



**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

# 2021 INTERIM 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 the contents of this interim report are true, accurate and complete without false representations, misleading statements or material omissions, and they severally and jointly accept legal responsibility for the above warranty.
- II. The 31st meeting of the third session of the Board was convened on 30 August 2021. All Directors of the Company attended the Board meeting.
- III. The interim financial statement of the Company for the first half of 2021 has been reviewed by WUYIGE Certified Public Accountants LLP, but has not been audited. WUYIGE Certified Public Accountants LLP issued a review report with unqualified opinions to the Company.
- IV. Guo Wenqing, the Chairman and legal representative of the Company, Zou Hongying, the Vice President and General Accountant of the Company, and Fan Wanzhu, the Deputy General Accountant and Head of the Financial Planning Department have declared that they warrant the truthfulness, accuracy and completeness of the financial report contained in this interim report.
- V. The proposal for profit distribution or transfer of capital reserve to share capital for the Reporting Period as approved by the Board of Directors
- 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 funds by the Controlling Shareholder and its related parties for non-operating purpose  

No
- VIII. Is there any external guarantee made in violation of the required decision-making procedures  

No
- IX. Are there more than half of the Directors unable to guarantee the truthfulness, accuracy and completeness of the interim report disclosed by the Company  

No
- X. Warning of major risks
  1. International and domestic macroeconomic trends  

In the current period, the international and domestic economic situation is complex and grim as the instabilities and uncertainties have increased significantly. COVID-19 pandemic has a far-reaching effect, which resulted in the global economy being in deep recession and economic globalization facing a counter current. Since all business operations of the Company are affected by the international and domestic macroeconomic environment, the macroeconomic trends inside or outside China may have an impact on various business segments of the Company, including procurement, production and sale, thereby causing fluctuations in the Company's operating performance. Since the Company's operating income is mainly derived from the domestic market, its business operations may perform differently in various domestic economic cycles.
  2. Changes in the policies of the industries in which the Company was involved and the demands of its domestic and overseas markets  

The Company's engineering contracting, property development and equipment manufacturing businesses were all influenced by the policies of the industry and the market. The sudden outbreak of COVID-19 pandemic has increased the uncertainties of the external market situation. 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 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 control measures on the property industry, periodic fluctuations of the industries and changes in the operating situation of upstream and downstream enterprises of the industries, and thereby influencing the Company's internal structure and hence influencing the Company's financial position.
- XI. Others  

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

# Contents

---

Definitions	4
Chairman’s Statement	6
Company Profile and Major Financial Indicators	9
Report of the Board of Directors, Management Discussion and Analysis	18
Corporate Governance	58
Environmental and Social Responsibility	61
Significant Events	79
Changes in Shares and Particulars of Shareholders	88
Corporate Bonds	97
Financial Statements	101
Documents for Inspection	312



**2021 Interim Report Cover Image Introduction:**

The main element of the cover of the report is an image of the National Sliding Center Project built by Shanghai Baoye Group Corp., Ltd. ("Shanghai Baoye"), a subsidiary of the Company. This project is located in the southwest Yanqing competition zone for Beijing 2022 Winter Olympics. Among Winter Olympics venues, it is a newly-built one that is among the venues most difficult to design, extremely challenging to construct and with most complex process. It is also the first snowmobile and sled track in China. In the construction, Shanghai Baoye forged ahead in reform and innovation. It made breakthroughs in cutting-edge technology problems and completed the project successfully. On 18 January 2021, the construction of the project was highly appraised by General Secretary Xi Jinping during his inspection.

# Definitions

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

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

# Definitions

“Reporting Period”	from 1 January 2021 to 30 June 2021
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of share(s) of the Company
“Shareholders’ Meeting”	the shareholders’ meeting of Metallurgical Corporation of China Ltd.*
“SSE”	the Shanghai Stock Exchange
“State Council”	the State Council of the People’s Republic of China
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the Supervisory Committee of Metallurgical Corporation of China Ltd.*
“USD”	United States dollars, the lawful currency of the United States

# Chairman's Statement

Chairman  
**Guo Wenqing**



# Chairman's Statement

Dear Shareholders,

In the first half of 2021, MCC spared no efforts to obtain remarkable results in its “mid-term examination”, which was also a plain but meaningful gift to celebrate the 100th anniversary of the Communist Party of China.

During the Reporting Period, the Company maintained a rapid growth of its operating performance. Its indicators including operating revenue, total profit, net profit and newly signed contract value all hit new highs, and the indicator for asset quality continued to improve. In addition, the Company realized “two benefits and four rates” ahead of target schedule, and significantly improved its quality and efficiency of the operation. Among them, the operating revenue amounted to RMB251.003 billion, representing a year-on-year growth of 39.01%. Total profit was RMB8.031 billion, representing a year-on-year increase of 45.93%, of which the net profit attributable to Shareholders of the listed company recorded RMB4.937 billion, representing a year-on-year increase of 37.46%; the value of newly signed contracts amounted to RMB615.058 billion, representing a year-on-year increase of 32.21%; “high quality, large scale, emerging and comprehensive” projects have continued to improve in quantity and quality, and the newly signed individual contracts with value of more than RMB5 billion reached a total of RMB71.347 billion, representing a year-on-year increase of 1,012.82%. In addition, the Company made new achievements in scientific and technological innovation, with 4,746 patents newly applied and 3,214 patents newly granted in the first half of the year, totaling 35,694 active patents, and had further improved the quality of its patents. The Company was approved as Beijing Enterprise Technology Center, and to establish the international standardization innovation base for metallurgical engineering. It owned a total of 26 technological innovation platforms at national level, and won 9 Chinese Patent Excellence Awards. 3 international standard projects and 12 national standard projects were approved, 1 international standard and 5 national standards were approved to be issued. MCC has shown a steady and sound growth trend for sustainable development.

Currently, the situation of COVID-19 pandemic is changing around the world. The overseas environment becomes more complex and severe and domestic economy recovery is still unstable and unbalanced. The Company will pay great attention to the systematic project of high-quality development, and do a good job in key parts such as main responsibilities and principal business, top-level design, basic management, market expansion, risk control and team building, unswervingly run its own affairs well and play a bigger role in the new journey towards building China into a great modern socialist country in every dimension.

**In terms of focusing on the main responsibilities and principal business**, the Company will uphold the strategic position of national team for metallurgical construction in the new development phase, and unswervingly promote the national team for metallurgical construction to be advanced, optimized and re-created so as to be an “advanced manufacturer” in the development of China. The Company will take persistent efforts to strengthen the construction of national team system to guarantee its leading and strong position as a national team. Focusing on the objectives of Peak Carbon Dioxide Emission and Carbon Neutrality, the Company will vigorously promote the green and low-carbon development of metallurgy. Great efforts will be made in high added value of scrap industry to accelerate the development of scrap business. The Company will focus on scientific and technological innovation to achieve leading development, spare no effort to organize and implement the “181 Plan” and greatly advance the productization and industrialization of core technology. Therefore, the Company will be able to faithfully undertake the responsibility of an “advanced manufacturer” to achieve intelligent, green, low-carbon, high efficiency development in China’s metallurgy industry. Relying on the metallurgical advantages and resource endowments, we will make every effort to advance into the fields of high-tech and high-quality construction and emerging industries, continue to build new economic growth points and find a more promising, broader and brighter road.

**In terms of market expansion**, we will continue to control the overall situation with goals, and take actions according to plans, progresses and requirements and promote the development in an innovative way. We adhered to the market development principle of “herding sheep on the grassland and casting a net at fishpond”. We will transform from “piecemeal approaches” to “high-quality, innovative, comprehensive and large scale methods”, further expand the overall size, consolidate the fundamentals, expand high-quality fields, and develop potential aspects to reshape the market development pattern. We will continuously adhere to the regional deep development, lead the subsidiaries to develop their own “main operating field” and further improve the concentration of regional markets. We will adhere to the systematic development, improve the normalized market coordination mechanism, and help regional companies maintain vitality and their growth trend so as to further improve the order quality and the contract conversion rate.



# Chairman's Statement

**In terms of enhancing the management foundation**, we will pay attention to the traditional management and basic management, focus on the project management and work to improve the systematic management and control level. We will formulate a fixed management mode and form a standardized, normalized and refined management mode and example; improve the control of major project with intensive efforts to ensure the high-level implementation of the project as scheduled with high quality; enhance the control of the industrial chains and supply chains to improve the management and operation capability of vertical integration; work hard to achieve digital transformation to vigorously promote the project management informatization; concentrate on and start with the actual situation to maximize data value and facilitate the high-quality development of MCC with digitization.

**For the purpose of stringently controlling risks**, we will take stability as the top priority and place risk control as an important prerequisite for all business activities, further enhance the financial fund management, strictly guard against investment risks, continue to strengthen PPP project operation monitoring and risk control and the off-balance-sheet assets management; further do a good job in safety, environmental protection and flood prevention and strictly observe the red line of safety production. We will further enhance the overseas risk prevention and control, uphold the belief that people are of paramount importance and strive to do well in overseas pandemic prevention and control; give first place to safety and strictly prevent and control risks of overseas projects.

**In terms of team building**, we will continue to improve the whole chain selection and training system of outstanding talents, continue to enhance the matching and suitability between personnel and posts; make overall arrangements of talents at all ages, make efforts to enhance the training of young cadres and maintain potentials for future development of the Company. We will greatly stimulate the "backbone" spirit to act bravely, guide all the staff to keep their original mind to perform well and aim high, thus developing a good atmosphere to be positively motivated and embrace happiness.

Striving is the best way to compose history, but also the highest tribute to history. Facing the future, we will greatly promote the enterprise spirit of "making progress every day, and never slackening the pace" and strive to write a new chapter of high quality development of "a better MCC" so as to create new and greater value for the country, the Shareholders, the society and our employees!

President: 

# Company Profile and Major Financial Indicators

MCC is the world's largest and strongest metallurgical construction contractor and operation service provider, one of the state-recognized major resource enterprises, one of China's largest steel structure producer, one of the first 16 central enterprises designated by the SASAC with main business of real estate development, and the main force for China's infrastructure construction. In the early stages of China's reform and opening-up, MCC created the world-renowned "Shenzhen Speed". It ranked 6th in ENR's Top 250 Global Contractors in 2021.

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

As an innovation-oriented enterprise, MCC has 5 comprehensive Class A design qualifications and 41 special-grade general contracting construction qualifications. Among its subsidiaries, 5 are granted with quadruple special-grade construction qualifications, 3 are granted with triple special-grade construction qualifications and 4 are granted with dual special-grade construction qualifications, ranking forefront in China. MCC also has 26 national-level scientific research and development platforms and over 35,000 effective patents. Since 2009, it has won 82 China Patent Awards (winning the China Patent Gold Award for 3 consecutive years from 2015 to 2017). Since 2000, it has won 51 National Science & Technology Awards and published 59 international standards and 569 national standards. It has received the Luban Prize for Construction Projects for 117 projects (including participation), the National Quality Engineering Award for 230 projects (including participation), the Tien-yow Jeme Civil Engineering Prize for 19 projects (including participation), and Metallurgy Industry Quality Engineering Excellent Achievement Award and Metallurgy Industry High Quality Engineering Award for 798 projects (including participation). MCC has over 57,000 engineering technicians, 1 academician of the Chinese Academy of Engineering, 12 national exploration and design masters, 5 experts listed on the "National Hundred, Thousand and Ten Thousand" Talent Project", 489 staff members enjoying special government allowance from the State Council, 2 winners of the Grand Skill Award of China, 3 gold medalists of the WorldSkills Competition, 64 National Technical Experts and 6 national skill master studios.

MCC was listed on the main board of the SSE and the Hong Kong Stock Exchange on 21 September 2009 and 24 September 2009, respectively. At present, the A Shares of the Company have been selected to be a constituent stock of the SSE Central State-owned Enterprises Index, MSCI Concept Index, Carbon Neutrality 300 Index, etc.; while the H Shares have been selected to be a constituent stock of Hang Seng Stock Connect Hong Kong Index, Hang Seng Infrastructure Index, Hang Seng Mainland Composite 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

# Company Profile and Major Financial Indicators

## 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. CHANGES IN BASIC INFORMATION

Registered address of the Company	28 Shuguang Xili, Chaoyang District, Beijing, PRC
The historical change of the registered address of the Company	On 29 June 2010, the 2009 annual general meeting of the Company considered and approved the resolution regarding the Amendments to the Articles of Association of Metallurgical Corporation of China Ltd.*, and approved the change of the registered address of the Company from “No.11, Gaoliangqiao Xie Jie, Haidian District, Beijing” to “28 Shuguang Xili, Chaoyang District, Beijing”.
Business address of the Company in the PRC	MCC Tower, 28 Shuguang Xili, Chaoyang District, Beijing, PRC
Postal code of the business address of the Company in the PRC	100028
Place of business of the Company in Hong Kong	Room 3205, 32/F Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong
H Share registrar and transfer office	Computershare Hong Kong Investor Services Limited
Address of H Share registrar and transfer office	17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
Website address of the Company	<a href="http://www.mccchina.com">http://www.mccchina.com</a>
E-mail	ir@mccchina.com
Query index of changes during the Reporting Period	No changes during the Reporting Period

# Company Profile and Major Financial Indicators

## IV. CHANGES IN INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Name of media of 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 interim report of A Shares	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>
Website designated by the Hong Kong Stock Exchange for publication of an interim report of H Shares	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>
Place where an interim report of the Company is available for inspection	MCC Tower, 28 Shuguang Xili, Chaoyang District, Beijing, PRC
Query index of changes during the Reporting Period	No changes during the Reporting Period

## V. SHARES OF THE COMPANY

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

## VI. OTHER RELEVANT INFORMATION

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

# Company Profile and Major Financial Indicators

## VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

### (I) Major accounting data

Unit: RMB'000

Major accounting data	The Reporting Period	Corresponding period of the previous year	Increase/decrease for the Reporting Period as compared to the corresponding period of the previous year (%)
	(January–June)		
Operating revenue	<b>251,003,187</b>	180,565,193	39.01
Net profit attributable to Shareholders of the listed company	<b>4,937,420</b>	3,591,925	37.46
Net profit attributable to Shareholders of the listed company after deducting non-recurring profits and losses	<b>4,259,279</b>	3,280,625	29.83
Net cash flow generated from operating activities	<b>(8,565,449)</b>	1,414,017	N/A

