construction and Management Co., Ltd.	Associate
Si County MCC construction Investment Co., Ltd.	Associate
Chuzhou Culture Creation Construction and Development Co., Ltd.	Associate
Shouyang Zhonghe MCC Investment and Construction Co., Ltd.	Associate

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XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

3. Joint ventures and associates of the Group (Continued)

Name of joint ventures and associates	Relationship with the Group
Baotou MCC Real Estate Co., Ltd.	Associate
Zhumadian Zhongyi Municipal Construction Management Co., Ltd.	Associate
Wuhan Zhong Yi Investment Construction Company Ltd.	Associate
Tianjin SERI Machinery Equipment Corporation Ltd.	Associate
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	Associate
MCC Capital (Xiangtan) Heavy Industry Equipment Co., Ltd.	Associate
Tangshan Caofeidian MCC Engineering Construction Co., Ltd.	Associate
Suining Kaihong Construction Development Co., Ltd.	Associate
Tianjin MCC Heyuan Real Estate Co., Ltd.	Associate
Jiangyang Zhongye Tianshun Construction Co., Ltd.	Associate
Gansu public Traffic Tongding Expressway Management Co., Ltd.	Associate
Gansu public Traffic Dinglin Expressway Management Co., Ltd.	Associate
Puyang Jinhe Construction Engineering Co., Ltd.	Associate
Sichuan Developing Shu'ou Construction Engineering Co., Ltd.	Associate
Jiangsu Rongyu Construction Development Co., Ltd.	Associate
MCC Rong Xing Building Materials(Chengdu) Co., Ltd.	Associate
Hohhot Xinlian Project Management Co., Ltd	Associate
Xichang Anmin City Construction Investment Co., Ltd.	Associate
Shanxi MCC Kechuang Utility Tunnel Construction and Investment Co., Ltd.	Associate
Hubei Songwei Tourism Road Construction Management Co., Ltd.	Associate
Yiyang MCC Science and Industry Infrastructure Development Co., Ltd	Associate
Zhejiang MCC Investment Management Co., Ltd.	Associate
Henan Ruzhou Science and Education Park Investment Development Co., Ltd.	Associate
Binhai County Susheng Transportation Construction Investment Co., Ltd.	Associate
Shaanxi Yayan Industry Co., Ltd.	Associate
Zhoukou Tiangong High Speed Rail Area Construction Co., Ltd.	Associate
Yibin Hangye Construction Co., Ltd.	Associate
Hebei Steel Construction Group Co., Ltd.	Associate
Wuhan Hanwei Refining Engineering Co., Ltd.	Associate
Shanghai Yuepu South Concrete Co., Ltd.	Associate
Nanchong 17 MCC Jiangdongbiaomei Construction Investment Management Co., Ltd.	Associate
Dancheng Zhongyi Ecological Environment Management Co., Ltd.	Associate

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

4. Other related parties of the Group

Other related parties entered into transactions with the Group during the period, or during the prior year with closing balance were as follows, such transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange:

Name of other related parties	Relationship with the Group
MCC Ruimu Amperex Technology Limited	Controlled by MCC group
Information of subsidiaries of China Minmetals Corporation:	
Beijing MCC Construction Taxi Co., Ltd.	Under common control of China Minmetals Corporation
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Under common control of China Minmetals Corporation
Minmetals Steel (Wuhan) Limited Company	Under common control of China Minmetals Corporation
Minmetals Steel Beijing Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Steel Chengdu Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Steel Guangzhou Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Steel Lanzhou Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Steel Shanghai Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Steel Tianjin Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Steel Xi'an Co., Ltd.	Under common control of China Minmetals Corporation
The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	Under common control of China Minmetals Corporation
The 23rd Metallurgical Construction 2nd Engineering Group Co., Ltd. of Minmetals	Under common control of China Minmetals Corporation
Minmetals (Yingkou) Industrial Park Real Estate Development Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Yingkou Medium Plate Co., Ltd.	Under common control of China Minmetals Corporation
China National Foreign Trade Financial & Leasing Co., Ltd.	Under common control of China Minmetals Corporation
Zhuzhou Smelter Group Co., Ltd.	Under common control of China Minmetals Corporation
Zhuzhou Smelter Nonferrous Metals Industrial Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals International Engineering Technology Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Nonferrous Metals Trade Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Securities Co., Ltd.	Under common control of China Minmetals Corporation
Shanghai MCC Hospital	Under common control of China Minmetals Corporation
China Minmetals Corporation (Tangshan Caofeidian) Ore Holding Co., Ltd.	Under common control of China Minmetals Corporation
Hunan Huangshaping Lead-Zinc Mine	Under common control of China Minmetals Corporation

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XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions

(1) Purchase or sales of goods, provision or receipt of services

(a) Purchase of goods and receipt of services

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
Transactions of companies under common control by CMC (Note):		6,397,032	6,719,633
Minmetals Steel Chengdu Co., Ltd.	Purchase of goods	2,007,248	2,553,833
Minmetals Steel Shanghai Co., Ltd.	Purchase of goods	1,256,522	707,382
Minmetals Steel Tianjin Co., Ltd.	Purchase of goods	585,228	433,675
Minmetals Steel Guangzhou Co., Ltd.	Purchase of goods	433,085	447,368
The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	Receipt of services	320,993	537,281
Minmetals Steel Beijing Co., Ltd.	Purchase of goods	311,834	555,195
Minmetals International Engineering Technology Co., Ltd.	Receipt of services	267,021	–
Minmetals Steel Lanzhou Co., Ltd.	Purchase of goods	266,387	169,531
Minmetals Steel (Wuhan) Limited Company	Purchase of goods	238,451	301,695
Minmetals Steel Xi'an Co., Ltd.	Purchase of goods	180,780	344,935
The 23rd Metallurgical Construction 2nd Engineering Group Co.,Ltd. of Minmetals	Receipt of services	133,220	–
Others	Purchase of goods and receipt of services	396,263	668,738
Transactions with joint ventures and associates:		688,700	456,932
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Receipt of services	167,954	82,352
China 22 MCC Corporation Industrial Technology Service Co., Ltd.	Receipt of services	167,050	65,530
Shanxi Yayan Industry Co., Ltd.	Purchase of goods	56,018	–
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	Purchase of goods	51,207	13,602
MCC Rong Xing Building Materials(Chengdu) Co., Ltd.	Purchase of goods	33,148	11,250
Tianjin SERI Machinery Equipment Corporation Ltd.	Purchase of goods	32,034	1,593
Others	Purchase of goods and receipt of services	181,289	282,605
Total	/	7,085,732	7,176,565

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

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For the year ended 31 December 2019

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(1) Purchase or sales of goods, provision or receipt of services (Continued)

(b) Sales of goods and provision of services (Continued)

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
Transactions with companies under common control of CMGC (Note):		751,921	1,501,399
MCC Ruimu Ampere Technology Limited	Provision of services	751,921	1,501,399
Transactions with joint ventures and associates:		2,620,815	2,771,879
Zhuzhou Smelter Group Co., Ltd.	Provision of services	922,521	1,490,755
Minmetals Yingkou Medium Plate Co., Ltd.	Sale of goods and provision of services	692,270	347,457
China Minmetals Corporation (Tangshan Caofeidian) Ore Holding Co., Ltd.	Provision of services	308,112	–
Minmetals (Yingkou) Industrial Park Real Estate Development Co., Ltd.	Provision of services	206,608	27,743
Others	Sale of goods and provision of services	491,304	905,924
Transactions with joint ventures and associates:		43,056,605	42,973,819
Guizhou Ziwang Highway Construction Co., Ltd.	Provision of services	1,399,346	1,290,495
Sichuan Developing Shu'ou Construction Engineering Co., Ltd.	Provision of services	1,374,544	678,650
Chuzhou Culture Creation Construction and Development Co., Ltd.	Provision of services	1,108,500	679,053
Xuzhou MCC Chengdong Express Way Co., Ltd.	Provision of services	1,037,704	396,040
Guiyang City Hongyuan Yongsheng Rail Transit Line II Project II Construction Management Co., Ltd.	Provision of services	949,486	656,625

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For the year ended 31 December 2019

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(1) Purchase or sales of goods, provision or receipt of services (Continued)

(b) Sales of goods and provision of services (Continued)

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
Xi'an MCC Pipe Network Construction and Management Co., Ltd.	Provision of services	916,594	656,466
Hohhot Xinlian Project Management Co., Ltd.	Provision of services	912,269	–
Yibin Xinye New Energy Automobile Industry Park Construction Management Co., Ltd.	Provision of services	848,412	245,968
Zhoukou Tiangong High Speed Rail Area Construction Co., Ltd.	Provision of services	821,010	81,354
Jiangsu Rongyu Construction Development Co., Ltd.	Provision of services	792,524	646,322
Chengdu Qingye Tianshun Construction Co., Ltd.	Provision of services	783,555	–
Gansu public Traffic Tongding Expressway Management Co., Ltd.	Provision of services	743,965	217,965
Gansu public Traffic Dinglin Expressway Management Co., Ltd.	Provision of services	641,870	–
Jiayang MCC Xiongzhou City Development Co., Ltd.	Provision of services	621,153	136,320
Zhumadian Zhongyi Municipal Construction Management Co., Ltd.	Provision of services	604,386	409,564
Lu'an MCC Project Management Co., Ltd.	Provision of services	593,786	505,779
Zhongshan MCC Cuicheng Street Integrated Pipe Network Co., Ltd.	Provision of services	584,899	107,759
Si County MCC construction Investment Co., Ltd.	Provision of services	580,092	1,036,026
Yibin Hangye Construction Co., Ltd.	Provision of services	569,003	–
Suining Kaihong Construction Development Co., Ltd.	Provision of services	568,719	583,930
Others	Sale of goods and provision of services	26,604,788	34,645,503
Total	/	46,429,341	47,247,097

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

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For the year ended 31 December 2019

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(2) Lease

(a) As lessor

All amounts in RMB'000

Name of lessee	Type of leased assets	Leasing income recognized for the current year	Leasing income recognized for the prior year
Beijing MCC Construction Taxi Co., Ltd.	Buildings, structures	215	215
Shanghai MCC Hospital	Buildings, structures	131	-
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Buildings, structures	353	-
Total	/	699	215

(b) As lessee

All amounts in RMB'000

Name of lessor	Type of leased assets	Lease liabilities at 31 December 2019	Increase of historical cost of right-of-use assets for the current year	Leasing expense recognized for the current year
China Metallurgical Group Corporation (Note)	Buildings, structures	75,578	107,247	38,438
Beijing Dongxing Metallurgical New Technology Development Co., Ltd. (Note)	Buildings, structures	14,342	21,666	8,060
China National Foreign Trade Financial & Leasing Co., Ltd. (Note)	Equipment and others	-	-	9,876
Total	/	89,920	128,913	56,374

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

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For the year ended 31 December 2019

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(3) Guarantee

(a) Grant guarantee

As at 31 December 2019, the Group has provided no guarantees for its related parties.

(b) Guarantees be granted

All amounts in RMB'000

Guarantor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed at 31 December 2019
China Metallurgical Group Corporation	1,345,214	2017-05-05	2020-05-04	No
China Metallurgical Group Corporation	2,092,860	2019-11-01	2022-10-31	No

(4) Loans from/to related parties

All amounts in RMB'000

Related party	Amount	Inception date	Expiration date	Notes
Borrowing				
China Metallurgical Group Corporation(Note)	3,300,000	2019-01-24	2019-19-18	General borrowings
Minmetals Securities Co., Ltd.	803,000	2019-02-26	Repayment by installments up to 2028-02-25	Secured borrowings
Total	4,103,000	/	/	/
Lending				
Guangzhou MCC Mingjie Real Estate Co., Ltd.	180,203	2019-01-02	No fixed maturity date	General borrowings
Tianjin MCC Mingrui Real Estate Co., Ltd.	166,441	2019-01-02	No fixed maturity date	General borrowings
Zhuhai MCC Mingheng Real Estate Co., Ltd.	961,390	2019-01-04	No fixed maturity date	General borrowings
Shijiazhuang MCC Mingsheng Real Estate Development Co., Ltd.	527,055	2019-01-10	No fixed maturity date	General borrowings
Guangzhou MCC Minghui Real Estate Co., Ltd.	182,154	2019-02-01	2019-12-31	General borrowings

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For the year ended 31 December 2019

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(4) Loans from/to related parties (Continued)

All amounts in RMB'000

Related party	Amount	Inception date	Expiration date	Notes
Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	104,165	2019-02-01	No fixed maturity date	General borrowings
Jiangsu Rongyu Construction Development Co., Ltd.	100,000	2019-02-01	2020-01-27	General borrowings
Hangzhou MCC Mingze Real Estate Development Co., Ltd.	139,064	2019-02-28	No fixed maturity date	General borrowings
Guangzhou MCC Mingjie Real Estate Co., Ltd.	1,786,440	2019-07-01	No fixed maturity date	General borrowings
Dancheng Zhongyi Ecological Environment Management Co., Ltd.	150,000	2019-07-01	No fixed maturity date	General borrowings
Jingmen Metallurgical Construction Co., Ltd.	100,173	2019-07-01	No fixed maturity date	General borrowings
Tianjin MCC Mingrui Real Estate Co., Ltd.	1,707,379	2019-07-01	No fixed maturity date	General borrowings
Guangzhou MCC Minghui Real Estate Co., Ltd.	2,086,615	2019-07-01	No fixed maturity date	General borrowings
Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	234,235	2019-07-12	No fixed maturity date	General borrowings
Zhuhai MCC Mingheng Real Estate Co., Ltd.	1,081,401	2019-07-22	No fixed maturity date	General borrowings
MCC Ruimu Amperex Technology Limited (Note)	100,000	2019-09-24	2020-09-23	General borrowings
MCC Ruimu Amperex Technology Limited (Note)	200,000	2019-10-17	2020-10-16	General borrowings
Sanya MCC Minglan Development Co., Ltd.	237,080	2019-10-28	No fixed maturity date	General borrowings
MCC Ruimu Amperex Technology Limited (Note)	250,000	2019-12-24	2022-12-24	General borrowings
Others	1,481,369	/	/	/
Total	11,775,164	/	/	/

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

Certain of the loans from/to related parties mentioned above are interest bearing. The interest rates ranged from 3.915% to 10.00%.

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For the year ended 31 December 2019

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(5) Compensation of key management personnel

Key management include director (executive director and non-executive director), supervisor, president, vice president, board secretary and chief accountant. Compensation as employee services paid or to be paid to key management personnel is as follows:

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Salaries, housing benefits, other allowances and benefits in kind	8,687	6,132
Pension scheme contributions	554	437
Discretionary bonus	5,557	3,501
Total	14,798	10,070

(a) Directors' and supervisors' remunerations

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Salaries, housing benefits, other allowances and benefits in kind	2,558	1,960
Pension scheme contributions	181	124
Discretionary bonus	1,508	717
Total	4,247	2,801

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For the year ended 31 December 2019

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(5) Compensation of key management personnel (Continued)

(a) Directors' and supervisors' remunerations (Continued)

Compensations for directors and supervisors respectively for the year ended 31 December 2019 were as follows:

All amounts in RMB'000

	Salaries, housing benefits, other allowances and benefits in kind	Pension scheme contributions	Discretionary bonus	Total
Executive director:				
Guo Wen Qing (i)	-	-	-	-
Zhang Zhao Xiang (i)	-	-	-	-
Non-executive director:				
Jing Tian Liang(Until 12 March 2019)	21	-	-	21
Independent non-executive director:				
Yu Hai Long	148	-	-	148
Ren Xu Dong	140	-	-	140
Chen Jia Qiang	142	-	-	142
Zhou Ji Chang(Starting from 12 March 2019)	103	-	-	103
Employee representative director:				
Lin Jin Zhen	528	50	530	1,108
Supervisor:				
Yan Ai Zhong (Until 12 March 2019)	140	10	70	220
Peng Hai Qing(Until 12 March 2019) (i)	-	-	-	-
Shao Bo(Until 12 March 2019) (i)	-	-	-	-
Cao Xiu Yun(Starting from 12 March 2019)	703	40	193	936
Zhang Yan Di(Starting from 12 March 2019)	316	40	383	739
Chu Zhi Qi(Starting from 12 March 2019)	317	41	332	690
Total	2,558	181	1,508	4,247

(i) Guo Wenqing, Zhang Zhaoxiang started to work in CMC in July 2016, Peng Haiqing started to work in CMC in April 2017, and Shao Bo started to work in CMC in April 2018, since when their personal relationship had been transferred to CMC, and they had not received any compensation in the Group in 2019.

FINANCIAL STATEMENTS

For the year ended 31 December 2019

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(5) Compensation of key management personnel (Continued)

(a) Directors' and supervisors' remunerations (Continued)

Compensations for directors and supervisors respectively for the year ended 31 December 2018 were as follows:

All amounts in RMB'000

	Salaries, housing benefits, other allowances and benefits in kind	Pension scheme contributions	Discretionary bonus	Total
Executive Directors				
Guo Wen Qing(i)	-	-	-	-
Zhang Zhao Xiang (i)	-	-	-	-
Non-executive Director				
Jing Tian Liang	144	-	-	144
Independent Non-executive Directors				
Yu Hai Long	172	-	-	172
Ren Xu Dong	160	-	-	160
Chen Jia Qiang	166	-	-	166
Employee Representative Director				
Lin Jin Zhen	485	55	510	1,050
Supervisors				
Yan Ai Zhong	672	55	134	861
Peng Hai Qing(ii)	-	-	-	-
Shao Bo(ii)	161	14	73	248
Total	1,960	124	717	2,801

(i) Guo Wenqing, Zhang Zhaoxiang started to work in CMC in July 2016, Peng Haiqing started to work in CMC in April 2017, since when their personal relationship had been transferred to CMC, and they had not received any compensation in the Group in 2018.

(ii) Shao Bo started to work in CMC in April 2018, since when his personal relationship had been transferred to CMC, and the above compensation disclosure period is from January to March 2018.

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For the year ended 31 December 2019

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(5) Compensation of key management personnel (Continued)

(a) Directors' and supervisors' remunerations (Continued)

The compensations disclosed above mainly contained remuneration for management of affairs of the Company and the Group. Discretionary bonus is determined by management based on the performance of directors and supervisors and the Group's operating performance.

During both years, none of the directors, chief executives or supervisors of the Company had waived any emoluments and no emoluments had been paid by the Group to any of the directors, chief executives or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Five highest paid individuals' remunerations

None of the Directors and Supervisors as disclosed in the note above was included in the five highest paid individuals of the Group. The five individuals whose remunerations were the highest in the Group during the year are as follows:

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Salaries, housing benefits, other allowances and benefits in kind	1,049	2,623
Pension scheme contributions	249	261
Discretionary bonus	8,663	7,533
Total	9,961	10,417

	Number of individuals for the current year	Number of individuals for the prior year
Nil to HK\$1,000,000	–	–
HK\$1,000,001 to HK\$1,500,000	–	–
HK\$1,500,001 to HK\$2,000,000	–	–
HK\$2,000,001 to HK\$2,500,000	5	4
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$3,000,001 to HK\$3,500,000	–	–
Total	5	5

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For the year ended 31 December 2019

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(6) Other related party transactions

All amounts in RMB'000

Related party transactions	Related parties	Amount for the current year	Amount for the prior year
Interest income	Zhuhai MCC Mingheng Real Estate Co., Ltd.	316,640	387,333
Interest income	Guangzhou MCC Minghui Real Estate Co., Ltd.	234,702	148,218
Interest income	Hangzhou MCC Mingze Real Estate Development Co., Ltd.	194,591	3,934
Interest income	Shijiazhuang MCC Mingsheng Real Estate Development Co., Ltd.	143,096	30,137
Interest income	Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	100,737	2,761
Interest income	Qiqihar North MCC Real Estate Co., Ltd.	51,344	51,433
Interest income	Guangzhou MCC Mingjie Real Estate Co., Ltd.	40,543	106,415
Interest income	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	28,114	34,821
Interest income	Jiangsu Rongyu Construction Development Co., Ltd.	23,016	29,055
Interest income	Nanjing Pukou Xingbao Construction Development Co., Ltd.	22,009	40,659
Interest income	Tianjin Mingjin MCC Real Estate Co., Ltd.	19,054	10,312
Interest income	Puyang Jinhe Construction Engineering Co., Ltd.	18,761	229
Interest income	Tianjin SERI Machinery Equipment Corporation Ltd.	16,079	15,020
Interest income	Puyang City Jinhe Yuxin Construction Engineering Co., Ltd.	15,631	459
Interest income	Panzhuhua Zhongjian Municipal Infrastructure Management Co., Ltd.	15,340	192
Interest income	Tianjin Tuanbo Urban Development Co., Ltd.	14,537	14,536
Interest income	MCC Ruimu Amperex Technology Limited (Note)	25,914	12,055
Interest income	Jianyang Zhongye Tianshun Construction Co., Ltd.	14,038	11,519
Interest income	Henan Ruzhou Science Park Investment Development Co., Ltd.	13,718	-
Interest income	Lu County Zhongjian Development Municipal Infrastructure Engineering Investment Co., Ltd.	11,123	5,677
Interest income	Others	81,209	362,109
Total		1,400,196	1,266,874
Interest expense	China Metallurgical Group Corporation (Note)	103,305	18,252
Interest expense	China National Foreign Trade Financial & Leasing Co., Ltd. (Note)	30,956	5,699
Interest expense	Minmetals Securities Co., Ltd.	24,972	-
Total		159,233	23,951

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

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For the year ended 31 December 2019

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Amounts due from/due to related parties