Major accounting data	The Reporting Period	End of the previous year	Increase/decrease for the end of the Reporting Period as compared to the end of the previous year (%)
	(January–June)		
Net assets attributable to Shareholders of the listed company	<b>101,202,546</b>	<b>97,891,638</b>	3.38
Total assets	<b>557,589,338</b>	<b>506,392,963</b>	10.11

### (II) Major financial indicators

Major financial indicators	The Reporting Period	Corresponding period of the previous year	Increase/decrease for the Reporting Period as compared to the corresponding period of the previous year
	(January – June)		
Basic earnings per share (RMB/Share)	<b>0.21</b>	0.14	Increased by RMB0.07
Diluted earnings per share (RMB/Share)	<b>N/A</b>	N/A	N/A
Basic earnings per share after deducting non-recurring profits and losses (RMB/Share)	<b>0.18</b>	0.13	Increased by RMB0.05
Weighted average return on net assets (%)	<b>5.56</b>	4.06	Increased by 1.50 percentage points
Weighted average return on net assets after deducting non-recurring profits and losses (%)	<b>4.71</b>	3.64	Increased by 1.07 percentage points

# Company Profile and Major Financial Indicators

## (III) Financial Highlights

### 1. Overview

The financial position of the Company as at 30 June 2021 and the operating results for the six months ended 30 June 2021 are as follows:

- Operating revenue amounted to RMB251,003 million, representing an increase of RMB70,438 million or 39.01% from RMB180,565 million in the first half of 2020.
- Net profit amounted to RMB6,591 million, representing an increase of RMB2,314 million or 54.12% from RMB4,277 million in the first half of 2020.
- Net profit attributable to Shareholders of the listed company amounted to RMB4,937 million, representing an increase of RMB1,345 million or 37.46% from RMB3,592 million in the first half of 2020.
- Basic earnings per share amounted to RMB0.21, and the basic earnings per share in the first half of 2020 amounted to RMB0.14.
- As at 30 June 2021, total assets amounted to RMB557,589 million, representing an increase of RMB51,196 million or 10.11% from RMB506,393 million as at 31 December 2020.
- As at 30 June 2021, total Shareholders' equity amounted to RMB144,350 million, representing an increase of RMB3,995 million or 2.85% from RMB140,355 million as at 31 December 2020.
- Newly signed contracts amounted to RMB615,058 million, representing an increase of RMB149,839 million or 32.21% from RMB465,219 million in the first half of 2020.

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

### 2. Operating Revenue from Principal Business Segments

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

#### (1) Engineering Contracting Business

Operating revenue amounted to RMB231,257 million, representing an increase of RMB67,720 million or 41.41% from RMB163,537 million in the first half of 2020.

#### (2) Property Development Business

Operating revenue amounted to RMB11,326 million, representing a decrease of RMB1,785 million or 13.61% from RMB13,111 million in the first half of 2020.

#### (3) Equipment Manufacturing Business

Operating revenue amounted to RMB6,065 million, representing an increase of RMB1,271 million or 26.51% from RMB4,794 million in the first half of 2020.

# Company Profile and Major Financial Indicators

(4) *Resource Development Business*

Operating revenue amounted to RMB3,478 million, representing an increase of RMB1,999 million or 135.07% from RMB1,479 million in the first half of 2020.

(5) *Other Businesses*

Operating revenue amounted to RMB3,128 million, representing an increase of RMB1,493 million or 91.35% from RMB1,635 million in the first half of 2020.

*Note:* All statistics of segment operating revenue above are figures before inter-segment eliminations; the percentage of increase or decrease are calculated by rounding up to RMB.

### 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	January to June 2021	January to June 2020
<b>I. Total operating revenue</b>		<b>251,003,187</b>	180,565,193
Including: Operating revenue	VII52	<b>251,003,187</b>	180,565,193
<b>II. Total operating costs</b>		<b>240,950,534</b>	172,522,957
Including: Operating costs	VII52	<b>226,557,020</b>	161,154,787
Taxes and surcharges	VII53	<b>1,127,474</b>	961,239
Selling expenses	VII54	<b>1,156,084</b>	971,393
Administrative expenses	VII55	<b>5,041,482</b>	4,072,741
Research and development expenses	VII56	<b>6,008,195</b>	4,127,934
Financial expenses	VII57	<b>1,060,279</b>	1,234,863
Including: Interest expenses		<b>1,457,533</b>	1,932,197
Interest income		<b>954,082</b>	967,130
Add: Other income	VII58	<b>157,918</b>	128,573
Investment income	VII59	<b>(690,195)</b>	(522,424)
Including: (Losses) gains from investments in associates and joint ventures		<b>123,138</b>	(47,081)
(Losses) gains from derecognition of financial assets at amortised costs		<b>(529,008)</b>	(354,740)
Gains from changes in fair values	VII60	<b>51,479</b>	11,423
Impairment losses of credit	VII61	<b>(1,028,111)</b>	(1,517,072)
Impairment losses of assets	VII62	<b>(1,082,271)</b>	(833,865)
Gains from disposal of assets	VII63	<b>427,710</b>	13,807

## Company Profile and Major Financial Indicators

Item	Note	January to June 2021	January to June 2020
<b>III. Operating profit</b>		<b>7,889,183</b>	5,322,678
Add: Non-operating income	VII64	<b>170,451</b>	237,059
Less: Non-operating expenses	VII65	<b>28,802</b>	56,352
<b>IV. Total profit</b>		<b>8,030,832</b>	5,503,385
Less: Income tax expenses	VII66	<b>1,439,925</b>	1,226,819
<b>V. Net profit</b>		<b>6,590,907</b>	4,276,566
(I) As classified by continuity of operation			
Net profit from continuing operations		<b>6,590,907</b>	4,276,566
Net profit from discontinued operations		–	–
(II) As classified by vested ownership			
Net profit attributable to Shareholders of the parent company		<b>4,937,420</b>	3,591,925
Profit or loss of minority Shareholders		<b>1,653,487</b>	684,641
<b>VI. Other comprehensive income, net of income tax</b>	VII67	<b>8,578</b>	88,900
Other comprehensive income attributable to Shareholders of the parent company, net of income tax		<b>81,130</b>	45,656
(I) Other comprehensive income that cannot be reclassified to loss or profit		<b>(49,801)</b>	(75,347)
1. Re-measurement of defined benefit plans		<b>(138,930)</b>	(46,886)
2. Changes in fair value of investments in other equity instruments		<b>89,129</b>	(28,461)
(II) Other comprehensive income that will be reclassified to profit or loss		<b>130,931</b>	121,003
1. Other comprehensive income that can be reclassified to profit or loss under the equity method		<b>(18,166)</b>	–
2. Changes in fair value of receivables at FVTOCI		<b>(42,637)</b>	4,890
3. Exchange differences on translating financial statements in foreign currencies		<b>191,734</b>	116,113
Other comprehensive income attributable to minority Shareholders, net of income tax		<b>(72,552)</b>	43,244
<b>VII. Total comprehensive income</b>		<b>6,599,485</b>	4,365,466
Total comprehensive income attributable to Shareholders of the parent company		<b>5,018,550</b>	3,637,581
Total comprehensive income attributable to minority Shareholders		<b>1,580,935</b>	727,885
<b>VIII. Earnings per share</b>	XV3		
(I) Basic earnings per share (RMB/share)		<b>0.21</b>	0.14
(II) Diluted earnings per share (RMB/share)		<b>N/A</b>	N/A



# Company Profile and Major Financial Indicators

(2) Summary of Consolidated Total Assets and Total Liabilities at the end of June 2021

Unit: RMB'000

	30 June 2021	31 December 2020
Total assets	<b>557,589,338</b>	506,392,963
Total liabilities	<b>413,238,900</b>	366,037,656
Total equity	<b>144,350,438</b>	140,355,307

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

Applicable       Not Applicable

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

Unit: RMB'000

Non-recurring profit and loss items	Amount	Note (if applicable)
Profit or loss on disposal of non-current assets	427,710	XVIII1
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)	299,017	XVIII1
Fund possession cost paid by non-financial enterprises and recorded under current profit and loss	-	
The excess of the fair value of identifiable net assets acquired over the cost for acquisition of subsidiaries, associates and joint ventures	-	
Profit/loss of non-monetary asset swap	-	
Profit/loss from entrusted investment or asset management	-	
Provision for impairment of assets due to force majeure, i.e. natural disaster	-	
Profit/loss from debt restructuring	-	
Corporate restructuring expenses, i.e. expenses on employee placement, integration costs, etc.	-	
Profit/loss from the excess of the fair value of a transaction of unfair consideration	-	
Current net profit/loss of subsidiaries resulting from merger of enterprises under common control from the beginning of the period to the date of merger	-	

# Company Profile and Major Financial Indicators

Non-recurring profit and loss items	Amount	Note (if applicable)
Profit/loss from contingencies irrelevant to the normal operating business of the Company	–	
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	62,328	XVII 1
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	66,536	XVII 1
Other profit or loss items that fall within the meaning of non-recurring profit and loss	5,261	XVII 1
Impact on non-controlling interests	(99,650)	XVII 1
Impact on income tax	(83,061)	XVII 1
<b>Total</b>	<b>678,141</b>	<b>XVII 1</b>

## X. MAJOR FINANCIAL DATA IN 2021 ON A QUARTERLY BASIS

Unit: RMB'000

	The first quarter (January–March)	The second quarter (April–June)
Operating revenue	94,423,385	156,579,802
Net profit attributable to Shareholders of the listed company	2,137,039	2,800,381
Net profit attributable to Shareholders of the listed company after deducting non-recurring profits and losses	2,021,783	2,237,496
Net cash flow generated from operating activities	(12,987,113)	4,421,664

# Report of the Board of Directors, Management Discussion and Analysis

## I. EXPLANATION ON THE INDUSTRY THAT THE COMPANY ENGAGES IN AND PRINCIPAL OPERATING BUSINESS DURING THE REPORTING PERIOD

Following the strategic positioning of “being the national team for metallurgical construction, the main force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for development with advanced technologies and high quality” and relying on the excellent abilities in research, investigation, design, and construction, MCC has developed a complementary comprehensive business structure with significant synergy effect of “four beams and eight pillars (四梁八柱)”, among which, beams refer to four business sectors of engineering contracting, property development, equipment manufacturing and resources development, while pillars are comprised of metallurgical engineering, high-end housing construction, mid and high-end real estate, transportation and municipal infrastructure, mine construction and development, core technology equipment and MCC’s steel structure, environmental engineering and new energy and featured theme projects.

### (I) Engineering Contracting Business

#### 1. Industry Overview

In 2021, as COVID-19 pandemic has been effectively controlled in China, it becomes one of the first to recover its economy. In turn, this has facilitated China’s government to focus efforts on reform and innovation and quality development in various fields.

In the first half of the year, China’s GDP grew substantially year-on-year, laying a solid foundation for its annual GDP growth target of 6% year-on-year. Following the major strategic task to expedite the fostering of a new dual-cycle development architecture, which means its growth will rely on both domestic and international economic cycles, with the domestic cycle as the mainstay, China’s economy is expected to continue to lead developing economies. In particular, the Government Work Report delivered in Two Sessions 2021, namely NPC & CPPCC National Committee annual sessions, has sent new signals for developing the construction industry. In such report, it proposes to pursue the Digital China Initiative during the 14th Five-Year Plan, mentions “developing digital construction industry” for multiple times, emphasizes that enterprises in the construction industry should improve and upgrade digital management to develop market-orientated digital technologies and digital service platform, and build new strength of digital economy. During 14th Five-Year Plan period, China will “continue to pursue the strategy of new, people-centered urbanization, move faster to grant permanent urban residency to people who move to cities from rural areas, and raise the percentage of permanent urban residents to 65% of the population”. In addition, it promotes the development and application of new types of energy-efficient and eco-friendly technologies, equipment and products and introduces special policies on providing financial support for green and low-carbon growth”. Undoubtedly, this is good news for enterprises in the construction industry to pursue green growth. On its path to go green and accomplish industrialization, the industry will be further supported with more favorable policies.

During the 14th Five-Year Plan period, China remains in an important period of strategic opportunities for its economic development, facing new developments for both opportunities and challenges.

In the metallurgy engineering sector, with the goal to strengthen achievements in cutting overcapacity in China’s steel industry and based on increasingly stringent environmental protection requirements as well as under the background of steel industry transformation and upgrading, the primary direction of the supply-side structural reform of the steel industry is shifting from a scale adjustment to quality and efficiency adjustment. Due to weak independent innovation, low green development level and low added value of general products, it is urgent to take green manufacturing and smart manufacturing as a starting point to comprehensively promote green development, intensively boost integrated and high-quality development of the steel industry.

# Report of the Board of Directors, Management Discussion and Analysis

In the infrastructural construction sector, the rapid advancement of urbanization is still the most important driving factor for the rapid development of the construction industry. According to the National Bureau of Statistics, by the end of 2020, the urbanization rate of permanent residents exceeded 60% and it will be raised to 65% during the 14th Five-Year Plan period. In promoting steady urbanization progress, it can be expected that a high market demand will be released. In addition, "the strategy of new, people-centered urbanization" will become a priority for development. As regional development and urbanization development will place more emphasis on green and livability, "green" will become the keynote for high-quality development.

With the further advancement of the national strategic planning, including the Belt and Road Initiative, Coordinated Development in the Beijing-Tianjin-Hebei Region, Yangtze River Economic Belt Development Plan, Integration of the Yangtze River Delta, China Western Development, Construction of China (Hainan) Pilot Free Trade Zone, Construction of Xiong'an New Area, and Construction of the Guangdong-Hong Kong-Macao Greater Bay Area. New Infrastructure Construction, New Urbanization, major infrastructure projects and other projects falling within the "new infrastructure and new urbanization initiatives and major projects" will be further expedited. At the same time, the "peak carbon emission and carbon neutrality" program, ecological protection and high-quality development in the Yellow River Basin, and the comprehensive implementation of rural revitalization have been kicked off. Against this backdrop, the emerging industries, especially the environmental protection industry, maintain strong growth momentum. In the future, the Company's businesses such as featured theme projects, watershed management, soil remediation, prefabricated buildings, and new energy construction, will see great development potential.