(1) Receivables

All amounts in RMB'000

Items	Related parties	31 December 2019		31 December 2018	
		Book value	Provisions for credit losses	Book value	Provisions for credit losses
Accounts receivable	Jiangsu Rongyu Construction Development Co., Ltd.	381,670	6,145	112,461	2,587
Accounts receivable	Si County MCC construction Investment Co., Ltd.	280,938	-	279,269	-
Accounts receivable	Guizhou Ziwang Highway Construction Co., Ltd.	280,627	-	-	-
Accounts receivable	Yinchuan Riverfront District Comprehensive Pipe Gallery Management Co. Ltd.	237,617	69,324	-	-
Accounts receivable	Siping City Integrated Pipe Network Construction and Operation Co., Ltd.	218,760	-	210,672	-
Accounts receivable	MCC Jiaotoushanzhu (Chengdu) Prefabricated Building Technology Development Co., Ltd.	206,413	3,323	-	-
Accounts receivable	Xi'an MCC Pipe Network Construction and Management Co., Ltd.	201,075	-	280,128	-
Accounts receivable	Nanchong 17 MCC Jiangdongbiaomei Construction Investment Management Co., Ltd.	195,300	-	-	-
Accounts receivable	Lu'an MCC Project Management Co., Ltd.	190,744	-	15,216	1
Accounts receivable	MCC Ruimu Amperex Technology Limited	190,513	-	168,575	-
Accounts receivable	Ma'anshan MCC Economic Development Company Ltd.	190,260	-	210,566	-
Accounts receivable	Foshan Jianxin Infrastructure Construction Co., Ltd.	185,400	6,475	121,629	2,907
Accounts receivable	Panzhuhua MCC Urban Construction Development Co., Ltd.	168,979	-	57,608	-
Accounts receivable	Changchun Airport MCC Xiangrui Infrastructure Construction Operating Co., Ltd.	160,642	-	187,025	-
Accounts receivable	Nanchong Zhongjian Shijiu Road Construction and Investment Co., Ltd.	156,052	-	-	-
Accounts receivable	Baotou MCC Real Estate Co., Ltd.	145,953	102,637	68,126	24,390
Accounts receivable	Ningguo Baoye Urban Construction Co., Ltd.	138,374	14,241	162,535	6,835
Accounts receivable	Binhai County Susheng Transportation Construction Investment Co., Ltd.	137,804	2,219	19,810	456
Accounts receivable	Others	3,283,549	115,341	4,308,303	79,631
Total		6,950,670	319,705	6,201,923	116,807

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XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Amounts due from/due to related parties (Continued)

(1) Receivables (Continued)

All amounts in RMB'000

Items	Related parties	31 December 2019		31 December 2018	
		Book value	Provisions for credit losses	Book value	Provisions for credit losses
Other receivables	Zhuhai MCC Mingheng Real Estate Co., Ltd.	5,942,737	-	4,401,374	-
Other receivables	Hangzhou MCC Mingze Real Estate Development Co., Ltd.	2,746,400	-	2,710,812	-
Other receivables	Tianjin MCC Mingrui Real Estate Co., Ltd.	2,518,344	-	3,037,142	-
Other receivables	Guangzhou MCC Mingjie Real Estate Co., Ltd.	2,455,583	-	2,116,601	-
Other receivables	Shijiazhuang MCC Mingsheng Real Estate Development Co., Ltd.	2,198,853	214	2,141,947	-
Other receivables	Guangzhou MCC Minghui Real Estate Co., Ltd.	2,016,399	-	2,655,387	-
Other receivables	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	1,908,294	452,771	1,900,880	445,162
Other receivables	Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	1,601,755	181	1,154,698	-
Other receivables	Wuhan Zhong Yi Investment Construction Company Ltd.	1,281,508	-	1,601,271	-
Other receivables	Qiqihar North MCC Real Estate Co., Ltd.	1,269,815	-	1,221,510	-
Other receivables	Tianjin Tuanbo Urban Development Co., Ltd.	538,098	-	523,561	-
Other receivables	Others	7,966,150	1,315,023	7,852,040	1,183,788
Total		32,443,936	1,768,189	31,317,223	1,628,950

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XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Amounts due from/due to related parties (Continued)

(1) Receivables (Continued)

All amounts in RMB'000

Items	Related parties	31 December 2019		31 December 2018	
		Book value	Provisions for credit losses	Book value	Provisions for credit losses
Prepayments	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	34,738	-	29,001	-
Prepayments	Minmetals Steel Chengdu Co., Ltd.	33,446	-	4,457	-
Prepayments	Hebei Steel Construction Group Co., Ltd.	29,336	-	-	-
Prepayments	Wuhan Hanwei Refining Engineering Co., Ltd.	19,706	-	8,620	-
Prepayments	The 23rd Metallurgical Construction 2nd Engineering Group Co.,Ltd. of Minmetals	11,084	-	14,569	-
Prepayments	The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	10,695	-	30,374	-
Prepayments	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	10,477	-	-	-
Prepayments	Others	64,066	-	129,689	-
Total		213,548	-	216,710	-
Long-term receivables	Nanjing Pukou Xingbao Construction Development Co., Ltd.	371,609	7,621	677,250	14,161
Long-term receivables	MCC Ruimu Amperex Technology Limited	430,589	3,595	675,798	7,375
Long-term receivables	Suining Kaihong Construction Development Co., Ltd.	346,733	-	246,854	-
Long-term receivables	Chongqing Beimeng Project Management Limited Liability Company	175,290	-	175,290	-
Long-term receivables	Others	11,594	187	805,018	-
Total		1,335,815	11,403	2,580,210	21,536

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XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Amounts due from/due to related parties (Continued)

(2) Payables

All amounts in RMB'000

Items	Related parties	31 December 2019	31 December 2018
Accounts payable	Minmetals Steel Chengdu Co., Ltd.	227,953	90,647
Accounts payable	The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	136,073	25,926
Accounts payable	Minmetals Steel Tianjin Co., Ltd.	123,288	65,516
Accounts payable	Minmetals Steel Xi'an Co., Ltd.	92,589	10,335
Accounts payable	Minmetals Steel Shanghai Co., Ltd.	70,407	26,917
Accounts payable	Minmetals Steel Guangzhou Co., Ltd.	65,234	68,507
Accounts payable	Minmetals Steel Lanzhou Co., Ltd.	63,596	46,462
Accounts payable	Minmetals Nonferrous Metals Trade Co., Ltd.	48,366	9,137
Accounts payable	Shanghai Yuepu South Concrete Co., Ltd.	44,022	48,454
Accounts payable	Minmetals Steel (Wuhan) Limited Company	41,087	26,124
Accounts payable	Others	360,473	319,532
Total		1,273,088	737,557
Other payables	Lanzhou New Area MCC Infrastructure Construction Co., Ltd.	191,949	–
Other payables	Zhuzhou Smelter Nonferrous Metals Industrial Co., Ltd.	162,030	159,406
Other payables	Minmetals International Engineering Technology Co., Ltd.	126,193	–
Other payables	China Metallurgical Group Corporation	120,650	200,876
Other payables	Baotou MCC Real Estate Co., Ltd.	77,827	–
Other payables	Hunan Huangshaping Lead-Zinc Mine	71,493	70,335
Other payables	Tianjin MCC Heyuan Real Estate Co., Ltd.	68,469	68,469
Other payables	Sichuan Developing Shu'ou Construction Engineering Co., Ltd.	62,549	–
Other payables	Chuzhou Culture Creation Construction and Development Co., Ltd.	41,857	–
Other payables	Zhejiang MCC Investment Management Co., Ltd.	39,923	40,010
Other payables	Others	212,030	867,693
Total		1,174,970	1,406,789

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XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Amounts due from/due to related parties (Continued)

(2) Payables (Continued)

All amounts in RMB'000

Items	Related parties	31 December 2019	31 December 2018
Contract liabilities	Xichang Anmin City Construction Investment Co., Ltd.	431,991	–
Contract liabilities	Shanxi MCC Kechuang Utility Tunnel Construction and Investment Co., Ltd.	176,859	–
Contract liabilities	Hubei Songwei Tourism Road Construction Management Co., Ltd.	161,594	–
Contract liabilities	Shouyang Zhonghe MCC Investment and Construction Co., Ltd.	153,700	220,068
Contract liabilities	Yiyang MCC Science and Industry Infrastructure Development Co., Ltd	145,260	–
Contract liabilities	Xichang Hesheng Urban Construction Project Investment Co., Ltd.	138,000	–
Contract liabilities	Tangshan Caofeidian MCC Engineering Construction Co., Ltd.	135,745	169,943
Contract liabilities	Guiyang City Hongyuan Yongsheng Rail Transit Line II Project II Construction Management Co., Ltd.	127,089	134,112
Contract liabilities	Tangshan City Fengrun District Runfeng Infrastructure Development Construction Co., Ltd.	124,090	–
Contract liabilities	Others	481,190	2,298,738
Total		2,075,518	2,822,861
Long-term borrowings	Minmetals Securities Co., Ltd.	661,839	–
Long-term borrowings	China National Foreign Trade Financial & Leasing Co., Ltd.	529,306	724,237
Total		1,191,145	724,237

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XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Amounts due from/due to related parties (Continued)

(2) Payables (Continued)

All amounts in RMB'000

Items	Related parties	31 December 2019	31 December 2018
Non-current liabilities due within one year	China Metallurgical Group Corporation	378,980	78,980
Non-current liabilities due within one year	China National Foreign Trade Financial & Leasing Co., Ltd.	204,299	69,820
Non-current liabilities due within one year	Minmetals Securities Co., Ltd.	2,839	–
Total		586,118	148,800
Long-term payables	China Metallurgical Group Corporation	–	300,000
Total		–	300,000

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XIII. COMMITMENTS AND CONTINGENCIES

1. Significant Commitments

(1) Capital commitments

As at the balance sheet date, the Group had capital commitments contracted but not recognized in the balance sheet were as follows:

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Buildings, structures and equipment	23,658,372	23,796,921
Intangible assets	4,287,019	4,287,019
Total	27,945,391	28,083,940

2. Contingencies

(1) Significant contingencies at the balance sheet date

(a) Pending litigation or arbitration

As at 31 December 2019, objects of pending litigation or arbitration in which the Group acted as defendant were amounting to RMB3,661,424,000 (as at 31 December 2018: RMB2,792,798,000).

The Group has been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. Provision will be made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits based on management's judgments and legal advice. No provision will be made for the above pending lawsuits if management determines the outflow of resources is not probable. As at 31 December 2019, management has made provision for pending lawsuits of RMB98,741,000, details of which are set out in Note VII 42.

(b) Financial guarantees given to banks

All amounts in RMB'000

Guarantor	Guaranteed amount
Mortgage guarantees (Note)	11,372,961

Note: The Group's subsidiaries in property development sector would provide mortgage guarantees to the property purchasers as it is a common practice in property development industry. Under such arrangements, the period of the guarantees is from the date of the contracts being signed to the date of the legal title of the properties finally being transferred to the purchasers and the certificates could be used as collaterals. The Group considers that the risk related to such guarantees is minor.

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XIII. COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. Contingencies (Continued)

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

(c) Others

In 2012, due to extreme adverse weather condition, including typhoon, the progress of the Sino Iron Project was behind the original planned schedule giving rise to the substantial project cost overrun. The management is of the view that the Group has implemented appropriate procedures to control project costs, shorten project delay and minimize the loss resulted from the project schedule delay. In respect of the compensation clause set out in the construction contract entered into between the Group and the customer regarding the loss to customer resulted from the project delay due to the contractor own reason, the Group has sufficient communications with CITIC Group who is the customer of the Sino Iron Project. Both the Group and CITIC Group believe that the project delay is due to various reasons. A consensus has been reached between the Group and CITIC Group that the second main process production line of the Sino Iron Project should be completed and available for trial run by 15 April 2013. Due to the technical issue of cyclo electric motors, the trial run of the second main process production line of the Sino Iron Project was further delayed. The cyclo electric motors were purchased by a subsidiary of CITIC Group from an overseas supplier. The Group is of the view that the Group has appropriately performed its duty and fulfilled its responsibility in constructing the second main process production line according to the consensus reached with CITIC Group before. The reason for the delay in trial run of the second main process production line of the Sino Iron Project is principally due to quality issue of cyclo electronic motors which were not purchased by the Group.

As of the date of approving these financial statements, the customer has not lodged any compensation claims against the Group in respect of the project delay. The Group has already taken measures in shortening the project delay and has sufficient communications with the customer of this project. The Group is of the view that the risk of being claimed by the customer of this project is remote. Therefore, no provision for loss is recognized in these financial statements.

XIV. EVENTS AFTER THE BALANCE SHEET DATE

1. Issue of ultra-short term financing bonds

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

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

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

2. Appropriation of profit after the balance sheet date

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

XIV. EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)

3. Changes in shareholders' equity

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

4. The impact of Coronavirus Pandemic

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

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

XV. OTHER SIGNIFICANT MATTERS

1. Segment information

(1) Accounting policies of the segment

The Group determines the operating segments based on the internal organizational structure, management requirements and internal reporting system. The reportable segments are determined based on operating segments.

Operating segment is a component of the Group which satisfied all of the following conditions:

- (a) The component is able to generate income, expenses in daily activities;
- (b) The Group's management evaluates the operating results of that segment regularly, determines the allocation of resources, and evaluates its performance;
- (c) The Group can obtain the balance sheet, operating results, cash flow and other relevant accounting information of the segment. If two or more operating segments have similar economic characteristics and meet certain conditions, they could be combined into a single operating segment.

The management of the Group has performed assessments of the operating results of engineering contracting, property development, equipment manufacture, and resource development. The management also evaluates the operating results of the above segments generated in different geographical locations.

The information of the operating and reportable segments is derived from the information reported by the management of each respective segment. The accounting policies and measurement basis of this information are the same as the Group's accounting policies adopted in preparing these financial statements.

Intersegment transactions are based on the actual transaction price. Segment revenue and segment expenses are recognized based on the actual revenue generated and actual expenses incurred by the respective segments. Assets and liabilities are allocated to the respective segments according to the assets used or liabilities assumed in their daily operating activities.

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XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

1. Segment information (Continued)

(2) Summarized financial information of reporting segment

(a) Segment information for the year ended 31 December 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

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XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

1. Segment information (Continued)

(2) Summarized financial information of reporting segment

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

All amounts in RMB'000

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

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XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

1. Segment information (Continued)

(3) Other notes

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

All amounts in RMB'000

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

All amounts in RMB'000

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

- (b) The dependency on major customers

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

2. Net current assets and total assets less current liabilities

(1) Net current assets

All amounts in RMB'000

	31 December 2019	31 December 2018
Current assets	347,435,959	339,420,571
Less: Current liabilities	305,923,537	296,985,847
Net current assets	41,512,422	42,434,724

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XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

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

(2) Total assets less current liabilities

All amounts in RMB'000

	31 December 2019	31 December 2018
Total Assets	458,506,213	438,915,843
Less: Current liabilities	305,923,537	296,985,847
Total assets less current liabilities	152,582,676	141,929,996

3. Earnings per share

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

All amounts in RMB'000

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

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

All amounts in thousand shares

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

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XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

3. Earnings per share (Continued)

(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	0.27	0.26
Diluted earnings per share	N/A	N/A
Calculated based on net profit from continuing operations attributable to ordinary shareholders:		
Basic earnings per share	0.27	0.26
Diluted earnings per share	N/A	N/A
Calculated based on net profit from discontinued operations attributable to ordinary shareholders:		
Basic earnings per share	N/A	N/A
Diluted earnings per share	N/A	N/A

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

1. Cash and bank balances

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Cash	478	464
Bank deposits	2,455,909	2,511,346
Other cash and bank balances	11,510	11,315
Total	2,467,897	2,523,125

As at 31 December 2019, restricted cash and bank balances were RMB11,510,000.(as at 31 December 2018: RMB11,315,000, which was frozen deposits).

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

2. Accounts receivable

(1) Aging analysis of accounts receivable

All amounts in RMB'000

Aging	31 December 2019	31 December 2018
Within 1 year	80,605	300,678
1 to 2 years	-	-
2 to 3 years	-	-
3 to 4 years	-	-
4 to 5 years	-	40,369
Over 5 years	71,546	149,559
Total book value	152,151	490,606
Less: provisions for credit losses	53,252	171,634
Carrying amount	98,899	318,972

Settlement of trade receivables generated through engineering and construction services is made in accordance with terms specified in the contracts governing the relevant transactions. The aging of accounts receivable is calculated based on the date of issuing billing of construction service or date of revenue recognition.

(2) Provision for credit losses of accounts receivable

All amounts in RMB'000

Items	Lifetime expected credit losses (Non-credit- impaired)	Lifetime expected credit losses (Credit-impaired)	Total
Provisions for credit losses at 31 December 2018	-	171,634	171,634
Reversal for the current year	-	(118,382)	(118,382)
Provisions for credit losses at 31 December 2019	-	53,252	53,252
Book value of accounts receivable at 31 December 2019	98,899	53,252	152,151

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

2. Accounts receivable (Continued)

(3) The top 5 largest accounts receivable collected by arrears at the end of the year

All amounts in RMB'000

Name of entity	Relationship with the Company	31 December 2019	As a percentage of total accounts receivable (%)
Party 1	Third party	46,454	30.53
Party 2	Third party	46,256	30.40
Party 3	Third party	34,349	22.58
Party 4	Subsidiary	18,294	12.02
Party 5	Third party	6,798	4.47
Total	/	152,151	100.00

(4) As at 31 December 2019, the Company had no derecognized accounts receivable due to the transfer of substantially all the risks and rewards of ownership of the accounts receivable to the transferees whereas whose continuing involvement into transferred financial assets (as at 31 December 2018: nil).

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

3. Other receivables

(1) Presentation of other receivables

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Interest receivables	3,385,576	2,604,730
Dividends receivable	2,281,350	957,127
Other receivables	38,045,679	33,922,608
Total	43,712,605	37,484,465

(2) Interest receivables

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Subsidiaries of the Company	3,726,106	2,941,766
Less: provisions for credit losses	340,530	337,036
Total	3,385,576	2,604,730

(3) Dividends receivable

(a) Presentation of dividends receivable

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Subsidiaries of the Company	2,281,350	957,127
Total	2,281,350	957,127

- (b) At 31 December 2019, the closing balance of dividends receivable aged more than one year is RMB671,472,000. (as at 31 December 2018: RMB525,985,000).

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

3. Other receivables (Continued)

(4) Other receivables

(a) Aging analysis of other receivables

All amounts in RMB'000

Aging	31 December 2019	31 December 2018
Within 1 year	6,430,987	13,414,409
1 to 2 years	12,185,314	4,545,854
2 to 3 years	4,418,134	4,287,087
3 to 4 years	4,112,808	2,513,996
4 to 5 years	2,513,931	5,851,162
Over 5 years	14,679,371	9,578,163
Total book value	44,340,545	40,190,671
Less: Provisions for credit losses	6,294,866	6,268,063
Carrying amount	38,045,679	33,922,608

(b) Provision of credit losses of other receivables

All amounts in RMB'000

Items	Phase 1 Future 12-month expected credit losses	Phase 2 Lifetime expected credit losses (Non-credit- impaired)	Phase 3 Lifetime expected credit losses (Credit- impaired)	Total
Provision for credit losses at 31 December 2018	–	–	6,268,063	6,268,063
Provision for the current year	–	–	26,803	26,803
Provision for credit losses at 31 December 2019	–	–	6,294,866	6,294,866
Book value of other receivables at 31 December 2019	34,959,173	–	9,381,372	44,340,545

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

3. Other receivables (Continued)

(4) Other receivables (Continued)

(c) Other receivables classified by nature

All amounts in RMB'000

Nature of other receivables	31 December 2019	31 December 2018
Subsidiaries of the Company	44,101,785	40,097,217
Guarantees and deposits	228,919	87,111
Others	9,841	6,343
Total	44,340,545	40,190,671

(d) The top 5 largest other receivables at the end of the year

All amounts in RMB'000

Name of entity	Relationship with the Company	Nature of other receivables	31 December 2019	Aging	As a percentage of total other receivables (%)
Party 1	Subsidiary	Advances/internal loan	24,830,259	Within 6 years	56.00
Party 2	Subsidiary	Advances/internal loan	6,812,154	Within 8 years	15.36
Party 3	Subsidiary	Advances/internal loan	2,523,916	Within 9 years	5.69
Party 4	Subsidiary	Advances/internal loan	2,331,857	Within 5 years	5.26
Party 5	Subsidiary	Advances/internal loan	1,586,735	Within 6 years	3.58
Total	/	/	38,084,921		85.89

- (e) As at 31 December 2019, the Company had no derecognized other receivables due to the transfer of substantially all the risks and rewards of ownership of the other receivables to the transferees whereas those continuing involvement into transferred financial assets (as at 31 December 2018: nil).

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

4. Long-term receivables

(1) Long-term receivables

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Subsidiaries of the Company	2,498,259	3,223,730
Others	2,037	2,037
Total book value	2,500,296	3,225,767
Less: Provisions for credit losses of long-term receivables	146,529	144,750
Total net book value	2,353,767	3,081,017
Including: Long term receivables due within one year, net	1,866,177	1,357,037
Long term receivables due after one year, net	487,590	1,723,980

(2) Provision for credit losses of long-term receivables

All amounts in RMB'000

Items	Phase 1 Future 12-month expected credit losses	Phase 2 Lifetime expected credit losses (Non-credit- impaired)	Phase 3 Lifetime expected credit losses (Credit- impaired)	Total
Provisions for credit losses at 31 December 2018	–	–	144,750	144,750
Provisions for the current year	–	–	1,779	1,779
Provisions for credit losses at 31 December 2019	–	–	146,529	146,529
Book value of long-term receivables at 31 December 2019	2,353,767	–	146,529	2,500,296

- (3) As at 31 December 2019, the Company had no derecognized long-term receivables due to the transfer of substantially all the risks and rewards of ownership of the long-term receivable to the transferees whereas whose continuing involvement into transferred financial assets (as at 31 December 2018: nil).