## 2. Operating Results of the Business

Since the beginning of 2020, COVID-19 pandemic has disrupted the pace of economic and social development, bringing severe challenges to business operation. In 2021, while implementing the regular pandemic prevention and containment, the Company has also continued to focus on our core business, core areas, core projects and core customers, endeavoring to explore new market, both at home and abroad, managing to maintain rapid growth momentum of newly signed contract amount. Following the successful breakthrough of the value of newly signed contract of RMB1 trillion in 2020, the Company's order volume reached a record high during the Reporting Period. The newly signed engineering contracts amounted to RMB591.695 billion, representing a year-on-year increase of 31.62%, a year-on-year growth of over 20% for 3 consecutive years. Among them, the newly signed metallurgical engineering contracts amounted to RMB98.113 billion, accounted for 16.58% of the newly signed engineering contracts, representing a year-on-year increase of 57.68%. The newly signed non-steel engineering contracts amounted to RMB493.582 billion, and accounted for 83.42% of the newly signed engineering contracts, representing a year-on-year increase of 27.43%. The Company's newly signed contracts for overseas projects amounted to RMB22.873 billion, representing a year-on-year increase of 1.03 times.

### The overall operating results of the engineering contracting business in the first half of 2021

Unit: RMB'000

	First half of 2021	% of the total	First half of 2020	Year-on-year increase/decrease
Segment operating revenue	231,256,834	90.60%	163,537,270	41.41%
Gross margin (%)	8.37	—	9.59	Decreased by 1.22 percentage points

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

# Report of the Board of Directors, Management Discussion and Analysis

## (1) Metallurgical Engineering Construction Business

Closely keeping up with the pace of adjustment to the planning and upgrading of iron and steel industry during the Reporting Period, the Company seized market opportunities brought by smart manufacturing, green manufacturing, low-carbon manufacturing, efficient manufacturing in metallurgical construction, and facilitated further cooperation with key steel enterprises to ensure that its control and absolute dominance in major steel construction projects at home and abroad remain unchanged, and to continuously march towards the high-end of metallurgical value chain. In particular, targeted planning should be made in advance with project development strategies for key projects to ensure that MCC obtains medium and large projects from major iron and steel enterprises.

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

Unit: RMB'000

Items of revenue	First half of 2021		First half of 2020		First half of 2019	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Metallurgical engineering	47,198,024	20.41	31,763,810	19.42	29,393,644	20.26

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

During the Reporting Period, the Company firmly seized opportunities, maintaining a high growth in terms of values of metallurgical engineering contracts. We have won the bid for many major construction projects, which further strengthens our position as a national team for metallurgical construction. We have successfully signed coking, steelmaking, hot rolling and other engineering projects under the integration project of removing the old district of HBIS Hansteel from urban area, which is a key project in Hebei Province to cut excess capacity in the iron and steel industry and achieve environmental protection goals. We have signed the contract for the general contracting of the stamp-charging coke making project, with annual capacity of 1.2 million tons, with Zhangye Jinchangyuan Coal Industry Co., Ltd. (張掖市晉昌源煤業有限公司), which is the largest metallurgical project in Gansu Province in terms of investment in recent years, one of top ten major projects invested by Gansu Province's ecological industry development funds and also a key provincial project. We also successively signed a series of influential and representative engineering projects, including the capacity replacement and upgrade project of Yunnan Yuxi Yukun Iron and Steel Group (雲南玉溪玉昆鋼鐵集團), the contract for general contracting of iron-making under phase 2 of industrial upgrade technical transformation of Guangxi Shenglong Metallurgical Co., Ltd. (廣西盛隆冶金有限公司), the contract for the general contracting of rolling project of Zenith Green Quality Steel, 7m top-loading coking project of Shanxi Yuwang Coal Gasification Co., Ltd. (山西禹王煤炭氣化有限公司), with annual capacity of 1.378 million tons, the contract for general contracting of steel-making continuous casting and iron-making of Hebei Tangyin Iron and Steel Co., Ltd. (河北唐銀鋼鐵有限公司), the urban steel plant relocation and transformation blast furnace project of Hebei Tianzhu Iron and Steel Group Co., Ltd. (河北天柱鋼鐵集團有限公司), and the contract for general contracting of steel-making under the upgrade and transformation project of Tianjin Iron Plant Co., Ltd. (天津鐵廠有限公司). In December 2020, the Company won a tender for the overall design project of hydrogen energy development and utilization project of HBIS Xuansteel, which was the first demonstration project of hydrogen metallurgy in the world. The Company successfully commenced the construction of this project in the first half of 2021. At present, relevant blueprint and civil construction of core equipment such as shaft furnace and heating furnace have been completed, and it is expected that the trial production for this project will be commenced in May 2022.

# Report of the Board of Directors, Management Discussion and Analysis

During the Reporting Period, the Company steadily boosted its overseas metallurgical construction business, having made important progress in many countries. In South America, with our focusing efforts, notable results have been achieved in its mining market. We signed engineering design contract for the Pampa de Pongo Mine Project in Peru. In Turkey, we outperformed top competitors from Europe and successfully signed the project for coke oven battery No.4 and chemical production of ERDEMIR. In Indonesia, we signed cooperation agreement for the expansion of Dexin Steel Indonesia, cooperation agreement for the coking project of Delong Steel, Xintiangan Steel, which will fill the blank in large, integrated and full-process steel and iron project and lead the development of steel industry in Indonesia.

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

No.	Name of Project (Contract)	Contractual Amount (RMB100 million)
<b>Domestic Projects</b>		
1	EPC General Contracting Contract for No.1 Steelmaking Plant of Old District Relocation and Integration Project of HBIS Hansteel* (河鋼邯鋼老區退城整合項目煉鋼工程一煉鋼車間工程EPC總承包合同)	24.6
2	General Contracting Contract for Steelmaking Engineering of the Upgrading and Renovation Project for Capacity Replacement of Yukun Iron and Steel Group Co., Ltd. in Yuxi, Yunnan Province (雲南玉溪玉昆鋼鐵集團有限公司產能置換升級改造項目煉鋼工程總承包合同)	21.7
3	General Contracting Contract of Annual Output of 1.2 Mtpa of Stamp-charged Coking by Jinchangyuan Coal Industry Co., Ltd. in Zhangye City (張掖市晉昌源煤業有限公司年產120萬噸搗固煉焦項目總承包合同)	18.7
4	EPC General Contracting Project for Coking Construction (Coal Coke and Chemical Production Section) of the Relocation and Integration Project of the HBIS Hansteel Old District (河鋼邯鋼老區退城整合項目焦化工程EPC總承包(煤焦及化產標段)項目)	16.8
5	General Contracting Contract for the 7m Top Coking Project with an Annual Production Capacity of 1,378 Million Tons of Shanxi Yuwang Coal Gasification Co., Ltd. (山西禹王煤炭氣化有限公司137.8萬噸/年7m頂裝焦化項目總承包項目)	14.5
6	General Contracting Contract for Steelmaking Project of Relocation from the Urban Area of Hebei Tangyin Iron and Steel Co., Ltd. (河北唐銀鋼鐵有限公司退城搬遷項目煉鋼工程總承包合同)	13.5
7	Blast Furnace Rebuilding Project for the City Steel Plant Relocation of Hebei Tianzhu Steel Group Co., Ltd. (河北天柱鋼鐵集團有限公司城市鋼廠搬遷改造高爐工程項目)	12.8
8	General Contracting Contract for Ironmaking Project of Relocation from the Urban Area of Hebei Tangyin Iron and Steel Co., Ltd. (河北唐銀鋼鐵有限公司退城搬遷項目煉鐵工程總承包合同)	12.1
9	General Contracting Contract for the Raw Materials Store Yard of the Transformation, Upgrading and Renovation Project for Capacity Replacement of Yukun Iron and Steel Group Co., Ltd. in Yuxi, Yunnan Province (雲南玉溪玉昆鋼鐵集團有限公司產能置換轉型升級改造項目綜合料場工程總承包合同)	11.9
10	Project for Upgrade and Transformation of Gas Recovery and Power Generation to Improve the Utilization Rate of Secondary Energy in Angang (安鋼煤氣回收發電提高二次能源綜合利用率升級改造項目)	10.8

# Report of the Board of Directors, Management Discussion and Analysis

No.	Name of Project (Contract)	Contractual Amount (RMB100 million)
<b>Overseas projects</b>		
1	EPC Contract for 2 Million t/a Alumina Plant Project of PT. LAMAN MINING, Indonesia*(印度尼西亞LAMAN200萬t/a氧化鋁廠項目EPC合同)	59.9
2	Project for coke oven battery No.4 and Chemical Production of ERDEMIR in Turkey (土耳其ERDEMIR4號焦爐及化產工程項目)	7.1

\* Including multiple sub-contracts under the same project, the same below.

## (2) Non-Steel Engineering Construction Business

### 1) Housing Construction and Infrastructure Construction

According to the Government Work Report delivered in Two Sessions 2021, China will continue to support major projects that promote coordinated regional development, promote the construction of "new infrastructure and new urbanization initiatives and major projects", and implement a number of major projects in transportation, energy, and water conservancy. During the Reporting Period, the Company adhered to the market development principle of "herding sheep on the grassland and casting a net at fishpond (到有魚的地方撒網·到有草的地方放羊)". Making continuous effort to keep "focusing on core industries, core areas, core projects and core customers (聚焦核心主業、聚焦核心區域、聚焦核心項目、聚焦核心客戶)" as its main principle in marketing, the Company concentrated its work in the core areas comprising of urban agglomeration of Beijing-Tianjin-Hebei around Bohai, Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River Delta, urban agglomeration in central China, and urban agglomeration in Chengdu and Chongqing with due consideration to key areas in key cities in the northwest China and southwest China, and achieved sustainable development in such popular areas such as national central cities and Xiong'an New Area, Beijing's sub-center and regions along the "Belt and Road" and other focal regions to improve its regional influence and control, managing to develop various stable regional markets. Meanwhile, brand and resource advantages in localities where its subsidiaries operate were maximized to further promote localized operations, the subsidiaries significantly improving their marketing quality and size in the areas covered by "base camp" and "base".

**In the urban agglomeration of Beijing-Tianjin-Hebei around Bohai**, the Company signed a series of major projects including the Project (Phase II) of the Chongli District of Peking University Third Hospital (北京大學第三醫院崇禮院區二期工程), Municipal Infrastructure Project of Resettlement Housing (Ancillary Infrastructure included) and Associated Spur Lines of Rongxi Area in Xiong'an New District (雄安新區容西片區安置房(包含配套設施)及配套支線市政基礎設施項目), Storage and Cold Chain Logistics, Food Processing and Industrial Sightseeing Project of Baoding City(保定市倉儲冷鏈物流食品加工及工業觀光項目), Renovation Project of Urban Village in Chen Zhuang Village of Lianchi District of Baoding City (保定市蓮池區陳莊村城中村改造工程), Shanty Town Reconstruction Project in Yuxi Street Area, Luanping County of Chengde City (承德市灤平縣育希大街片區棚戶區改造項目), the Project for the Engineering of Lehe Cheng in Baoding City (保定市樂和城工程項目), and the Resettlement Housing Construction Project for Farmers of Phase II Model Small Town in Jinzhong of Tianjin City (天津市金鐘示範小城鎮二期農民安置房建設項目).

# Report of the Board of Directors, Management Discussion and Analysis

**In Guangdong-Hong Kong-Macao Greater Bay Area**, the Company signed a series of major projects including the Guangzhou City Jinshazhou No. 1 Commercial Building Project (廣州市金沙洲一號商業樓項目), the Metro Line 13 Phase II Zhanchang Station Complex Project in Baiyun District, Guangzhou City (廣州市白雲區地鐵13號線二期站場站綜合體項目), the Yangdong to Yangjiang Port Highway (the Western Coastal Highway Yangjiang South Linking-Up Road) Project in Yangjiang City (陽江市陽東至陽江港高速公路(西部沿海高速公路陽江南聯絡線)項目), the Shenzhen Metro Line 13 Phase II (South Extension) Project (深圳市城市軌道交通13號線二期(南延)工程), the Longdong City Renewal Project in Longgang District, Shenzhen City (深圳市龍崗區龍東城市更新項目), and the Gonghe Chengbang Land Parcel No. 5 Project in Pingshan District, Shenzhen City (深圳坪山共和城邦5號地項目).

**In the urban agglomeration of Yangtze River Delta**, the Company signed a series of major projects including the Urban Renewal Project along Xiangkan River in Binhai County, Yancheng City (鹽城市濱海縣響坎河沿線城市更新工程), the City-Industry Integration Development Project in Wanjiang Jiangnan New Industrial Concentration Area, Chizhou City (池州市皖江江南新興產業集中區產城融合綜合開發項目), the Zhejiang Provincial Hospital of Chinese Medicine New Area Project (Phase I) (浙江省中醫院新院區項目(一期)), the Land Parcel Project in south of Puwu Road and west of Pearl Street, Pukou District, Nanjing City (南京市浦口區浦烏路以南珍珠街以西地塊項目), and the General Contracting Project for the Xinqiao Intelligent Electric Automobile Industrial Park (Phase I) in Hefei City (合肥市新橋智能電動汽車產業園(一期)總承包項目).

**In the urban agglomeration of central China**, the Company signed a series of major projects including the Huanggang International Airport City-Industry Integration Demonstration Zone Project (黃岡國際空港產城融合示範區項目), the high-rise residential, commercial boutique hotel and related supporting ancillary EPC projects of Hunan Zhaoshan Qinglan (湖南昭山晴嵐高層住宅、商業精品酒店及相關配套EPC項目), the Campus Expansion Project of Xinyang Aviation Vocational College (信陽航空職業學校校區擴建項目), the Phase I Wharf Project of Jinshui Operation Area, Jiangxia Port Area, Wuhan Port (武漢港江夏港區金水作業區一期碼頭工程), the Relocation and Construction Project of Hubei University of Arts and Science (湖北文理學院遷建項目), and the Reconstruction Project of a section of National Highway G208 between Yibin District and the urban area of Yichuan County in Luoyang City (G208二浙線洛陽繞城伊濱區至伊川城區段改建工程項目).