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

5. Long-term equity investments

All amounts in RMB'000

Items	31 December 2019			31 December 2018		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Subsidiaries	89,537,408	175,034	89,362,374	87,675,344	175,034	87,500,310
Joint ventures and associates	504,790	113,146	391,644	474,863	113,146	361,717
Total	90,042,198	288,180	89,754,018	88,150,207	288,180	87,862,027

(1) Subsidiaries

All amounts in RMB'000

Name of investee	31 December 2018			31 December 2019	Provision for impairment losses for the current year	Impairment provision at 31 December 2019	Carrying amount at 31 December 2019
		Increase	Decrease				
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	1,898,546	-	-	1,898,546	-	-	1,898,546
Northern Engineering & Technology Corporation, MCC	826,271	-	-	826,271	-	-	826,271
China MCC 3 Group Co., Ltd.	1,219,670	-	-	1,219,670	-	-	1,219,670
Shen Kan Engineering & Technology Corporation, MCC	254,972	90,000	-	344,972	-	-	344,972
MCC Overseas Ltd.	475,644	-	-	475,644	-	-	475,644
MCC Communication Construction Group Co., Ltd.	7,899,629	1,156,904	-	9,056,533	-	-	9,056,533
MCC International Incorporation Ltd.	110,804	-	-	110,804	-	-	110,804
Ramu NiCo Management (MCC) Ltd.	3	-	-	3	-	-	3
MCC Finance Corporation Ltd.	1,583,970	-	-	1,583,970	-	-	1,583,970
MCC Tongsin Resources Ltd.	3,483,328	19,050	-	3,502,378	-	-	3,502,378
MCC-JJJ Mining Development Company Limited	2,849,805	-	-	2,849,805	-	-	2,849,805
MCC Capital Engineering & Research Incorporation Limited	7,170,194	-	-	7,170,194	-	-	7,170,194
MCC Real Estate Group Co., Ltd.	5,814,517	-	-	5,814,517	-	-	5,814,517
China 13th Metallurgical Construction Corporation	372,399	-	-	372,399	-	-	372,399
MCC TianGong Group Corporation Limited.	2,261,984	-	-	2,261,984	-	-	2,261,984
China 22MCC Group Co., Ltd.	3,407,199	80,000	-	3,487,199	-	-	3,487,199
China ENFI Engineering Co., Ltd.	4,310,884	-	-	4,310,884	-	-	4,310,884
China Second Metallurgical Group Corporation Limited	1,262,835	-	-	1,262,835	-	-	1,262,835
Central Research Institute of Building and Construction Co., Ltd.	2,743,939	-	-	2,743,939	-	-	2,743,939
China Huaye Group Co., Ltd.	2,412,037	-	-	2,412,037	-	-	2,412,037
Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	473,303	304,620	-	777,923	-	-	777,923
CISDI Group Co., Ltd.	4,368,886	-	-	4,368,886	-	-	4,368,886

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For the year ended 31 December 2019

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

5. Long-term equity investments (Continued)

(1) Subsidiaries (Continued)

All amounts in RMB'000

Name of investee	31 December 2018	Increase	Decrease	31 December 2019	Provision for impairment losses for the current year	Impairment provision at 31 December 2019	Carrying amount at 31 December 2019
China MCC 5 Group Co., Ltd.	3,050,967	-	-	3,050,967	-	-	3,050,967
China Metallurgical Construction Engineering Group Co., Ltd.	2,085,910	-	-	2,085,910	-	-	2,085,910
China MCC 19 Group Co., Ltd.	2,974,357	-	-	2,974,357	-	-	2,974,357
MCC Baosteel Technology Services Co., Ltd.	1,091,924	-	-	1,091,924	-	-	1,091,924
China MCC 20 Group Co., Ltd.	1,680,279	-	-	1,680,279	-	-	1,680,279
Shanghai Baoye Group Co., Ltd.	6,710,953	-	-	6,710,953	-	-	6,710,953
Huatian Engineering & Technology Corporation, MCC	2,156,648	-	-	2,156,648	-	-	2,156,648
China MCC 17 Group Co., Ltd.	1,755,361	-	-	1,755,361	-	-	1,755,361
China MCC International Economic and Trade Co., Ltd.	69,392	-	-	69,392	-	-	69,392
WISDRI Engineering & Research Incorporation Limited	5,393,412	-	-	5,393,412	-	-	5,393,412
China First Metallurgical Group Co., Ltd.	1,845,761	-	-	1,845,761	-	-	1,845,761
Zhong Ye Chang Tian International Engineering Co., Ltd.	991,130	-	-	991,130	-	-	991,130
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	233,777	-	-	233,777	-	-	233,777
MCC-SFRE Heavy Industry Equipment Co., Ltd.	1,110,635	-	-	1,110,635	-	-	1,110,635
MCC Mining (Western Australia) Pty Ltd.	126,807	-	-	126,807	-	126,807	-
MCC Australia Holding Pty Ltd.	48,227	-	-	48,227	-	48,227	-
MCC Holding (Hong Kong) Corporation Limited	6,485	-	-	6,485	-	-	6,485
MCC Financial Leasing Co., Ltd.	127,500	-	-	127,500	-	-	127,500
MCC Northeast Construction & Development Co., Ltd.	20,000	-	-	20,000	-	-	20,000
MCC Inner Mongolia Construction Investment Co., Ltd.	51,000	-	-	51,000	-	-	51,000
MCC South China Construction Investment Co., Ltd.	30,000	61,490	-	91,490	-	-	91,490
MCC Rail Transit Co., Ltd.	20,000	-	-	20,000	-	-	20,000
MCC Zhongyuan Construction Investment Co., Ltd.	50,000	-	-	50,000	-	-	50,000
MCC Integrated Pipe Network Technology & Development Co., Ltd.	-	150,000	-	150,000	-	-	150,000
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.(a)	24,000	-	-	24,000	-	-	24,000
Indirect holding subsidiaries	820,000	-	-	820,000	-	-	820,000
Total	87,675,344	1,862,064	-	89,537,408	-	175,034	89,362,374

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

5. Long-term equity investments (Continued)

(2) Joint ventures and associates

All amounts in RMB'000

Name of joint ventures and associates	Carrying amount at 31 December 2018	Movements during the current year								Carrying amount at 31 December 2019	Provision for impairment at 31 December 2019
		Increasing investments	Decreasing investments	Share of (losses)/ profits	Other comprehensive income	Other equity movements	Declaration of cash dividends	Provision for impairment for the current year	Others		
Beijing Jingxi Travel Industry Investment Fund (limited partnership)	102,812	-	-	1,845	-	-	-	-	-	104,657	-
MCC-Huafa Integrated Pipe Network Co., Ltd.	99,236	-	-	1,265	-	-	-	-	-	100,501	-
MCC Jianxin Investment Fund Management Co., Ltd.	55,545	-	-	3,353	-	-	-	-	-	58,898	-
Shenzhen MCC Utility Tunnel Construction and Investment Co., Ltd.	10,971	-	-	75	-	-	-	-	-	11,046	-
Yingtai MCC Xinyin industry development partnership (limited partnership)	93,153	-	-	29,403	-	-	6,014	-	-	116,542	-
MCC Xiangxi Mining Industry Co., Ltd.	-	-	-	-	-	-	-	-	-	-	113,146
Total	361,717	-	-	35,941	-	-	6,014	-	-	391,644	113,146

In the reporting period, there are no significant restrictions on withdrawing the above long-term equity investments.

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

6. Short-term borrowings

(1) Categories of short-term borrowings

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Guaranteed loan:	–	68,632
USD	–	68,632
Credit loans:	28,199,649	28,296,331
RMB	23,591,243	25,222,386
USD	4,381,054	2,830,580
Others	227,352	243,365
Total	28,199,649	28,364,963

(2) As at 31 December 2019, there were no significant short-term borrowings overdue but not yet paid (as at 31 December 2018: nil).

(3) As at 31 December 2019, the weighted average interest rate of short-term borrowings was 3.98 % per annum (as at 31 December 2018: 4.33% per annum).

7. Other payables

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Amounts due to subsidiaries	14,252,400	12,931,952
External dividends payable	1,023,324	687,630
Others	297,868	440,542
Total	15,573,592	14,060,124

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

8. Non-current liabilities due within one year

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Long-term borrowings due within one year (Note XVI 9)	9,069	1,961,880
Long-term employee benefits payable due within one year	2,159	2,228
Long-term payables due within one year	378,980	78,980
Bonds payable due within one year	31,143	31,143
Lease liabilities due within one year	21,381	–
Total	442,732	2,074,231

9. Long-term borrowings

All amounts in RMB'000

Items	31 December 2019	31 December 2018
Credit loans:	2,759,069	7,836,880
RMB	2,759,069	5,983,816
USD	–	1,853,064
Total	2,759,069	7,836,880
Less: Long-term borrowings due within one year (Note XVI 8):	9,069	1,961,880
Long-term borrowings due over one year	2,750,000	5,875,000

As at 31 December 2019, the weighted average interest rate of long-term borrowings was 4.39% per annum (as at 31 December 2018: 3.53% per annum).

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

10. Presentation of operating revenue and operating costs

(1) Operating revenue and operating costs

All amounts in RMB'000

Items	Amount for the current year		Amount for the prior year	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Principal business	4,122,234	4,059,713	5,030,879	5,021,605
Other business	55,073	385	164	–
Total	4,177,307	4,060,098	5,031,043	5,021,605

(2) Breakdown of operating revenue

(a) Classified by industries:

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Engineering contracting	3,693,020	3,769,461
Others	429,214	1,261,418
Total	4,122,234	5,030,879

(b) Classified by geographic locations:

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
China	429,214	1,261,418
Other countries/regions	3,693,020	3,769,461
Total	4,122,234	5,030,879

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

10. Presentation of operating revenue and operating costs (Continued)

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

All amounts in RMB'000

Items	Relationship with the Company	Operating revenue	As a percentage of total operating revenue of the Company (%)
Party 1	Third party	711,941	17.04
Party 2	Third party	699,483	16.75
Party 3	Third party	564,643	13.52
Party 4	Third party	401,010	9.60
Party 5	Third party	337,193	8.07
Total	/	2,714,270	64.98

(4) The project contracting services provided by the Company usually constitute a single performance obligation as a whole and are performance obligations performed within a certain period of time. As of 31 December 2019, some of the Company's project contracting service contracts are still in the process of implementation. The trading price allocated to non-implemented (or partly non-implemented) performance obligations is related to the performance progress of each project contracting service contract. It will be recognized as revenue within the future performance period of each project contracting service contract according to the performance progress.