**In the urban agglomeration of Chengdu and Chongqing**, the Company signed a series of major projects including the Construction Project of "Three Schools and One Center" in Huaizhou New City Vocational Education Town of Chengdu City (成都市淮州新城職教城「三校一中心」建設項目), the Chengdu Wenxuan International Finance Center Project (成都文軒國際金融中心項目), the Chengdu Financial Innovation Center Project (成都金融創新中心項目), the Construction Project of Tianfu Campus of Civil Aviation Flight University of Chengdu City (成都市民航飛行學院天府校區建設工程), the Construction Project of Yibin Training Bases for Integration of Industry and Teaching of Xihua University of Yibin City (宜賓市西華大學宜賓產教融合實訓基地建設項目), the Standard Workshop and Ancillary Engineering Project of Zone B in Yangtze River Industrial Area of Yibin City (宜賓市長江工業園區B區標準廠房及配套建設項目), Yibin Campus of Southwest University and the Phase I and II Ancillary Infrastructure Project of "Double Town" (西南大學宜賓園區及「雙城」一、二期配套基礎設施項目), the Phase I Project of Lingang District, Second People's Hospital of Yibin City (宜賓市第二人民醫院臨港院區(一期)項目), and the Construction Project of Konggang Tiansheng Community of Yubei District, Chongqing City (重慶市渝北空港天聖住宅小區建設項目).



# Report of the Board of Directors, Management Discussion and Analysis

**In the urban agglomeration of northwest China and southwest China**, the Company signed a series of major projects including the PPP Project for the Capacity Expansion and Renovation and Ancillary Works of Qingshuiyi-Zhonghe Section of G30 Lianhuo Highway (G30連霍高速公路清水驛至忠和段擴容改造及配套工程PPP項目), the PPP Project for section from Luxi to Qiubei to Guangnan to Funing Highway of the Yunnan Province Highway Network (雲南省高速公路網瀘西至丘北至廣南至富寧高速公路工程PPP項目), the PPP Project of Simao to Jiangcheng (Zhengdong) Highway (思茅至江城(整董)高速公路工程PPP項目), the General Contracting Project for Phase I Construction of Metro Line 15 of Xi'an City (西安市地鐵15號線一期工程施工總承包項目), and the International Lugang Hospital Project of the First Affiliated Hospital of Xi'an Jiaotong University (西安交大第一附屬醫院陸港國際醫院項目).

In addition, the Company continues to innovate its business model through deepening the cooperation with its strategic customers such as local governments and large enterprises, flexibly adopts PPP, EPC+F and other new business models to promote the development of contracting model towards high-end, systematization and integration, and actively expands its business such as urban renewal and reconstruction, and area-based overall development. Therefore it successfully opens up the whole project life cycle of the industrial chain which contains the investment, financing, design, construction and operation of an integration of or various business models.

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	First half of 2021		First half of 2020		First half of 2019	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Housing construction engineering	114,878,950	49.68	83,477,320	51.04	67,438,866	46.49
Transportation infrastructure	47,569,418	20.57	32,043,668	19.59	31,022,810	21.38
Other engineering	21,610,442	9.34	16,252,472	9.95	17,219,213	11.87

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

# Report of the Board of Directors, Management Discussion and Analysis

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

No.	Name of Project (Contract)	Contractual Amount (RMB100 million)
<b>Housing Construction Project</b>		
1	Urban Renewal Engineering Project of Cities along Xiangkan River, Binhai County, Yancheng City, Jiangsu Province (江蘇鹽城濱海縣響坎河沿線城市更新工程項目)	62.0
2	Resettlement Housing Project of Luokou Area (Phase II) in Jinan City, Shandong Province (山東濟南濼口片區二期安置房項目)	59.9
3	Construction Project of "Three Schools and One Center" New City Vocational Education Town in Huaizhou, Chengdu City, Sichuan Province (四川成都淮州新城職教城「三校一中心」建設項目)	54.5
4	Section A1 of Municipal Infrastructure Project of Resettlement Housing (including Supporting Facilities) and Associated Spur Lines of Rongxi Area in Xiong'an New District, Hebei Province* (河北雄安新區容西片區安置房(包含配套設施)及配套支線市政基礎設施項目施工總承包A1標段)	42.8
5	Project of Chengdu Wenxuan International Finance Center (成都文軒國際金融中心項目)	40.0
6	Section II of (Construction) Project of Xiamen New Convention Center – Exhibition Center (廈門新會展中心—展覽中心II標段(施工)項目)	34.1
7	Baoding Storage Cold Chain Logistics Food Processing and Industrial Sightseeing Project (保定倉儲冷鏈物流食品加工及工業觀光項目)	27.5
8	General Contracting Contract for Design and Construction of Shanty Town Reconstruction Project in Yuxi Street Area, Luanping County, Hebei Province (河北灤平縣育希大街片區棚戶區改造項目設計施工總承包合同)	27.4
9	General Contracting Project of Construction of Lehe Cheng in Baoding City (保定市樂和城工程施工總承包項目)	27.0
10	EPC Construction Contract for Changchun Longxiang International Business Center Project (長春龍翔國際商務中心項目EPC建設合同)	24.5

# Report of the Board of Directors, Management Discussion and Analysis

No.	Name of Project (Contract)	Contractual Amount (RMB100 million)
<b>Transportation and Municipal Infrastructure Construction Project</b>		
1	Project of Luxi-Qiubei-Guangnan-Funing Expressway (Construction Section of Wenshanzhou)* (瀘西至丘北至廣南至富寧高速公路工程(文山州承建段))	133.4
2	Urban Renewal and Infrastructure Construction Project of Lingang New Town (East District), in Gaomi City, Shandong Province* (山東高密臨港新城(東區)城市更新及基礎設施建設項目)	96.4
3	PPP Project of Expansion, Renovation and Supporting Project of Qingshuiyi-Zhonghe Section of G30 Lianyungang-Horgos Expressway (G30連霍高速公路清水驛至忠和段擴容改造及配套工程PPP項目)	96.0
4	General Contracting Contract of PPP Project Construction of Simao-Jiangcheng (Zhengdong) Expressway Project (思茅至江城(整董)高速公路工程PPP項目施工總承包合同)	85.3
5	Project of Luxi-Qiubei-Guangnan-Funing Expressway (Honghe Section) (瀘西至丘北至廣南至富寧高速公路(紅河段))	36.1
6	Construction Project (Phase I) of Urban Expressway Network in Zibo City, Shandong Province (Section 3 Construction Project of Changguo Road Expressway) (山東淄博城市快速路網建設項目(一期)(標段3昌國路快速路建設項目))	32.2
7	City-Industry Integration Demonstration Area (EPC) Project of International Airport in Huanggang City, Hubei Province (湖北黃岡國際空港產城融合示範區(EPC)項目)	30.1
8	General Contracting Project of Phase I Construction of Xi'an Metro Line 15 (西安市地鐵15號線一期工程施工總承包項目)	18.0
9	Section II of the Construction Project of Bama-Pingxiang Expressway (Daxin via Longzhou to Pingxiang Section) (巴馬—憑祥公路大新經龍州至憑祥段建設項目No.2標段)	17.7
<b>Other Projects</b>		
1	EPC General Contracting Construction Contract for 3.2 Million High-End Forged Magnesium Alloy Automobile Hubs and 25,000 Tons Magnesium Alloy Plate Deep Processing Project in Yangquan, Shanxi Province (山西陽泉年產320萬隻高端鍛造鎂合金汽車輪轂及2.5萬噸鎂合金板深加工項目EPC總承包施工合同)	16.0
2	EPC Project of Shanghai Beidou Haizhi Industry Park (上海北斗海智產業園EPC項目)	15.2
3	Standard Workshop Phase I (EPC) Project of Advancing Project of Gaojiejyuan Area in Yibin City, Sichuan Province (四川宜賓高捷園成片區推進項目標準廠房一期(EPC))	14.0
4	General Contract for Infrastructure and Supporting Project of Photoelectric Industrial Park of Mianyang High Tech Zone, Sichuan Province (四川綿陽高新區光電產業園基礎設施及配套項目工程總承包)	12.5

# Report of the Board of Directors, Management Discussion and Analysis

No.	Name of Project (Contract)	Contractual Amount (RMB100 million)
<b>Overseas Projects</b>		
1	General Contracting Engineering Project of Section CR101 of Singapore Cross Island Line – Changi East Depot (新加坡地鐵跨島線標段CR101－樟宜東車輛段車廠總承包工程項目)	50.6
2	Pile Foundation and Underground Structure Engineering Project of NAGA3 Project in Cambodia (柬埔寨NAGA3項目樁基礎與地下結構工程項目)	5.7

## 2) Emerging Industries

During the Reporting Period, in accordance with the objectives 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 ecological and environmental protection (including municipal sewage treatment, comprehensive treatment of waste water, waste incineration, solid waste treatment, soil remediation, mine restoration, new energy project, and healthcare and senior care), theme parks and new infrastructure through resource integration, technological advancement, and marketing model adjustment to constantly increase its competitiveness in emerging industries. By leveraging the advantages of its specialized technology in certain research institutes of specialized technologies, the Company provided customers with all-round and comprehensive services along the entire industry chain. Among them:

**In terms of eco-environmental protection industry**, firmly following the ecological concept that “lucid waters and lush mountains are invaluable assets (綠水青山就是金山銀山)”, the Company focused on the development of ecological and environmental protection market, and spared no efforts to build MCC’s brand image of “low cost, high standard, high technology and high quality” to constantly expand its market share in accordance with the national strategies on the protection of the Yangtze River, the ecological protection and high-quality development of the Yellow River Basin, and other strategies. The Company has established a subsidiary, MCC Ecological Environmental Protection Group Co., Ltd. (中冶生態環保集團有限公司), for professional ecological and environmental protection, to seize the favorable opportunity for green and low-carbon development. Relying on the leading technological advantages, we gained scale advantages in water, solid waste treatment, and ecological and environmental management, to gradually open up markets. Currently, the Company’s market share in the field of large-scale incineration power generation consulting and design in China has reached 60%.

# Report of the Board of Directors, Management Discussion and Analysis

In the first half of 2021, the Company successfully signed contracts for a series of iconic projects, including Phase II Project of the Comprehensive Treatment of Water Environment System in Jiujiang Central Urban Area (九江市中心城區水環境系統綜合治理二期項目), Tai'an Xinnongchuang Chaiwen River 24 Ji YuZhuang Countryside Complex (River Treatment) Project (泰安市新農創柴汶河24集漁莊田園綜合體(河道治理)項目), Phase II Project of Co-construction of Ecological Water Network in Sewage Treatment Plant in the Main Urban Area of Yichang City (宜昌市主城區污水廠網生態水網共建項目二期), Project of Integrated Construction of Water & Environmental Protection in Junlian County, Yibin City (宜賓市筠連縣水務環保一體化建設項目), Project of Comprehensive Treatment of Water Environment in Urban Centres of Ma'anshan (馬鞍山市中心城區水環境綜合治理項目), Sewage Treatment Plant Project in Industrial Cluster District in Jinghe New City of Xi'an City (西安市涇河新城工業聚集區污水處理廠項目), Project of Comprehensive River Management of Mai River, Sishui River and Mugou River in Wolong District of Nanyang City (南陽市臥龍區麥河、泗水河、沐垢河河道綜合治理項目), Project of Land Consolidation, Reclamation, and Development in Xin'an City County of Luoyang City (洛陽市新安縣土地整理復墾開發項目), EPC Project of Comprehensive Land Governance of Guangxi Zhuang Autonomous Region (廣西壯族自治區土地綜合整治EPC項目), Soil Remediation Project of Hangzhou Steel Site Park (杭鋼舊址公園土壤修復工程), and Project of Treatment and Disposal of Solid Waste Left Over from the Relocation Site of Gedian, Hubei (湖北葛店搬遷場地遺留固體廢棄物處理處置工程).

**In terms of the new energy industry**, the Company has actively introduced a diversified strategy in recent years. Leveraging the advantages of engineering technologies, we focused on advancing into the high-tech and emerging industries such as photovoltaic power generation, new energy vehicles and semiconductors, and recorded a significant increase in market shares. In particular, in the field of Solar PV project, the Company signed 32 contracts in aggregate for rooftop distributed photovoltaic power generation projects in recent years and successfully tendered a total of 28 wind power projects. In the first half of 2021, the Company signed a number of new projects such as Huangshi-Xingang-Dacheng 100MW photovoltaic power station project combining fishery and photovoltaic generation (黃石新港大成100MW漁光互補光伏電站), the roof photovoltaic power generation project of Zhanjiang Steel plants (湛江鋼鐵廠屋面光伏發電工程). In the fields of new energy and semiconductors, in the first half of 2021, the Company signed a new batch of large-scale projects such as Car Body Workshop Project in Production Area of Pure Electric Passenger Car Project of Volkswagen (AnHui) Automotive Company Limited (大眾汽車(安徽)有限公司純電動乘用車項目生產區車身車間工程), Project for the Xinqiao Intelligent Electric Automobile Industrial Park (Phase I) in Hefei City (合肥市新橋智慧電動汽車產業園(一期)) and Integration Project of Silicon Material Processing City-Monocrystalline Silicon Rod in Lijiang (麗江市硅材料加工一體化項目-單晶硅棒).

**In terms of the healthcare and senior care industry**, the Company conformed to the development trend of the industry and the pressing needs in demand of the market. 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 signed contracts for certain major healthcare and senior care industry projects including Phase I Project of China Qingtian Yunshangju Health and Recreation Town (中國青田雲上居康養小鎮一期項目), Phase I Project of Yinghua Mountain Tourism Health and Recreation Industrial Park in Shifang City (什邡市鑿華山旅遊康養產業園(一期)項目) and EPC Project Contract for "Xingyue Lake" Health and Recreation Center Project in Heze City (菏澤「星月湖」康養中心項目EPC工程合同). The Company also signed contracts for some medical engineering construction projects such as Construction Project of Smart Hospital Subordinate To Harbin Institute of Technology (哈工大智慧醫院建設項目) and Project of Lugang International Hospital Subordinate To the First Affiliated Hospital of Xi'an Jiaotong University (西安交大第一附屬醫院陸港國際醫院項目).

# Report of the Board of Directors, Management Discussion and Analysis

**In terms 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 only enterprise qualified for both theme park design and the execution of entire construction projects. During the Reporting Period, the Company successfully won the bids for a series of theme park projects, including General Contracting Project of Construction of Central Green Valley and Eastern Valley in Xiong'an New District Phase II (Green Valley Part) (雄安新區中央綠谷及東部溪谷二期工程(綠谷部分)施工總承包項目), Project of Construction of Culture and Tourism Supporting Facilities of Wenbofang Area of Tianfu Art Park (天府藝術公園•文博坊片區文旅配套建設項目), Comprehensive Development and Construction Project of Quanjiao Qilin Lake (Smart Town) Urban Park (全椒麒麟湖(智慧小鎮)城市公園綜合開發建設項目), and Chasing Light Farm Paradise Project of Shenzhen Guangming Town Happy Garden First Developed Zone Project (深圳市光明小鎮歡樂田園首開區項目追光農場樂園項目), to further demonstrate its brand influence and industry competitiveness in the field of theme parks.