11. Investment income

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Investment incomes under cost method	3,370,927	2,212,843
Investment incomes under equity method	35,941	12,108
Investment incomes on disposal of long-term equity investment	–	14,384
Total	3,406,868	2,239,335

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

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

12. Impairment losses of credit

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Credit losses	86,306	(57,592)
Including: Credit losses of accounts receivable	118,382	(105)
Credit losses of other receivables	(30,297)	(65,521)
Credit losses of long-term receivables	(1,779)	8,034
Total	86,306	(57,592)

13. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statements

All amounts in RMB'000

Supplementary information	Amount for the current year	Amount for the prior year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	2,935,190	1,168,034
Add: Credit loss provision	(86,306)	57,592
Depreciation of fixed assets and right-of-use assets	23,273	2,456
Amortization of intangible assets	1,897	2,143
Losses (gains) from disposal of fixed assets, intangible assets and other long-term assets	32	(1,787)
Losses on written-off of fixed assets	920	60
Financial expenses	369,209	796,787
Gains arising from investments	(3,406,868)	(2,239,335)
(Increase) decrease in inventories	(60)	420,132
Increase in contract assets	(257,107)	(1,039,354)
Decrease in receivables from operating activities	1,345,650	350,403
(Decrease) increase in payables from operating activities	(46,006)	217,495
Net cash flows from operating activities	879,824	(265,374)
2. Net changes in cash and cash equivalents:		
31 December 2019 of cash	2,456,387	2,511,810
Less: 31 December 2018 of cash	2,511,810	4,648,065
Net decrease in cash and cash equivalents	(55,423)	(2,136,255)

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

13. Supplementary information to the cash flow statement (Continued)

(2) Cash and cash equivalents

All amounts in RMB'000

Items	31 December 2019	31 December 2018
I. Cash	2,456,387	2,511,810
Including: Cash on hand	478	464
Bank deposits without restriction	2,455,909	2,511,346
Other cash and bank balances without restriction	—	—
II. Cash equivalents	—	—
Including: Investments in debt securities due within three months	—	—
III. Cash and cash equivalents on 31 December 2019	2,456,387	2,511,810

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

14. Related party relationships and transactions

- (1) The basic information of the parent of the Company, CMC and the ultimate controlling party, see Note XII 1.
- (2) The basic information of the subsidiaries, see Note IX 1.
- (3) *Associates and joint ventures*

Associates and joint ventures	Place of operation	Place of registration	Nature of business	Proportion of ownership interest held by the Company (%)		Accounting method
				Direct	Indirect	
Beijing Jingxi Travel Industry Investment Fund (limited partnership)(Note)	Beijing	Beijing	Investment in culture, tourism and related projects	9.08	-	Equity method
MCC-Huafa Integrated Pipe Network Co., Ltd.	Guangdong Province	Guangdong Province	Planning, design and construction of comprehensive pipe rack project	50.00	-	Equity method
MCC Jianxin Investment Fund Management Co., Ltd.	Beijing	Beijing	Investment management and consultation of non-securities business	50.00	-	Equity method
Shenzhen MCC Utility Tunnel Construction and Investment Co., Ltd.	Guangdong Province	Guangdong Province	Investment and financing of comprehensive pipe rack and pipe network projects	40.00	-	Equity method
Yingtian MCC Xinyin industry development partnership (limited partnership)	Jiangxi province	Jiangxi province	Investment management, asset management	48.89	-	Equity method
MCC Xiangxi Mining Industry Co., Ltd.	Hunan Province	Hunan Province	Processing and sales of mineral products	50.00	-	Equity method

Note: It has significant influence on the investee as it can participate in the financial and operating decision-making process of the investee.

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

14. Related party relationships and transactions (Continued)

(4) Related party transactions

(a) Sales and purchase of goods, provision and receipt of services

(i) Purchase of goods/receipt of services

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
Minmetals Steel Chengdu Co., Ltd.	Purchase of goods	132,032	895,029
Total		132,032	895,029
China MCC 17 Group Co., Ltd.	Receipt of services	986,026	1,233,366
China MCC 20 Group Co., Ltd.	Receipt of services	628,546	510,413
China Metallurgical Construction Engineering Group Co., Ltd.	Receipt of services	401,010	343,951
China MCC 5 Group Co., Ltd.	Receipt of services	337,193	694,913
MCC International Incorporation Ltd.	Receipt of services	102,680	3,693
China MCC 3 Group Co., Ltd.	Receipt of services	10,967	–
Shanghai Baoye Group Co., Ltd.	Receipt of services	10,362	7,758
China MCC 19 Group Co., Ltd.	Receipt of services	9,067	–
CISDI Group Co., Ltd.	Receipt of services	1,821	1,943
WISDRI Engineering & Research Incorporation Limited	Receipt of services	1,318	1,280
MCC Capital Engineering & Research Incorporation Limited	Receipt of services	470	–
China ENFI Engineering Co., Ltd.	Receipt of services	283	–
China Huaye Group Co., Ltd.	Receipt of services	269	–
MCC Overseas Ltd.	Receipt of services	–	15,408
China 22MCC Group Co., Ltd.	Receipt of services	–	266
Total	/	2,490,012	2,812,991

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

14. Related party relationships and transactions (Continued)

(4) Related party transactions (Continued)

(a) Sales and purchase of goods, provision and receipt of services (Continued)

(ii) Sales of goods/provision of services

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
MCC Communication Construction Group Co., Ltd.	Sale of goods	277,737	487,886
China MCC 5 Group Co., Ltd.	Sale of goods	79,646	380,716
MCC TianGong Group Corporation Limited	Sale of goods	65,897	219,169
China MCC 19 Group Co., Ltd.	Sale of goods	485	65,739
China Metallurgical Construction Engineering Group Co., Ltd.	Sale of goods	-	51,555
Total	/	423,765	1,205,065
China MCC 5 Group Co., Ltd.	Provision of services	14,085	-
China MCC 17 Group Co., Ltd.	Provision of services	12,189	-
China MCC 19 Group Co., Ltd.	Provision of services	10,896	-
MCC Communication Construction Group Co., Ltd.	Provision of services	9,321	56,353
China Metallurgical Construction Engineering Group Co., Ltd.	Provision of services	7,743	-
China Huaye Group Co., Ltd.	Provision of services	6,057	-
Total	/	60,291	56,353

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

14. Related party relationships and transactions (Continued)

(4) Related party transactions (Continued)

(b) Loans from/to related parties

All amounts in RMB'000

Related parties	Amount for the current year	Amount for the prior year
Borrowing		
MCC Finance Corporation Ltd.	8,000,000	5,200,000
China Metallurgical Group Corporation	3,300,000	–
MCC Capital Engineering & Research Incorporation Limited	1,683,692	349,842
MCC Communication Construction Group Co., Ltd.	964,000	–
WISDRI Engineering & Research Incorporation Limited	523,405	511,792
Shanghai Baoye Group Co., Ltd.	518,117	–
China Huaye Group Co., Ltd.	408,590	–
China MCC 20 Group Co., Ltd.	406,767	701,000
MCC Holding (Hong Kong) Corporation Limited	377,695	2,335,915
Central Research Institute of Building and Construction Co., Ltd.	292,273	300,000
China 22MCC Group Co., Ltd.	20,368	–
China MCC 17 Group Co., Ltd.	2,034	123,538
CISDI Group Co., Ltd.	–	164,717
MCC TianGong Group Corporation Limited	–	800,078
MCC Baosteel Technology Services Co., Ltd.	–	50,000
MCC Financial Leasing Co., Ltd.	–	280,000
MCC-JJJ Mining Development Company Limited	–	105,000
Total	16,496,941	10,921,882

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

14. Related party relationships and transactions (Continued)

(4) Related party transactions (Continued)

(b) Loans from/to related parties (Continued)

All amounts in RMB'000

Related parties	Amount for the current year	Amount for the prior year
Lending		
MCC Real Estate Group Co., Ltd.	9,200,000	7,689,000
China MCC 17 Group Co., Ltd.	1,700,000	–
MCC Communication Construction Group Co., Ltd.	1,550,000	819,215
China 22MCC Group Co., Ltd.	1,100,000	73,426
China MCC 5 Group Co., Ltd.	801,917	–
MCC TianGong Group Corporation Limited	800,000	387,006
Shen Kan Engineering & Technology Corporation, MCC	800,000	–
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	800,000	–
China MCC 3 Group Co., Ltd.	707,035	212,569
Shanghai Baoye Group Co., Ltd.	300,000	–
China MCC 20 Group Co., Ltd.	200,000	1,232
MCC Australia Holding Pty Ltd.	96,268	–
MCC Overseas Ltd.	10,251	585,133
MCC Mining (Western Australia) Pty Ltd.	9,822	6,939
Central Research Institute of Building and Construction Co., Ltd.	–	500,000
China Second Metallurgical Group Corporation Limited	–	220,000
China Huaye Group Co., Ltd.	–	150,434
CISDI Group Co., Ltd.	–	100,000
Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	–	30,000
Total	18,075,293	10,774,954

The interest rates of certain loans from/to related parties mentioned above ranged from 0 % to 5.70 %.

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

14. Related party relationships and transactions (Continued)

(4) Related party transactions (Continued)

(c) Leases with related parties

The Company as the lessee:

All amounts in RMB'000

Related parties	Category of assets under leases	Lease expenses recognized for the current year	Lease expenses recognized for the prior year
China Metallurgical Group Corporation	Buildings and structures	20,149	16,826
Total	/	20,149	16,826

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

14. Related party relationships and transactions (Continued)

(4) Related party transactions (Continued)

(d) Guarantees with related parties

(i) Provide guarantees

All amounts in RMB'000

Guaranteed party	Guaranteed item	Guaranteed amount	Guaranteed period	Whether execution of guarantee has been completed	Inception date of guarantee	Expiration date of guarantee
MCC Holding (Hong Kong) Corporation Limited	Bond	3,488,100	3 years	No	2017-05-31	2020-05-30
MCC Holding (Hong Kong) Corporation Limited	Bond	3,488,100	3 years	No	2017-07-17	2020-07-16
MCC Holding (Hong Kong) Corporation Limited	Perpetual Bond	3,488,100	/	No	2018-05-02	/
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	Loan	2,278,000	24 years	No	2008-01-08	2032-01-07
Tianjin MCC Mingtai Property Co., Ltd.	Loan	1,040,000	3 years	No	2019-01-31	2022-01-31
Tianjin MCC Mingtai Property Co., Ltd.	Loan	460,000	3 years	No	2019-03-15	2022-03-15
MCC Real Estate Group Co., Ltd.	Loan	1,000,000	3 years	No	2018-12-24	2021-12-23
MCC Real Estate Group Co., Ltd.	Loan	1,000,000	3 years	No	2019-02-26	2022-02-25
Hebei MCC Mingrun Real Estate Development Co., Ltd.	Loan	800,000	3 years	No	2019-12-30	2022-12-30
MCC Holding (Hong Kong) Corporation Limited	Loan	348,810	3 years	No	2017-01-13	2020-01-13
MCC Holding (Hong Kong) Corporation Limited	Loan	348,810	37 months	No	2017-08-18	2020-09-30
MCC Holding (Hong Kong) Corporation Limited	Loan	348,810	2 years	No	2019-07-09	2021-07-04
MCC Holding (Hong Kong) Corporation Limited	Loan	279,048	4 years	No	2019-07-29	2023-07-21
MCC Malaysia Overseas Ltd.	Loan	254,790	35 months	No	2018-08-07	2021-07-20
MCC Malaysia Overseas Ltd.	Loan	136,568	43 months	No	2017-12-20	2021-07-12
MCC Malaysia Overseas Ltd.	Loan	59,451	3 years	No	2018-12-27	2021-12-26
Total	/	18,818,587	/	/	/	/