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

No.	Name of Project (Contract)	Contractual Amount (RMB100 million)
<b>Ecological and Environmental Protection Project</b>		
1	EPC Project of Comprehensive Land Improvement in Guangxi Zhuang Autonomous Region (廣西壯族自治區土地綜合整治EPC項目)	58.7
2	Ecological (Landscape) Improvement and Urban Development Project of Shizi River Area, Shanting District (山亭十字河生態(景觀)治理及十字河片區城市開發項目)	8.9
3	Water Area Operation and Maintenance Contract for PPP Project of Comprehensive Water Environment Improvement in Urban Centres of Ma'anshan (馬鞍山中心城區水環境綜合治理PPP項目水域運維合同)	8.3
<b>New Energy Industry Project</b>		
1	First Bid of General Contracting Project of Xinqiao Intelligent Electric Vehicle Industrial Park (Phase I) in Hefei City, Anhui Province (安徽合肥新橋智能電動汽車產業園(一期)一標總承包項目)	18.9
2	EPC General Contracting Project of Standard Workshop Phase III and Ancillary Facilities for Integration Project of Silicon Material Processing -Monocrystalline Silicon Rod in Lijiang City (麗江市矽材料加工一體化項目一單晶矽棒三期標準化廠房及附屬設施EPC總承包合同)	7.0

# Report of the Board of Directors, Management Discussion and Analysis

No.	Name of Project (Contract)	Contractual Amount (RMB100 million)
<b>Healthcare and Senior Care Industry Project</b>		
1	Phase I Project of China Qingtian Yunshangju Health and Recreation Town (中國青田雲上居康養小鎮一期項目)	14.5
2	Phase I Project of Yinghua Mountain Tourism and Healthcare and Recreation Industrial Park in Shifang City (什邡市荃華山旅遊康養產業園(一期)項目)	12.4
3	EPC Project Contract for "Xingyue Lake" Health and Recreation Center Project in Heze City (菏澤「星月湖」康養中心項目EPC工程合同)	10.0
4	EPC General Contracting Project of Wencheng Modern Cultural Tourism and Health and Recreation Project (Phase I) (文成現代文旅康養項目(一期)EPC總承包項目)	7.5
<b>Beautiful Country and Special Town Project</b>		
1	Pastoral Complex Project of Agricultural Innovation of 24 Section Fishing Village at Chaiwen River in Xintai City, Shandong Province (山東新泰新農創柴汶河24集漁莊田園綜合體項目)	23.0
2	Project of Changshou Lake Special Hot Spring Town in Chongqing City (重慶長壽湖特色溫泉小鎮項目)	15.0
3	Construction Project of Big Data Smart Ecological Park in Puyang City (濮陽大數據智慧生態園建設工程項目)	10.1
4	Project of Urban Village Renovation and Construction of Housing for Villagers' Living Security in Yaojia Village, Lixia District, Jinan City (濟南市歷下區姚家村城中村改造村民生活保障用房建設項目)	9.3
<b>Theme Park Project</b>		
1	Supporting Construction Project of Culture and Tourism in Tianfu Art Park • Wenbofang Area Site (天府藝術公園•文博坊片區文旅配套建設項目)	8.5
2	Comprehensive Development and Construction Project of Quanjiao Qilin Lake City Park (全椒麒麟湖城市公園綜合開發建設項目)	5.3

## (II) Property Development Business

### 1. Industry Overview

At present, the property industry has ended its high-speed growth period and entered into a mature period of relatively steady growth. The central government continued to adhere to the principle of "houses are for living in but not for speculative investment (房住不炒)", introduce policies according to cities' circumstances, provide guidance based on different categories, further consolidate the subject responsibility of municipal governments, and improve the housing market system and housing security system, thereby stabilizing land prices, housing prices and market expectations. At the same time, 22 key cities implemented the "two centralizations (兩集中)" for simultaneous open transfer of residential land, and formed a long-term mechanism in relating to developers' financing limits of "Three Red Lines (三道紅線)" and banks' real estate loan concentration limits for "Two Red Lines (兩道紅線)". State-owned enterprises, leading real estate enterprises and other development enterprises with stronger financing capabilities and financial strength will be more competitive in the market. As regulatory policies and financing environment of the property industry will generally remain strict, the property industry is expected to be generally stable and the trend of structural differentiation will not change. Improving operational efficiency and development quality is an important task for real estate enterprises.

# Report of the Board of Directors, Management Discussion and Analysis

## 2. The Operating Results of the Business

Weighted by the policies relating to “reducing the unsold houses (去庫存)” and “restrictions on property purchase and credit grant (限購限貸)” during the Reporting Period, the Company adopted different policies that were tailored to characteristics of each category and of each city, and its subsidiary MCC Real Estate continuously carried on accomplishing the strategic layout that Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area and the Beijing-Tianjin-Hebei Region are taken as core development areas with coverage nationwide by speeding up works on reserving quality land parcels in key areas. In the first half of 2021, through market tender, the Company acquired 7 land parcels with site area and permissible gross floor area of 422,800 sq.m. and 888,000 sq.m. respectively. During the Reporting Period, the amount invested by the Company in property development was RMB8.912 billion, representing a decrease of 41% as compared with that in the corresponding period of last year. The new construction area was 476,600 sq.m., representing a year-on-year decrease of 69% as compared with that in the corresponding period of last year, while completed area was 1,502,900 sq.m., representing an increase of 42% as compared with that in the corresponding period of last year.

### The overall operating results of the property development business in the first half of 2021

Unit: RMB'000

	First half of 2021	% of the total	First half of 2020	Year-on-year increase/decrease
Segment operating revenue	<b>11,326,380</b>	<b>4.44%</b>	13,110,589	-13.61%
Gross margin (%)	<b>20.74</b>	–	20.37	Increased by 0.37 percentage point

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

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

- (1) Zhuhai MCC Yijing Mansion Project. The project is located in the international residential area planned by Hengqin Free Trade Area. The land parcel is the first land parcel solely for residential purpose in the international residential area, and the first land parcel transferred by Hengqin Free Trade Area solely for residential purpose since 2013. The project covers a site area and permissible gross floor area of 170,000 sq.m. and 230,000 sq.m. respectively, with an integrated plot ratio of 1.35. The project lies against mountain and is faced with sea, which is a scarce low-density landscape residential project in Hengqin New Area and even in Zhuhai. Phase I of the project has been sold out and completed for acceptance; Phase II of the project commenced on 24 May 2020 and is currently under internal and external fitting-out works and is scheduled for completion by the end of 2021.
- (2) Qinhuangdao Zhongye Dexian Huafu Project. The project is located in Qinhuangdao development zone, which is recognized as popular property development areas in Qinhuangdao. The project covers a site area and permissible gross floor area of 37,600 sq.m. and 74,600 sq.m. respectively, with an integrated plot ratio of 1.98. Its construction was conducted in August 2018, while sales started in October 2019. As a large intelligent community integrating low-density foreign-style houses, small high-rise buildings, and business street covering an area of approximately 30,000 sq.m., office building with high standards and other comprehensive businesses built by MCC Real Estate in Qinhuangdao after Dexian Mansion was constructed, the project attracted high-end customers who desired to improve their living environment with the concept of green, health and intelligence as well as the brand advantage of the first health experience hall in Qinhuangdao.



# Report of the Board of Directors, Management Discussion and Analysis

- (3) Shijiazhuang Zhongye Dexian Huafu and Dexian Shengshi Plaza Project. Located in Xinhua District, Shijiazhuang City, the project enjoys convenient transportation and favorable geographical location as it sits near Zhonghua Street and North Second Ring Highway. The project covers a site area and permissible gross floor area of 103,200 sq.m. and 332,400 sq.m. respectively, with an integrated plot ratio of 2.8 for residential property and 4.5 for commercial property. Its construction started in April 2019, and sales began in October 2019. The phase I residential houses are scheduled to be completed by the end of 2021.
- (4) Qingdao Zhongye Dexian Mansion Project. Located in the West Jimo District, Qingdao, the project enjoys planning advantages in the development of main urban areas in Jimo moving towards west, and has supporting resources such as quality school access resources and industrial markets, making it a popular property project in Jimo District over the past few years. The project covers a site area and permissible gross floor area of 190,100 sq.m. and 359,500 sq.m. respectively, with an integrated plot ratio of 2.0 for residential and commercial land and 1.5 for amusement park. Its construction started in June 2020, and the sales began in August 2020. The project was awarded “2020 China TOP 100 Value Property Project” in Seminar for Trends in Property Market in the First Half of 2020 held by China Real Estate Index System and China Index Academy.
- (5) Sanhe City MCC Headquarters Base Project. The project is located in the Northern Yanjiao Economic and Technology Development Zone, Sanhe City, Hebei Province with a site area of 219.7 mu. Phase I is planned to have four product formats, including Science and Technology Office, SOHO Office, Business Support and Convention Center. It is committed to achieving the “four to build”: firstly, to build a headquarters base under the leadership of MCC State-level research and development platform and with the support from regional headquarters of central enterprises; secondly, to build an innovative ecosystem composed of upstream and downstream supporting industries of MCC and high-end industries in the capital; thirdly, to build an industrial complex integrating research and development office, innovation incubation, industry display; and fourthly, to build a hub for innovative enterprises in Beijing, Tianjin and Hebei, and the upgrade and development of industry. The construction of the southern and northern districts of the project commenced in the third quarter of 2020 and the construction of the structure below base level was completed in May 2021.
- (6) MCC Xinglong Xincheng • Hongshijun Project. The project is located in Xinglong County, Chengde City, Hebei Province, which represents transformation of MCC Real Estate from a traditional developer to an urban development operator. The project was launched for initial sale on 23 June 2018, with the first batch delivered on 26 December 2019. The remaining parcels are currently in the progress of main structure construction and internal and external decoration. A number of the parcels are scheduled to be delivered by the end of 2021.

In the future, the Company will continue to adhere to the layout strategy in “3+6” regions and the deep cultivation strategy in “3+1” regions, focusing on layout in Beijing, Tianjin, Nanjing, Hangzhou, Guangzhou, Shenzhen, Zhuhai and other key cities distributed mainly in the three major economic circles, namely Beijing-Tianjin-Hebei, Yangtze River Delta, and Pearl River Delta. Besides, we will also make proper efforts on the layout in the second-tier key cities such as Qingdao, Xi’an, and Yantai, and intensively cultivate in the cities and regions that we have entered. At the same time, we will actively explore financing models, and increase strategic land reserves through urban renewal, regional development, and headquarters economy, etc., to form a unique urban operation model, which will help us to become a leader in comprehensive real estate development and operation.

# Report of the Board of Directors, Management Discussion and Analysis

## (III) Equipment Manufacturing Business

### 1. Industry Overview

Currently, the steel industry has entered a critical period of high-quality development during the “14th Five-Year Plan” period, when we will deepen supply-side reforms and promote transformation and upgrading. To achieve the goal of carbon emission peak and carbon neutrality, the iron and steel industry, as a key industry for our implementation of carbon emission reduction measures, shifts its main development direction to green and low-carbon, energy saving and environmental protection, and intelligent development. According to the “Implementation Measures of Capacity Replacement in the Iron and Steel Production Industry” (鋼鐵行業產能置換實施辦法) and the “Record Management of Iron and Steel Smelting Projects” (鋼鐵冶煉專項目備案管理辦法) promulgated by the Ministry of Industry and Information Technology and the National Development and Reform Commission in 2021, respectively, it proposes new requirements on upgrading existing capacity equipment, and gives policy support to the construction of steelmaking production lines of short process flows, therefore the core metallurgy equipment represented by electric furnaces will embrace new development opportunities. In addition, new technologies such as big data Internet and traditional equipment manufacturing will be integrated to facilitate digital transformation, thus promoting the development of the equipment manufacturing industry. This will also become the future development trend of the metallurgy equipment manufacturing industry in China.

With its structural advantages such as sound mechanical properties and high levels of industrialization and recyclability, steel is extensively applied to areas including super high-rise, large-span spatial structure and infrastructure, and is increasingly valued by governments and recognized in markets. According to the “Guidelines for the Dimensions of Main Components of Steel Structure Residential Buildings” (鋼結構住宅主要構件尺寸指南), the national standard “Steel Structure Design Standards (Draft for Solicitation of Comments on Partial Modification of Provisions)” (Draft for Public Solicitation of Comments) (鋼結構設計標準(局部修訂條文徵求意見稿)(公開徵求意見)) and other notices successively issued by the Ministry of Housing and Urban-Rural Development in 2020, it proposes to comprehensively promote the standardization of steel components, improve design and construction efficiency, and reduce the cost of residential buildings with steel structure in accordance with the spirit of “Guiding Opinions of the General Office of the State Council on Vigorously Developing Prefabricated Buildings” (國務院辦公廳關於大力發展裝配式建築的指導意見). With the rapid development of construction industrialisation and steel structure housing industrialisation in China, the industrialisation, standardisation and greening of the construction industry represented by fabricated steel structures will become the main development direction of the steel structure industry of China in the future.

# Report of the Board of Directors, Management Discussion and Analysis

## 2. The Operating Results of the Business

The business of the Company's equipment manufacturing segment, relying on multiple subordinate core manufacturing bases, mainly include equipment manufacturing and steel structure business, covering R&D, design, manufacturing, sale, installation, fine-tuning, inspection and repair of metallurgical and civil construction equipment and its spare parts, steel structures and other metal and building materials, as well as other relevant services.

The Company's equipment manufacturing segment is mainly focused on metallurgical equipment. It has multiple core manufacturing bases including MCC CISDI Equipment Base, MCC Shaanxi Pressure Equipment Base, MCC Changtian Heavy Industry Base, and MCC WISDRI Equipment Base, with products covering key process equipment of metallurgy such as sintering and pelletizing, iron-making and steel-making, casting and rolling. These products are widely used in international and domestic large steel engineering projects. In the future, the equipment manufacturing business will closely keep pace with layout adjustment and industrial upgrading of China's steel industry. By adopting energy conservation and environmental protection, green manufacturing and smart manufacturing as breakthrough points, the Company will give full play to three functions of core equipment base in respect of R&D pilot test, core manufacturing and final assembly integration, so as to accelerate and facilitate productization and industrialization of core technologies. In addition, the Company will continue to integrate competitive upstream and downstream business resources, include core equipment manufacturing system into MCC equipment industry park for unified management and put core technologies developed by the Company into fuse box to be sold and delivered with its products to regions and countries along the Belt and Road Initiative and all over the world. It will also develop equipment manufacturing business into the "Hard Support" of the national team for metallurgical construction, the "Incubator" of new products for metallurgical equipment and the "Carrier" for the "MCC Equipment" brand.

### The overall operating results of the equipment manufacturing business in the first half of 2021

	First half of 2021	% of the total	First half of 2020	Unit: RMB'000 Year-on-year increase/decrease
Segment operating revenue	<b>6,065,257</b>	<b>2.38%</b>	4,794,479	26.51%
Gross margin (%)	<b>13.83</b>	–	14.78	Decreased by 0.95 percentage point

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

## 3. Steel Structure Business

The Company is the founder of steel structure engineering in China and is one of the pioneers of China's steel structure industry. The Company currently owns several important R&D platforms and the most influential professional associations in the industry such as the National Steel Structures Engineering Technology Research Centre (國家鋼結構工程技術研究中心), and China Steel Structure Association. It edited and participated in drafting almost all of the national and industrial standards for steel structures in China and takes the leading position in China in terms of comprehensive technology of steel structures. Possessing the whole industrial chain integration advantages of R&D, design, manufacturing, installation and testing, it has participated in a vast array of famous projects with high brand influence and reputation, such as the Bird's Nest for the Olympic Games, Yanqi Lake APEC Convention & Exhibition Center, Shanghai World Expo Theme Pavilion and Shanghai Disney Resort.

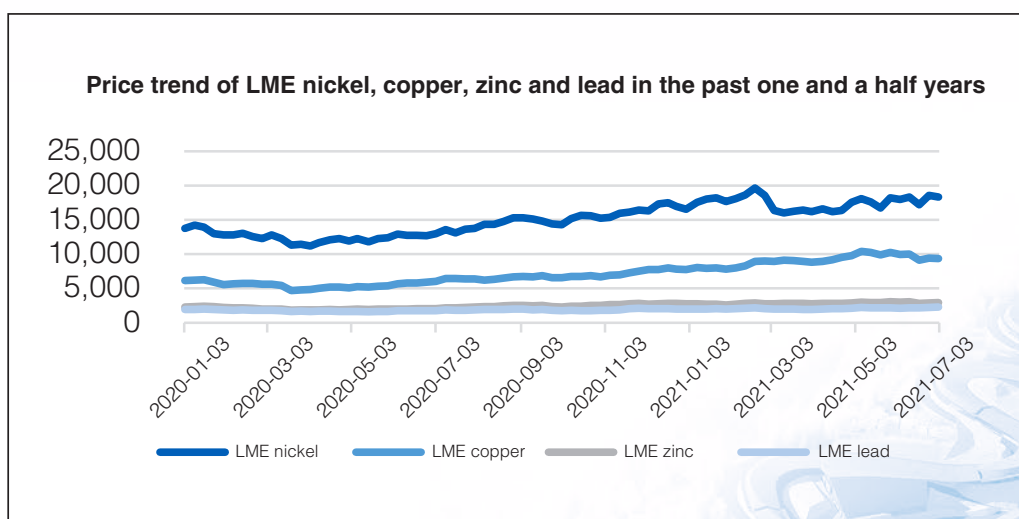
# Report of the Board of Directors, Management Discussion and Analysis

As one of the largest steel structure manufacturers in China, the Company has 32 domestic steel structure manufacturing bases nationwide, covering almost all of the flourishing economic areas in China. The self-designed capacity of these bases hits 1.65 million tons and the Company's steel structure manufacturing (including base and on-site production) capacity, industrial scale and manufacturing volume rank forefront in the same industry in China. It owns a number of core steel structure manufacturing bases, including MCC (Shanghai) Steel Structure Base, Baoye Zhengzhou Steel Structure Base and MCC5 Chengdu Steel Structure Base. Among them, MCC (Shanghai) Steel Structure Technology Corp., Ltd., (中冶(上海)鋼構科技有限公司) as the representative enterprise of steel structure business sector of the Company, keeps to the path of "specialization and branding" through integrating the Company's internal and external steel structure business resources and optimizing the steel structure capacity layout, thus realizing steady and rapid development. In 2020 and the first half of 2021, it won the bid of major landmark projects such as Shantou Waterfront Promenade Bridge, Yangtze River International Convention Centre, Yantai Bajiaowan Convention and Exhibition Center and Beijing Anzhen Hospital.

## (IV) Resources Development Business

### 1. Industry Overview

During the Reporting Period, major global economies continued to implement monetary and fiscal easing policies, and developed economies such as Europe and the United States implemented quantitative easing policies. Against this backdrop and with the promotion of vaccines and the improvement of the government's experience in responding to the pandemic, the marginal impact of the pandemic on the economy has weakened, recovery of economies in Europe and the United States have accelerated, which will boost greater economic demand. In the first half of 2021, the prices of bulk commodities including copper, nickel, lead, zinc and other non-ferrous metals soared to a record high. The average prices of nickel, copper, zinc, and lead in the first half of the year reached USD17,485/ton, USD9,113/ton, USD2,849/ton, and USD2,082/ton, representing an increase of 39.8%, 65.4%, 38.8%, and 18% over the first half of 2020 respectively, and an increase of 15.1%, 32.4%, 13.7%, and 9.2% over the second half of 2020 respectively. This has created favorable market opportunities for the development of Papua New Guinea Ramu Nico Project, Pakistan Duddar Lead-Zinc Mine Project, and Pakistan Saindak Copper-Gold Mine Project of the Company. Under the large-scale fiscal stimulus policy in the world, due to the long-term implementation of supply constraints and the longer recovery period on the demand side, as well as the huge uncertainty on the pandemic, it is expected that the prices of bulk commodities will remain high and volatile.



Source: WIND, LME

# Report of the Board of Directors, Management Discussion and Analysis

## 2. The Operating Results of the Business

During the Reporting Period, the Company strove to overcome COVID-19 pandemic that affected its resource development business, and constantly updated the prevention and control plan and emergency plan for the COVID-19 pandemic according to local situations and time. It strictly implemented various prevention and control measures, and reserved adequate pandemic prevention materials, daily supplies and production materials, to ensure that there were no diagnosed cases within the area of the project site. At the same time, as it is relatively difficult to guarantee personnel rotation at home and abroad, we need to redeploy personnel and resources reasonably to concentrate on key production, key inspection and maintenance and key projects. We adhered to the implementation of the Company's operation guidelines of "fast mining and fast selling", and insisted on meeting the stable yield, high yield, and targeted yield requirements of all projects under development, continued to optimize various technical indicators of production, and focused on reducing costs and increasing efficiency. In this way, we remarkably completed the production and operation tasks in the first half of the year, with key operating indicators such as output, sales, revenue and profit recording a significant year-on-year increase. The three mining projects under development, namely Ramu Nico Project, Duddar Lead-Zinc Mine Project and Saindak Copper-Gold Mine Project, achieved a total profit of RMB1.09 billion in the first half of 2021, which was a turnaround from the total loss of RMB10 million in the first half of 2020, representing an increase of RMB1.1 billion and approximately 1.5 times over 2020. This contributed to the marvelous beginning of the Company during the "14th Five-Year Plan" period.

In the second half of the year, the Company will continue to implement the guiding principles of production and operation, i.e. "fast mining and fast selling", firmly grasp the favorable market opportunity brought by the high and volatile metal prices, and comprehensively carry out pandemic prevention and control measures as well as safe production. The Company will spare no effort to boost production, speed up sales and reduce inventory to better achieve the production and operation targets for the year.

### The overall operating results of the resource development business in the first half of 2021

Unit: RMB'000

	First half of 2021	% of the total	First half of 2020	Year-on-year increase/decrease
Segment operating revenue	3,477,786	1.36%	1,479,442	135.07%
Gross margin (%)	42.41	—	20.80	Increased by 21.61 percentage points

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

The specific progress of major mineral resource projects under development is as follows:

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

As of the end of the Reporting Period, the project was estimated to retain 156 million tons of resources, with an average nickel grade of 0.85% and an average cobalt grade of 0.09%, which means the production of nickel metal amounted to 1.32 million tons and the production of cobalt metal amounted to 140,000 tons. This can basically satisfy the project's stable operation for 40 years and its operation for 20 years with a doubled capacity.

# Report of the Board of Directors, Management Discussion and Analysis

As a benchmark project for the world's lateritic nickel mine, the project has continued to meet targeted production and sales, reach the full production and sales, and achieve efficient and stable operation after completing the annual overhaul of the two high-pressure acid leaching production series. The average production rate in the first half of the year was 102%. The project produced nickel hydroxide, which contained 16,578 tons of nickel and 1,535 tons of cobalt, representing a year-on-year increase of 2% and 12% over the first half of 2020 respectively. The project sold nickel hydroxide, which contained 19,719 tons of nickel and 1,789 tons of cobalt, representing a year-on-year increase of 44% and 53% over the first half of 2020 respectively. In the first half of the year, we recorded a doubling operating income, achieved a turnaround and an increase of RMB820 million of profit.

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

As of the end of the Reporting Period, the project was estimated to contain 870,000 tons of zinc metal resources and 390,000 tons of lead metal resources, with an average zinc grade of 7.84% and an average lead grade of 3.55%. This can basically satisfy the project's stable operation for 20 years. At the same time, the North Duddar mining area has a great potential for mineralization. During the 14th Five-Year Plan period, we plan to further explore the mine and have a greater potential to double the resource amount of lead and zinc.

In the first half of the year, the project produced zinc concentrate ore containing 20,682 tons of zinc and lead concentrate ore containing 4,115 tons of lead, representing an increase of 35.5% and 33.8% over the first half of 2020, respectively. Meanwhile, the project sold zinc concentrate ore containing 18,120 tons of zinc and lead concentrate ore containing 3,222 tons of lead, representing an increase of 17% and a decrease of 17.8% over the first half of 2020, respectively. The project recorded an operating income of RMB300 million, representing a year-on-year increase of 1.6 times; achieved a profit of RMB120 million, representing a year-on-year increase of 15 times. This created favorable economic and social benefits, and laid the foundation for this year's dividend distribution for both Chinese shareholders and Pakistani owners.

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

As of the end of the Reporting Period, the eastern mine ore body of the project was estimated to contain 358 million tons of resources, with an average copper grade of 0.36%, which means the production of copper metal amounted to 1.29 million tons. The project retained 83.24 million tons of resources, with an average copper grade of 0.375%, which means the production of copper metal amounted to 310,000 tons. Its reserves can basically satisfy the stable operation of the project for 20 years.

In the first half of the year, the project overfulfilled the target of the progress schedules in mining, processing, smelting and production. It produced an aggregate of 5,803 tons of crude copper in the first half of the year, and sold 9,356 tons of crude copper, representing a year-on-year increase of 1.4 times; it recorded an operating income of RMB710 million, representing a year-on-year increase of 2.2 times, and achieved a dividend profit of RMB160 million, representing a year-on-year increase of 7.3 times. The project completed the overhauling plan of the smelter before the end of June 2021, laying a solid foundation for the continuous production of crude copper in the second half of the year.

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

The project retained resources of 662 million tons and copper metal amounted to 11.08 million tons, with an average copper grade of 1.67%. It is a large-scale copper deposit in the world. During the Reporting Period, despite the impact of the pandemic, political changes in the country where we carried out our project and other factors, the Company strictly ensured personal and property safety while implementing the pandemic prevention and control measures, and there was no loss of personnel and properties. In future, the Company will strive for the support of national policy and actively promote the development of the project.

# Report of the Board of Directors, Management Discussion and Analysis

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

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

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

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

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

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

# Report of the Board of Directors, Management Discussion and Analysis

## III. DISCUSSION AND ANALYSIS OF OPERATIONS

During the Reporting Period, the operating revenue of the Company amounted to RMB251,003,187 thousand, representing a year-on-year growth of 39.01%, the total profit amounted to RMB8,030,832 thousand, representing a year-on-year growth of 45.93% and the net profit attributable to shareholders of the listed company amounted to RMB4,937,420 thousand, representing a year-on-year growth of 37.46%.

Significant changes in the operation of the Company, and matters that have a significant impact on the operation of the Company and are expected to have a significant impact in the future during the Reporting Period

Applicable  Not applicable

## IV. PRINCIPAL OPERATION RESULTS DURING THE REPORTING PERIOD

### (I) Analysis on major operating business

#### 1. Analysis on the changes in the relevant items in financial statement

Unit: RMB'000

Items	Amount for the current year	Amount for the same period of the previous year	Change in proportion (%)
Operating revenue	251,003,187	180,565,193	39.01
Operating costs	226,557,020	161,154,787	40.58
Selling expenses	1,156,084	971,393	19.01
Administrative expenses	5,041,482	4,072,741	23.79
Financial expenses	1,060,279	1,234,863	(14.14)
Research and development expenses	6,008,195	4,127,934	45.55
Net cash flows from operating activities	(8,565,449)	1,414,017	N/A
Net cash flows from investing activities	(7,039,963)	(3,591,222)	N/A
Net cash flows from financing activities	14,125,446	10,230,765	38.07

Explanation of change in operating revenue: Increase in operating revenue was due to active expansion in the market by the Company.

Explanation of change in operating costs: Increasing correspondingly along with the increase in operating revenue and at the same time, impacted by the increase in costs including raw materials in the market and labor costs.

Explanation of change in selling expenses: Mainly due to the increase in market development expenses such as staff expenses, advertising and sale service fees, and travelling expenses.

Explanation of change in administrative expenses: Mainly due to the increase in travelling expenses, office expenses and other expenses.

Explanation of change in financial expenses: Due to the decrease in interest expenses caused by the reduction of market rate for the current period.

Explanation of change in research and development expenses: Mainly due to the increase in investment in research and development by the Company, leading to the increase in research and development expenses.



# Report of the Board of Directors, Management Discussion and Analysis

Explanation of change in net cash flows from operating activities: Mainly due to the increase in cash from purchase of commodities and reception of labour service.