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For the year ended 31 December 2019

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

14. Related party relationships and transactions (Continued)

(4) Related party transactions (Continued)

(e) Other related party transactions

(i) Interest income

All amounts in RMB'000

Related parties	Amount for the current year	Amount for the prior year
MCC Real Estate Group Co., Ltd.	1,141,867	996,003
China 22MCC Group Co., Ltd.	140,531	152,805
MCC Communication Construction Group Co., Ltd.	76,542	74,863
MCC Overseas Ltd.	39,191	27,122
Central Research Institute of Building and Construction Co., Ltd.	37,228	16,263
China MCC 3 Group Co., Ltd.	30,288	22,139
MCC-JJJ Mining Development Company Limited	24,128	124,749
China MCC 20 Group Co., Ltd.	22,583	3,189
China Huaye Group Co., Ltd.	21,615	25,143
MCC TianGong Group Corporation Limited	18,889	6,209
Shanghai Baoye Group Co., Ltd.	14,110	14,885
China MCC International Economic and Trade Co., Ltd.	13,554	13,554
China MCC 19 Group Co., Ltd.	10,264	-
Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	5,620	8,081
CISDI Group Co., Ltd.	4,615	2,576
China Second Metallurgical Group Corporation Limited	4,407	5,968
MCC Finance Corporation Ltd.	3,907	4,354
China First Metallurgical Group Co., Ltd.	2,303	-
Shen Kan Engineering & Technology Corporation, MCC	2,084	2,008
China ENFI Engineering Co., Ltd.	2,013	2,251
China MCC 17 Group Co., Ltd.	266	-
MCC-SFRE Heavy Industry Equipment Co., Ltd.	263	264
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	87	-
China MCC 5 Group Co., Ltd.	87	-
Total	1,616,442	1,502,426

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For the year ended 31 December 2019

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

14. Related party relationships and transactions (Continued)

(4) Related party transactions (Continued)

(e) Other related party transactions (Continued)

(ii) Interest expenses

All amounts in RMB'000

Related parties	Amount for the current year	Amount for the prior year
MCC Finance Corporation Ltd.	156,745	126,922
China Metallurgical Group Corporation	103,305	18,252
MCC Holding (Hong Kong) Corporation Limited	16,965	17,711
Shanghai Baoye Group Co., Ltd.	16,633	24,581
MCC Capital Engineering & Research Incorporation Limited	11,352	6,182
WISDRI Engineering & Research Incorporation Limited	5,750	5,413
China MCC 17 Group Co., Ltd.	4,203	2,245
ZHONGYE Chang Tian International Engineering Co., Ltd.	-	4,338
CISDI Group Co., Ltd.	-	2,159
Total	314,953	207,803

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For the year ended 31 December 2019

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

14. Related party relationships and transactions (Continued)

(5) Payables and receivables of related party

(a) Receivables

All amounts in RMB'000

Items	Related parties	31 December 2019		31 December 2018	
		Book value	Provisions for credit losses	Book value	Provisions for credit losses
Cash and bank balances	MCC Finance Corporation Ltd.	168,225	-	431,869	-
Total		168,225	-	431,869	-
Accounts receivable	China MCC International Economic and Trade Co., Ltd.	18,294	-	18,294	-
Total		18,294	-	18,294	-
Other receivables	MCC Real Estate Group Co., Ltd.	24,830,259	-	19,402,259	-
Other receivables	MCC Mining (Western Australia) Pty Ltd.	6,812,154	3,719,055	6,805,041	3,719,055
Other receivables	MCC Australia Holding Pty Ltd.	2,523,916	2,523,916	2,497,113	2,497,113
Other receivables	MCC Communication Construction Group Co., Ltd.	2,331,857	-	2,004,931	-
Other receivables	China 22MCC Group Co., Ltd.	1,586,735	-	2,040,152	-
Other receivables	MCC-SFRE Heavy Industry Equipment Co., Ltd.	1,082,200	-	1,082,200	-
Other receivables	China MCC 3 Group Co., Ltd.	859,655	-	751,981	-
Other receivables	MCC Overseas Ltd.	856,171	-	855,362	-
Other receivables	China MCC 20 Group Co., Ltd.	515,321	-	507,439	-
Other receivables	Central Research Institute of Building and Construction Co., Ltd.	500,000	-	500,000	-
Other receivables	MCC-JJJ Mining Development Company Limited	469,934	-	637,896	-
Other receivables	China Huaye Group Co., Ltd.	322,343	-	506,219	-
Other receivables	CISDI Group Co., Ltd.	300,000	-	300,000	-
Other receivables	China MCC International Economic and Trade Co., Ltd.	240,832	-	240,831	-
Other receivables	MCC International Incorporation Ltd.	147,455	-	19,629	-
Other receivables	China First Metallurgical Group Co., Ltd.	146,626	-	146,626	-
Other receivables	MCC Holding (Hong Kong) Corporation Limited	120,853	-	-	-
Other receivables	China MCC 17 Group Co., Ltd.	98,094	-	72,979	-
Other receivables	Shanghai Baoye Group Co., Ltd.	81,591	-	756,590	-
Other receivables	MCC Tongsin Resources Ltd.	66,194	-	66,194	-
Other receivables	MCC TianGong Group Corporation Limited	53,032	-	185,612	-
Other receivables	China Metallurgical Construction Engineering Group Co., Ltd.	52,012	-	58,560	-
Other receivables	China MCC 19 Group Co., Ltd.	45,649	-	28,764	-
Other receivables	MCC Baosteel Technology Services Co., Ltd.	32,477	-	32,477	-
Other receivables	MCC Capital Engineering & Research Incorporation Limited	20,033	-	20,033	-

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

14. Related party relationships and transactions (Continued)

(5) Payables and receivables of related party (Continued)

(a) Receivables (Continued)

All amounts in RMB'000

Items	Related parties	31 December 2019		31 December 2018	
		Book value	Provisions for credit losses	Book value	Provisions for credit losses
Other receivables	Huatian Engineering & Technology Corporation, MCC	5,450	-	5,170	-
Other receivables	Shen Kan Engineering & Technology Corporation, MCC	600	-	35,970	-
Other receivables	Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	310	-	310	-
Other receivables	Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	32	-	304,645	-
Other receivables	China Second Metallurgical Group Corporation Limited	-	-	220,000	-
Other receivables	China MCC 5 Group Co., Ltd.	-	-	12,234	-
Total		44,101,785	6,242,971	40,097,217	6,216,168
Other receivables-interest receivable	MCC Real Estate Group Co., Ltd.	1,137,347	-	643,179	-
Other receivables-interest receivable	China 22MCC Group Co., Ltd.	807,019	-	675,653	-
Other receivables-interest receivable	MCC Mining (Western Australia) Pty Ltd.	386,015	-	384,976	-
Other receivables-interest receivable	MCC Australia Holding Pty Ltd.	340,530	340,530	337,036	337,036
Other receivables-interest receivable	MCC Communication Construction Group Co., Ltd.	287,298	-	237,231	-
Other receivables-interest receivable	China Huaye Group Co., Ltd.	272,575	-	253,913	-
Other receivables-interest receivable	MCC-JJJ Mining Development Company Limited	106,916	-	82,788	-
Other receivables-interest receivable	MCC-SFRE Heavy Industry Equipment Co., Ltd.	86,131	-	86,131	-
Other receivables-interest receivable	China MCC International Economic and Trade Co., Ltd.	78,189	-	64,636	-
Other receivables-interest receivable	MCC Tongsin Resources Ltd.	74,276	-	73,085	-
Other receivables-interest receivable	MCC Overseas Ltd.	73,131	-	33,470	-
Other receivables-interest receivable	Central Research Institute of Building and Construction Co., Ltd.	37,679	-	15,156	-
Other receivables-interest receivable	China MCC 3 Group Co., Ltd.	12,862	-	9,258	-

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

14. Related party relationships and transactions (Continued)

(5) Payables and receivables of related party (Continued)

(a) Receivables (Continued)

All amounts in RMB'000

Items	Related parties	31 December 2019		31 December 2018	
		Book value	Provisions for credit losses	Book value	Provisions for credit losses
Other receivables-interest receivable	China MCC 20 Group Co., Ltd.	12,855	-	6,720	-
Other receivables-interest receivable	CISDI Group Co., Ltd.	7,191	-	2,576	-
Other receivables-interest receivable	Shanghai Baoye Group Co., Ltd.	4,827	-	30,927	-
Other receivables-interest receivable	MCC Capital Engineering & Research Incorporation Limited	907	-	-	-
Other receivables-interest receivable	MCC Finance Corporation Ltd.	358	-	283	-
Other receivables-interest receivable	Shen Kan Engineering & Technology Corporation, MCC	-	-	4,748	-
Total		3,726,106	340,530	2,941,766	337,036
Other receivables-dividends receivable	MCC Real Estate Group Co., Ltd.	818,489	-	-	-
Other receivables-dividends receivable	China 22MCC Group Co., Ltd.	342,035	-	309,995	-
Other receivables-dividends receivable	CISDI Group Co., Ltd.	293,567	-	236,656	-
Other receivables-dividends receivable	MCC TianGong Group Corporation Limited	193,593	-	170,405	-
Other receivables-dividends receivable	China MCC 17 Group Co., Ltd.	160,246	-	-	-
Other receivables-dividends receivable	MCC Communication Construction Group Co., Ltd.	158,520	-	17,450	-
Other receivables-dividends receivable	MCC Capital Engineering & Research Incorporation Limited	126,502	-	64,589	-
Other receivables-dividends receivable	Shanghai Baoye Group Co., Ltd.	92,167	-	92,167	-
Other receivables-dividends receivable	ZHONGYE Chang Tian International Engineering Co., Ltd.	70,620	-	-	-
Other receivables-dividends receivable	MCC Overseas Ltd.	19,814	-	19,814	-
Other receivables-dividends receivable	MCC-SFRE Heavy Industry Equipment Co., Ltd.	5,797	-	5,797	-
Other receivables-dividends receivable	Huatian Engineering & Technology Corporation, MCC	-	-	39,532	-

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

14. Related party relationships and transactions (Continued)

(5) Payables and receivables of related party (Continued)

(a) Receivables (Continued)