Explanation of change in net cash flows from investing activities: Mainly due to the increase in cash outflow from the payment of investment activities.

Explanation of change in net cash flows from financing activities: Mainly due to the increase in inflow from borrowings.

## 2. *Analysis on revenue and costs*

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

The Company's financial position and business performance were subject to the combined impact of multiple factors, including the changes in international and domestic macroeconomic environment and China's financial and monetary policies and the development status of the industry in which the Company was operating in 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 various business segments of the Company, including procurement, production and sales, thereby causing fluctuations in the Company's business performance. The Company's business revenue mainly came from the domestic market and the Company's business performance would vary during different domestic economic cycles.

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

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

Both items 1) and 2) above were the major risk factors that impacted the Company's performance for the first half of 2021.

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

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

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

# Report of the Board of Directors, Management Discussion and Analysis

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

Part of the Company's business revenue came from overseas markets. Changes in the exchange rates may bring exchange rate risks to the Company's overseas business revenue and currency settlement. In addition, adjustment in banks' deposit reserve ratio and changes in the benchmark interest rates for deposits and loans would have an 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 overseas tax policies and the changes thereof. Meanwhile, the tax treatment for transactions and matters related to certain operating activities may require enterprises to make corresponding judgment because of the uncertainty of such tax treatment.

## 5) Changes in major raw materials prices

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

## 6) Construction subcontracting expenses

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

## 7) Operation of subsidiaries and key projects

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

# Report of the Board of Directors, Management Discussion and Analysis

## 8) Enhancement in the quality of operational management

The quality of operational management will significantly affect the results of the Company. The Company will continue to highlight the Theme of Reform and Focus on Core Business, strive to further improve the corporate governance and operation of internal control in order to strengthen the operation management and risk control, raise management quality and effectiveness, and perfect the assessment and incentive systems of the Company. The Company will continue to deepen the design and operation of “macro environment, major customers and large-scale projects”, through systematic reform and innovation, as well as scientific decision-making to stimulate the Company's vitality and creativity, and achieve a simple, efficient and effective management and control system. Whether these management goals can be effectively achieved will also have a great impact on 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 revenue of such business is affected by factors such as government's approval on projects, public holidays and the “freeze period” in the north, the business revenue of the Company is usually higher in the second half of the year than the first half, leading to an uneven distribution of revenue.

## (2) Major business by segment and region

### 1) Major business by segment

Unit: RMB'000

Segment	Operating revenue	Operating costs	Gross profit margin (%)	Information of principal business by segment		
				Increase or decrease in the operating revenue as compared to that of previous period (%)	Increase or decrease in the operating costs as compared to that of previous period (%)	Increase or decrease in the gross profit margin as compared to that of previous period
Engineering contracting	231,256,834	211,909,292	8.37	41.41	43.33	Decreased by 1.22 percentage points
Property development	11,326,380	8,977,852	20.74	(13.61)	(14.00)	Increased by 0.37 percentage point
Equipment manufacture	6,065,257	5,226,656	13.83	26.51	27.92	Decreased by 0.95 percentage point
Resource development	3,477,786	2,002,779	42.41	135.07	70.93	Increased by 21.61 percentage points

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

# Report of the Board of Directors, Management Discussion and Analysis

## 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 first half of 2021 and 2020 were 8.37% and 9.59%, respectively, with a year-on-year decrease of 1.22 percentage points. The decrease was mainly due to the rising prices of steel and other materials recently.

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

*Unit: RMB'000*

Items of revenue	In the first half of 2021		In the first half of 2020		In the first half of 2019	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Metallurgical engineering	47,198,024	20.41	31,763,810	19.42	29,393,644	20.26
Housing construction engineering	114,878,950	49.68	83,477,320	51.04	67,438,866	46.49
Transportation infrastructure	47,569,418	20.57	32,043,668	19.59	31,022,810	21.38

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

## ② Property development business

As at the first half of 2021 and 2020, the total gross profit margins of the Company's property development business were 20.74% and 20.37% respectively, with a year-on-year increase of 0.37 percentage point.

## ③ Equipment manufacturing business

The Company's equipment manufacturing business mainly included metallurgical equipment, steel structures and other metal products. As at the first half of 2021 and 2020, the gross profit margins of the Company's equipment manufacture business were 13.83% and 14.78%, respectively, representing a year-on-year decrease of 0.95 percentage point.

# Report of the Board of Directors, Management Discussion and Analysis

## ④ Resource development business

The Company's resource development business included mining and processing. MCC Tongsin Resources Limited (MCCT) (中冶集團銅鋅有限公司) and MCC-JJJ Mining Development Company Limited (中冶金吉礦業開發有限公司), among others, were mainly engaged in the mining business while China Silicon Co., Ltd. (洛陽中硅高科技有限公司), the polysilicon manufacturing enterprise, was mainly engaged in the processing business. As at the first half of 2021 and 2020, the gross profit margins of the Company's resource development business were 42.41% and 20.80%, respectively, representing a year-on-year increase of 21.61 percentage points, mainly due to changes in international commodity prices.

## 2) Major business by region

For details, please refer to note XV1. Segment Information to "Financial Statements" of this report.

## (3) Table of analysis on costs

Unit: RMB'000

Segment	Costs component items	Situation by segment				Percentage change in the amount for the current period as compared to that for same period in the previous year (%)
		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 (%)	
Engineering contracting	Operating costs	211,909,292	91.87	147,847,781	89.65	43.33
Property development	Operating costs	8,977,852	3.89	10,439,747	6.33	(14.00)
Equipment manufacturing	Operating costs	5,226,656	2.27	4,085,989	2.48	27.92
Resource development	Operating costs	2,002,779	0.87	1,171,729	0.71	70.93

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

# Report of the Board of Directors, Management Discussion and Analysis

Description of other results in the analysis on costs:

The major components of costs of construction projects of the Company for the same period of the first half of recent three years are as follows:

Unit: RMB'000

Items of costs	In the first half of 2021		In the first half of 2020		In the first half of 2019	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Subcontracting expenses	102,841,725	48.53	72,169,168	48.81	63,866,006	48.59
Materials expenses	78,846,057	37.21	54,184,012	36.65	45,008,851	34.24
Labour costs	11,813,345	5.57	8,182,285	5.53	9,228,230	7.02
Machinery usage fees	3,940,599	1.86	2,789,954	1.89	2,561,410	1.95
Others	14,467,566	6.83	10,522,362	7.12	10,785,962	8.20
<b>Total engineering cost</b>	<b>211,909,292</b>	<b>100.00</b>	<b>147,847,781</b>	<b>100.00</b>	<b>131,450,459</b>	<b>100.00</b>

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

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

The sales of top five customers amounted to RMB11,043,193 thousand, accounting for 4.40% of the total sales of the Reporting Period; among them, no sales of top five customers is derived from sales to related parties.

Unit: RMB'000

Customer's name	Operating revenue	Proportion of the total operating revenue (%)
Unit 1	3,739,725	1.49
Unit 2	2,909,383	1.16
Unit 3	1,596,177	0.64
Unit 4	1,434,364	0.57
Unit 5	1,363,544	0.54
<b>Total</b>	<b>11,043,193</b>	<b>4.40</b>

# Report of the Board of Directors, Management Discussion and Analysis

The procurement of top five suppliers amounted to RMB3,664,383 thousand, accounting for 1.62% of the operating costs of the Reporting Period; among them, the procurement from related parties under the procurement of top five suppliers amounted to RMB1,876,148 thousand, accounting for 0.83% of total procurement of the Reporting Period.

Unit: RMB'000

Supplier's name	Procurement for the current period	Proportion of the total operating costs (%)
Unit 1	1,400,531	0.62
Unit 2	665,054	0.29
Unit 3	628,476	0.28
Unit 4	494,705	0.22
Unit 5	475,617	0.21
Total	3,664,383	1.62

### 3. Analysis on expenses

#### (1) Selling expenses

The Company's selling expenses mainly include employee compensation costs, travelling expenses, transportation expenses, advertising and sale services expenses. In the first half of 2021 and 2020, the Company's selling expenses were RMB1,156,084 thousand and RMB971,393 thousand respectively, representing a year-on-year increase of 19.01%.

#### (2) Administrative expenses

The Company's administrative expenses mainly include employee compensation costs, depreciation expenses, office expenses and traveling expenses. In the first half of 2021 and 2020, the Company's administrative expenses were RMB5,041,482 thousand and RMB4,072,741 thousand respectively, representing a year-on-year increase of 23.79%.

#### (3) Financial expenses

The Company's financial expenses include costs of borrowing, exchange gains or losses, bank charges, etc. incurred in business operation. In the first half of 2021 and 2020, the Company's financial expenses were RMB1,060,279 thousand and RMB1,234,863 thousand respectively, representing a year-on-year decrease of 14.14%.

### 4. Research and development expenditure

The research and development expenditure of the Company are as follows:

Unit: RMB'000

Research and development expenditure for the current period	6,008,195
Total research and development expenditure	6,008,195
Proportion of total research and development expenditure to operating income (%)	2.39

# Report of the Board of Directors, Management Discussion and Analysis

## 5. Cash flows

The cash flows of the Company are as follows:

Unit: RMB'000

Items	January to June 2021	January to June 2020
Net cash flows from operating activities	<b>(8,565,449)</b>	1,414,017
Net cash flows from investing activities	<b>(7,039,963)</b>	(3,591,222)
Net cash flows from financing activities	<b>14,125,446</b>	10,230,765

### (1) Operating activities

In the first half of 2021 and 2020, the Company's net cash flows generated from operating activities amounted to RMB-8,565,449 thousand and RMB1,414,017 thousand respectively. In the first half of 2021 and 2020, the cash inflow generated from operating activities mainly came from the cash received from the sale of goods and the rendering of service. 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.

### (2) Investing activities

In the first half of 2021 and 2020, the Company's net cash flows generated from investing activities amounted to RMB-7,039,963 thousand and RMB-3,591,222 thousand. The investing activities of the Company mainly came from engineering contracting and property development business.

The Company's cash inflow generated from investing activities mainly consisted of cash received from recovery of investments, investment income and disposal of assets. 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.

### (3) Financing activities

In the first half of 2021 and 2020, the Company's net cash flows generated from financing activities amounted to RMB14,125,446 thousand and RMB10,230,765 thousand respectively.

The Company's cash inflow from financing activities mainly consisted of cash received from capital contributions and net cash inflow from interest-bearing liabilities in accordance with the needs of operation and management. Cash outflow mainly consisted of cash on repayment of debts and interest.

## 6. Detailed statement of the major changes in the Company's business types, profits structure or profits sources:

Applicable  Not applicable

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

Applicable  Not applicable



# Report of the Board of Directors, Management Discussion and Analysis

## (III) Analysis on assets and liabilities

### 1. Status of assets and liabilities

Unit: RMB'000

Items	30 June 2021	Proportion of the amount at the end of the current period to the total assets/total liabilities (%)	31 December 2020	Proportion of the amount at the end of the previous period to the total assets/total liabilities (%)	Proportion change in the amount at the end of the current period as compared to that at the end of the previous period (%)
Current assets	<b>430,832,698</b>	77.27	389,253,555	76.87	10.68
Cash and bank balances	<b>51,338,332</b>	9.21	53,095,827	10.49	(3.31)
Accounts receivable	<b>77,602,351</b>	13.92	69,436,480	13.71	11.76
Prepayments	<b>36,077,568</b>	6.47	34,369,714	6.79	4.97
Other receivables	<b>71,957,303</b>	12.91	64,225,288	12.68	12.04
Inventories	<b>62,620,906</b>	11.23	60,581,435	11.96	3.37
Contract assets	<b>104,596,879</b>	18.76	83,199,483	16.43	25.72
Non-current assets	<b>126,756,640</b>	22.73	117,139,408	23.13	8.21
Long-term receivables	<b>33,220,618</b>	5.96	25,576,642	5.05	29.89
Fixed assets	<b>23,692,486</b>	4.25	24,684,160	4.87	(4.02)
Intangible assets	<b>17,857,535</b>	3.20	17,491,859	3.45	2.09
<b>Total assets</b>	<b>557,589,338</b>	100.00	506,392,963	100.00	10.11
Current liabilities	<b>377,844,403</b>	91.43	331,791,251	90.64	13.88
Short-term borrowings	<b>44,434,000</b>	10.75	29,252,171	7.99	51.90
Notes payable	<b>38,013,617</b>	9.20	30,472,634	8.32	24.75
Accounts payable	<b>158,867,841</b>	38.44	133,722,043	36.53	18.80
Contract liabilities	<b>77,122,159</b>	18.66	85,653,732	23.40	(9.96)
Non-current liability	<b>35,394,497</b>	8.57	34,246,405	9.36	3.35
Long-term borrowings	<b>26,695,692</b>	6.46	25,631,067	7.00	4.15
<b>Total liabilities</b>	<b>413,238,900</b>	100.00	366,037,656	100.00	12.90

# Report of the Board of Directors, Management Discussion and Analysis

Analysis on the status of assets and liabilities:

(1) *Analysis on the structure of assets*

Cash and bank balances

As at 30 June 2021 and 31 December 2020, the balances of monetary funds of the Company amounted to RMB51,338,332 thousand and RMB53,095,827 thousand, respectively, representing a decrease of 3.31% from the beginning of the year.

As at 30 June 2021 and 31 December 2020, the restricted monetary funds of the Company amounted to RMB10,490,388 thousand and RMB10,930,525 thousand respectively. The use of restricted monetary funds mainly included margin deposit of acceptance bill, statutory deposit reserve required by the Central Bank, etc.

Accounts receivable

As at 30 June 2021 and 31 December 2020, the net accounts receivable of the Company amounted to RMB77,602,351 thousand and RMB69,436,480 thousand, respectively, representing an increase of 11.76% from the beginning of the year, which was mainly due to the increase in operating revenue, the increasing efforts of the Company to collect accounts receivable, and increase in accounts receivable is significantly less than increase in operating revenue.

Prepayments

As at 30 June 2021 and 31 December 2020, the net advances of the Company amounted to RMB36,077,568 thousand and RMB34,369,714 thousand, respectively, representing an increase of 4.97% from the beginning of the year, which was mainly due to the increase in advances on purchases.

Other receivables

As at 30 June 2021 and 31 December 2020, other net receivables of the Company amounted to RMB71,957,303 thousand and RMB64,225,288 thousand, respectively, representing an increase of 12.04% from the beginning of the year, which was mainly due to the increase in borrowings by the Company to related parties and the increase in deposits.