All amounts in RMB'000

Items	Related parties	31 December 2019		31 December 2018	
		Book value	Provisions for credit losses	Book value	Provisions for credit losses
Other receivables- dividends receivable	Northern Engineering & Technology Corporation, MCC	-	-	722	-
Total		2,281,350	-	957,127	-
Prepayments	MCC International Incorporation Ltd.	22,679	-	-	-
Prepayments	China MCC 19 Group Co., Ltd.	17,955	-	-	-
Prepayments	China MCC 3 Group Co., Ltd.	17,621	-	-	-
Prepayments	China MCC International Economic and Trade Co., Ltd.	5,120	-	5,120	-
Prepayments	Shanghai Baoye Group Co., Ltd.	4,693	-	4,693	-
Prepayments	China MCC 20 Group Co., Ltd.	-	-	13,218	-
Total		68,068	-	23,031	-
Long-term receivables	Central Research Institute of Building and Construction Co., Ltd.	315,110	-	315,110	-
Long-term receivables	MCC Mining (Western Australia) Pty Ltd.	146,529	146,529	144,750	144,750
Long-term receivables	China MCC 3 Group Co., Ltd.	135,000	-	1,345,000	-
Long-term receivables	China ENFI Engineering Co., Ltd.	25,810	-	46,730	-
Long-term receivables	Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	11,670	-	11,670	-
Long-term receivables	MCC-SFRE Heavy Industry Equipment Co., Ltd.	-	-	5,470	-
Total		634,119	146,529	1,868,730	144,750
Non-current assets due within one year	China 22MCC Group Co., Ltd.	1,275,000	-	1,275,000	-
Non-current assets due within one year	China MCC 3 Group Co., Ltd.	503,670	-	-	-
Non-current assets due within one year	China MCC International Economic and Trade Co., Ltd.	80,000	-	80,000	-
Non-current assets due within one year	MCC-SFRE Heavy Industry Equipment Co., Ltd.	5,470	-	-	-
Total		1,864,140	-	1,355,000	-

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

14. Related party relationships and transactions (Continued)

(5) Payables and receivables of related party

(b) Payables

All amounts in RMB'000

Items	Related parties	31 December 2019	31 December 2018
Short-term borrowings	MCC Finance Corporation Ltd.	8,000,000	5,200,000
Total		8,000,000	5,200,000
Accounts payable	China MCC 5 Group Co., Ltd.	345,226	325,252
Accounts payable	China Metallurgical Construction Engineering Group Co., Ltd.	192,880	108,279
Accounts payable	China MCC 20 Group Co., Ltd.	144,719	141,816
Accounts payable	China 22MCC Group Co., Ltd.	50,036	50,036
Accounts payable	Northern Engineering & Technology Corporation, MCC	44,253	44,253
Accounts payable	Shanghai Baoye Group Co., Ltd.	38,107	45,383
Accounts payable	China MCC 17 Group Co., Ltd.	34,747	47,173
Accounts payable	MCC Overseas Ltd.	11,141	11,141
Accounts payable	MCC International Incorporation Ltd.	5,843	-
Accounts payable	ZHONGYE Chang Tian International Engineering Co., Ltd.	5,832	5,832
Accounts payable	China MCC 3 Group Co., Ltd.	1,178	-
Accounts payable	China MCC 19 Group Co., Ltd.	978	-
Total		874,940	779,165
Other payables	MCC Holding (Hong Kong) Corporation Limited	2,380,491	1,990,588
Other payables	MCC Capital Engineering & Research Incorporation Limited	2,119,556	793,224
Other payables	China MCC 20 Group Co., Ltd.	1,911,169	1,473,368
Other payables	MCC Communication Construction Group Co., Ltd.	1,151,410	188,210
Other payables	ACRE Coking & Refractory Engineering Consulting Corporation, MCC	780,010	35,749
Other payables	China Huaye Group Co., Ltd.	686,426	325,946
Other payables	Central Research Institute of Building and Construction Co., Ltd.	656,034	363,761
Other payables	China MCC 19 Group Co., Ltd.	593,798	352,163
Other payables	WISDRI Engineering & Research Incorporation Limited	593,141	591,566
Other payables	China MCC 5 Group Co., Ltd.	469,134	373,269
Other payables	CISDI Group Co., Ltd.	399,662	687,638

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For the year ended 31 December 2019

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

14. Related party relationships and transactions (Continued)

(5) Payables and receivables of related party (Continued)

(b) Payables (Continued)

All amounts in RMB'000

Items	Related parties	31 December 2019	31 December 2018
Other payables	China Second Metallurgical Group Corporation Limited	292,259	219,908
Other payables	Shanghai Baoye Group Co., Ltd.	286,529	1,413,577
Other payables	MCC International Incorporation Ltd.	229,164	222,053
Other payables	China 22MCC Group Co., Ltd.	216,183	234,979
Other payables	MCC Financial Leasing Co., Ltd.	215,000	280,000
Other payables	China 13th Metallurgical Construction Corporation	202,859	243,431
Other payables	China MCC 3 Group Co., Ltd.	202,439	927,909
Other payables	China MCC 17 Group Co., Ltd.	183,029	134,766
Other payables	China Metallurgical Construction Engineering Group Co., Ltd.	143,677	161,865
Other payables	ZHONGYE Chang Tian International Engineering Co., Ltd.	88,485	106,181
Other payables	Northern Engineering & Technology Corporation, MCC	78,461	79,183
Other payables	Shen Kan Engineering & Technology Corporation, MCC	77,836	84,708
Other payables	China ENFI Engineering Co., Ltd.	56,681	368,017
Other payables	MCC Overseas Ltd.	40,851	21,559
Other payables	Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	37,297	37,297
Other payables	MCC Mining (Western Australia) Pty Ltd.	33,662	33,253
Other payables	China First Metallurgical Group Co., Ltd.	33,617	106,341
Other payables	MCC TianGong Group Corporation Limited	21,726	800,078
Other payables	MCC Australia Holding Pty Ltd.	20,027	19,784
Other payables	Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	18,082	21,698
Other payables	MCC Baosteel Technology Services Co., Ltd.	16,757	120,108
Other payables	MCC Tongsin Resources Ltd.	9,236	9,236
Other payables	MCC Finance Corporation Ltd.	7,167	5,159
Other payables	MCC-SFRE Heavy Industry Equipment Co., Ltd.	377	377
Other payables	Huatian Engineering & Technology Corporation, MCC	165	-
Other payables	Ramu NiCo Management (MCC) Ltd.	3	3
Other payables	Minmetals Steel Chengdu Co., Ltd.	-	168,401
Other payables	MCC-JJJ Mining Development Company Limited	-	105,000
Total		14,252,400	13,100,353

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

14. Related party relationships and transactions (Continued)

(5) Payables and receivables of related party (Continued)

(b) Payables (Continued)

All amounts in RMB'000

Items	Related parties	31 December 2019	31 December 2018
Non-current liabilities due within one year	China Metallurgical Group Corporation	378,980	78,980
Total		378,980	78,980
Long-term payables	China Metallurgical Group Corporation	-	300,000
Total		-	300,000

XVII. SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss

All amounts in RMB'000

Items	Amount for the current year
Government grants recognized in profit or loss (except for the government grants that are closely related to the business of the Company and received in accordance with the uniform state's regulations.)	593,562
Other non-operating income or expenses other than the above items	227,720
Profit or loss on disposal of non-current assets	67,810
Profit or loss arising from changes in fair value of trading financial assets, derivative financial instruments and other financial assets and investment income on disposal of trading financial assets except for those relating to the hedging transactions under the company's normal operating business	78,500
Profit or loss on disposal of long-term equity investments	107,797
Impact on income tax	(181,056)
Impact on non-controlling interests	(106,881)
Total	787,452

FINANCIAL STATEMENTS

For the year ended 31 December 2019

XVII. SUPPLEMENTARY INFORMATION (CONTINUED)

2. Return on net assets and earnings per share ("EPS")

Profit during the reporting period	Weighted average rate of return on net assets (%)	EPS (RMB)	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	7.99	0.27	N/A
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	6.87	0.23	N/A

OTHER FINANCIAL DATA

Unit: RMB'000

Items	2019	2018	2017	2016	2015
Operating revenue	338,637,609	289,534,523	243,999,864	219,557,579	217,323,972
Operating costs	299,247,115	253,121,966	212,052,305	191,369,837	188,817,361
Taxes and levies	1,896,372	2,412,583	2,109,021	3,288,123	5,597,162
Selling expenses	2,315,815	2,108,541	1,961,287	1,665,258	1,512,225
Administrative expenses	9,354,662	8,569,093	7,681,869	7,115,377	7,238,858
R&D expenses	9,934,444	7,182,666	5,336,045	3,309,797	2,828,218
Financial expenses	2,498,264	2,614,040	3,020,031	2,228,707	2,526,563
Impairment losses of assets	939,749	1,165,150	3,908,628	4,023,057	4,569,534
Impairment losses of credit	2,418,539	2,671,338	-	-	-
Investment income	-987,178	-262,199	548,870	440,053	1,735,160
Gains on disposal of assets	67,810	138,415	99,013	84,968	179,788
Other income	241,945	237,653	200,336	-	-
Operating profit	9,342,416	9,832,014	8,779,119	7,079,229	6,118,554
Non-operating income	523,777	449,866	438,636	1,172,389	1,149,162
Non-operating expenses	84,035	757,436	243,069	603,847	124,580
Total profit	9,782,158	9,524,444	8,974,686	7,647,771	7,143,136
Income tax	2,205,339	1,953,837	2,262,832	1,678,124	2,194,392
Net profit	7,576,819	7,570,607	6,711,854	5,969,647	4,948,744
Net profit attributable to shareholders of the Company	6,599,712	6,371,580	6,061,488	5,375,858	4,801,562
Profit or loss attributable to non-controlling interests	977,107	1,199,027	650,366	593,789	147,182
Basic earnings per share	0.27	0.26	0.26	0.25	0.24
Diluted earnings per share	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Items	As at the end of 2019	As at the end of 2018	As at the end of 2017	As at the end of 2016	As at the end of 2015
Total assets	458,506,213	438,915,843	414,565,174	377,491,604	343,762,819
Total liabilities	341,600,705	336,246,399	317,244,693	294,383,901	272,607,795
Shareholders' equity	116,905,508	102,669,444	97,320,481	83,107,703	71,155,024

DOCUMENTS FOR INSPECTION

Documents for Inspection	Financial statements signed and sealed by the legal representative, the person-in-charge of accounting and the head of the accounting firm
Documents for Inspection	The original auditor's report sealed with the corporate seal of the accounting firm and signed and sealed by the certified public accountant
Documents for Inspection	Originals of all documents and announcements of the Company publicly disclosed in the newspapers designated by the CSRC during the Reporting Period
Documents for Inspection	2019 Annual Report and 2019 Annual Results Announcement published on the Hong Kong Stock Exchange

Chairman: Guo Wenqing

Date of Approval from the Board: 31 March 2020

AMENDMENT ON INFORMATION

Applicable Not Applicable



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