Inventories

The inventories mainly consist of real estate development costs, real estate development products, raw materials, products in process, products in inventory, etc. The inventory structure of the Company reflected the characteristics of the project contracting, real estate development, equipment manufacturing and resources development businesses in which the Company was engaged. As at 30 June 2021, the net inventories of the Company amounted to RMB62,620,906 thousand, and as at 31 December 2020, the net inventories amounted to RMB60,581,435 thousand, representing an increase of 3.37% from the beginning of the year.

Contract assets

Contract assets primarily relate to project contracting services. As at 30 June 2021 and 31 December 2020, the net contract assets of the Company amounted to RMB104,596,879 thousand and RMB83,199,483 thousand, respectively, representing an increase of 25.72% from the beginning of the year, which was mainly due to the increase in contract assets related to project contracting services.

# Report of the Board of Directors, Management Discussion and Analysis

## Long-term receivables

As at 30 June 2021 and 31 December 2020, the net long-term receivables of the Company amounted to RMB33,220,618 thousand and RMB25,576,642 thousand, respectively, representing an increase of 29.89% from the beginning of the year, which was mainly due to the increase in long-term project receivables of the Company.

## (2) *Analysis on the structure of liabilities*

### Long-term and short-term borrowings

Long-term and short-term borrowings of the Company mainly consist of credit borrowings and secured borrowings from commercial banks and other financial institutions. As at 30 June 2021 and 31 December 2020, the carrying value of short-term borrowings of the Company amounted to RMB44,434,000 thousand and RMB29,252,171 thousand, respectively, representing an increase of 51.90% from the beginning of the year. As at 30 June 2021 and 31 December 2020, the carrying value of long-term borrowings of the Company amounted to RMB26,695,692 thousand and RMB25,631,067 thousand, respectively, representing an increase of 4.15% from the beginning of the year.

### Accounts payable

Accounts payable mainly include material costs payable to suppliers and project costs payable to subcontractors by the Company. As at 30 June 2021 and 31 December 2020, the carrying value of accounts payable by the Company amounted to RMB158,867,841 thousand and RMB133,722,043 thousand, representing an increase of 18.80% from the beginning of the year.

### Contract liabilities

Contract liabilities mainly include contract liabilities related to project contracting service contracts and sales contracts. As at 30 June 2021 and 31 December 2020, the carrying value of contract liabilities of the Company amounted to RMB77,122,159 thousand and RMB85,653,732 thousand, representing a decrease of 9.96% from the beginning of the year.

## 2. *Information on overseas assets*

### (1) *Size of asset*

As at the end of the Reporting Period, overseas assets of the Company amounted to 40,037,530 (Unit: RMB'000), The proportion of total assets is 7.18% of the total assets.

### (2) *Related description of overseas assets*

Applicable  Not applicable

## 3. *Major restricted assets as of the end of the Reporting Period*

For details, please refer to note VII70 of "Financial Statements" in this report.

# Report of the Board of Directors, Management Discussion and Analysis

## (IV) Analysis on the operational information in the construction industry

### 1. Inspection and acceptance upon 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)	1,336	373	1,513	298	3,520
Total amount	5,695,518	801,277	4,558,601	703,943	11,759,339

Unit: RMB'000

Project location	Domestic	Overseas	Total
Number of projects (Unit)	3,429	91	3,520
Total amount	11,451,558	307,781	11,759,339

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

Unit: RMB'000

Sub-segment	Housing Construction	Infrastructure Construction	Metallurgical engineering	Others	Total
Number of projects (Unit)	4,567	2,593	3,432	1,445	12,037
Total amount	114,294,989	49,498,446	49,534,178	14,051,411	227,379,024

Unit: RMB'000

Project location	Domestic	Overseas	Total
Number of projects (Unit)	11,456	581	12,037
Total amount	221,571,186	5,807,838	227,379,024

### 3. Major projects under construction

Applicable  Not applicable

# Report of the Board of Directors, Management Discussion and Analysis

## 4. Overseas projects during the Reporting Period

*Unit: RMB'000*

Project location	Number of projects (Unit)	Total
Asia	476	5,504,406
Africa	49	181,575
South America	87	78,094
Europe	32	256,861
Oceania	14	82,415
North America	14	12,268
<b>Total</b>	<b>672</b>	<b>6,115,619</b>

*Note:* The statistics above are figures before inter-segment eliminations.

## 5. Relevant information on 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 RMB117.734 billion, representing an increase of 19.39% 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 RMB86.744 billion and RMB30.990 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 RMB58.954 billion and RMB58.780 billion, respectively.

### (2) Investment in partnership

As reviewed and approved by the Board of the Company, MCC, China Credit Trust Co., Ltd., (中誠信託有限責任公司) MCC-CCB Investment Fund Management (Beijing) Company Limited (中冶建信投資基金管理(北京)有限公司) and CIF (Beijing) Investment Fund Management Co., Ltd. (信銀振華(北京)股權投資基金管理有限公司) jointly established Yingtian MCC-CIF Industrial Development Partnership (LP) (鷹潭市中冶信銀產業發展合夥企業(有限合夥)) 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.

# Report of the Board of Directors, Management Discussion and Analysis

## (V) Investment analysis

### 1. Overall analysis on external equity investments

As of 30 June 2021 and 31 December 2020, the net financial assets held for trading of the Company were RMB801,258 thousand and RMB2,250,940 thousand, respectively, representing a decrease of 64.40% from the beginning of the year. As of 30 June 2021 and 31 December 2020, the net long-term equity investments of the Company were RMB27,405,738 thousand and RMB25,676,955 thousand, respectively, representing an increase of 6.73% from the beginning of the year. As of 30 June 2021 and 31 December 2020, net investment in other equity instruments of the Company were RMB2,054,638 thousand and RMB1,964,664 thousand, respectively, representing an increase of 4.58% from the beginning of the year. As of 30 June 2021 and 31 December 2020, the net investment in other non-current financial assets of the Company was RMB4,458,714 thousand and RMB4,418,546 thousand, respectively, representing an increase of 0.91% from the beginning of the year.

For details, please refer to notes VII2, 14, 15, 16 to “Financial Statements” of this report.

#### (1) Substantial equity investments

Applicable  Not applicable

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

Applicable  Not applicable

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

For details, please refer to note XI to “Financial Statements” of this report.

## (VI) Disposal of material assets and equity

Applicable  Not applicable

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

For details, please refer to note IX to “Financial Statements” of this report.

## (VIII) Structured entities under the control of the Company

Applicable  Not applicable

# Report of the Board of Directors, Management Discussion and Analysis

## V. OTHER DISCLOSURES

### (I) Possible Risks

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

The Company's main businesses are greatly affected by the national macroeconomic operation, fixed asset investment in the steel industry, development in the construction industry, urbanization and other external factors. In the first half of 2021, the national economy continued to recover, and the macroeconomic operation was reinforced and improved in a stable manner. However, the basis for sustainable recovery of the domestic economy needs to be reinforced. In particular, affected by external environment and other factors, some small and medium-sized enterprises are facing increasing operating risks and it is necessary to pay higher level of attention to the operating risks of cooperative enterprises on the industrial chain, especially for small and medium-sized enterprises. The operating costs of enterprises continue to increase, and enterprises are facing new challenges in their transformation and development. In addition, the significantly greater management risks of overseas projects, coupled with the difficulties in market development and project implementation, also pose a threat to the lives and health of personnel abroad. In general, the profound changes in business environment in which enterprises operate, will be a challenge for both their risk appetite and their daily operation ability and ability to respond to challenges.

The Company will make reasonable expectations and adjust its business strategy in due course, make full use of positive development conditions, seize opportunities, effectively avoid risks, and promote high-quality development of the Company.

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

In recent years, the global iron and steel industry has entered the third period of in-depth adjustment. The goal to speed up the construction of a manufacturing power and strengthen environmental pollution prevention and treatment puts forward higher requirements on the iron and steel industry. The recovery of the iron and steel industry will promote the iron and steel industry to accelerate the pace of environmental protection transformation, structural adjustment as well as transformation and upgrading. At present, the main contradictions faced by the iron and steel industry have been transformed into inadaptation between industrial structure and competitive market demand, and inadaptation between the level of green development and ecological environment demand. Companies are facing new opportunities and challenges brought by the unbalanced and uncertain industry development trend.

In order to cope with the above changes, 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 by a national team 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. 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.

# Report of the Board of Directors, Management Discussion and Analysis

### **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 pipeline corridor 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 and standardized 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 will actively respond to the risk of competition in the non-steel engineering markets with open mind and advanced with time, and further adapt to the environmental changes. It has expanded the research and innovation of business models and constantly improved the design and operation of “macro environment, heavyweight clients and mega projects”. Leveraging on its traditional comparative advantages and core competitiveness in technology, management and capital, the Company devotes its efforts to developing the non-steel engineering markets such as premium property construction, highways, transport and municipal infrastructure, ecological protection, healthcare and senior care, theme parks, integrated pipeline corridor, sponge city, beautiful countryside and new infrastructure. The Company 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, which has achieved remarkable success.

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

In the post-pandemic era, the real estate industry has ended its period of fast growth and entered a mature period of relatively stable growth. In the short run, the slowdown of industry growth, coupled with the policies of “two concentrations (兩集中)” and “three financial ratios (三道紅線)”, brought greater pressure for the enterprise to control liabilities and reduce its leverage. Besides, with the corresponding reduction in investment and expansion momentum, the business growth and targeted expansion rate slowed down gradually. In the long run, housing development enterprises will shift from a short-term extensive growth in pursuit of huge profits to a long-term sustainable development which requires rational land acquisition, efficiency improvement, and quality improvement. Challenges and investment risks are gradually increasing along with the higher threshold of each echelon of real estate enterprises.

In terms of its property businesses, the Company will actively adapt to the requirements of the situation and market changes, further accelerate the strategic upgrade of shifting from a “real estate developer” to an “urban operator”, create a unique urban operation model, and strive to become the leader in comprehensive development and operation of real estate. The Company will actively implement differentiated development, keep a close eye on the core city layout, and follow the path of quality development. Firstly, it will be more prudent in incremental development; it will select the best of the quality projects, resolutely eradicate blind expansion and land acquisition at irrational prices, and increase strategic land reserves through urban renewal, regional development, headquarters economy, theme parks, environmental governance, etc.; and secondly, it will be more active in stock disposal; it will make great efforts to revitalise the projects at hand to effectively reduce inventory and speed up turnover. At the same time, it will closely monitor the policy trends, abandon forced and aggressive advance, select investment area carefully, vigorously revitalise inefficient assets and withdraw from high-risk projects, so as to effectively respond to risks associated with the real estate development business segment.



# Report of the Board of Directors, Management Discussion and Analysis

## **5. *Risks associated with the financial segment***

The international financial situation is still complex, as the overseas pandemic spread has not seen an inflection point, the impact of Sino-US trade frictions still persists, trading system and free trade principle lasting for years are now under threat of unilateralism, protectionism and economic hegemonism, and the foreign exchange rates and interest rates fluctuate with uncertainty.

The Company will continue to optimise its financing structure, pay close attention to changes in foreign exchange rates, strengthen management and control of foreign exchange risk exposure, carry out foreign exchange hedging business only for the purpose of hedging in a timely and effective manner. It is determined not to engage in speculative arbitrage, and meanwhile takes multiple measures to save financial costs and increases capital efficiency.

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

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

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

## **7. *Risks associated with international operations***

The operating businesses of the Company in various countries and regions are subject to political, economic, public security and public health events in local areas, cultural differences, contractual laws, foreign exchange and its exchange rates, international public opinion and other environmental factors, which may pose certain risks to the Company, such as failure to complete overseas construction on time, cost increases, disputes arising from claims, and even suspension of construction, which in turn may affect the revenue and profit of the Company's overseas business.

The Company will urge all subsidiaries and overseas institutions to conduct in-depth research on the policies, regulations and human environment where overseas projects are located, establish good cooperative relationship with local governments and property owners, speed up the pace of localization, and take all pandemic prevention and control work seriously to reduce the adverse impact of the pandemic; continue to conduct risk review for major overseas projects before bidding and contracting, implement hierarchical risk management during the implementation process, and improve the emergency plan for overseas projects. In the context of the normalization of the pandemic, the Company will stick to the contract and do its best to fulfill the contract on schedule. In addition, it will protect its own interests through legal means.

# Report of the Board of Directors, Management Discussion and Analysis

## 8. *Environmental and safety production risks*

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

To effectively avoid environmental risks, the Company will continue to actively practice the green development ideology that "Lucid Waters and Lush Mountains are Invaluable Assets (綠水青山就是金山銀山)", do a good job in environmental protection supervision and rectification, continuously improve environmental efforts, carry out environmental protection supervision and inspection with "no notice, no greeting, no report, no accompanying reception, straight to the grassroots level, and direct access to the scene (四不兩直)", and conduct activities in "Energy Saving Week" to raise awareness of green development. In terms of safety production, we will continue to strengthen supervision and inspection, strengthen the control and management of hazardous chemicals and explosive products, take effective measures in flood prevention and ensure the safety, increase the efforts on special inspection of safety production during the flood season, and set up standardized benchmarks to promote the standardization of safety production.

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

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

In order to guard state secrets and protect commercial secrets, the Company has formulated a sets of relatively comprehensive confidentiality policies. The Company adopts various promotional and educational measures regularly in order to raise awareness of information confidentiality of the employees. The Company randomly assesses the information confidentiality of its subsidiaries on site every year, and adopt the forms of interview, inspection of recorded documents, retrieval of confidential documents and on-site inspection to supervise and inspect the operation of the confidentiality management system.

## 10. *Cyber risks and security*

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

In order to effectively prevent cyber risks, in accordance with the requirements of the supervisory units, 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, implements network monitoring, carries out upgrade protection and major security general inspection regularly, and develops a more comprehensive safety protection system. Thus, the Company will make the utmost effort to prevent cyber risks and avoid the occurrence of security incidents.

## (II) Other Disclosures

Applicable  Not applicable

# Corporate Governance

## I. CORPORATE GOVERNANCE AND GOVERNANCE OF THE COMPANY

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 General Meeting, the Board, the Supervisory Committee, as well as the management of the Company operated in compliance with the laws and regulations in an efficient manner, and further improved the corporate governance level of the Company, laying a favorable foundation for promoting the Company's development and improving shareholder value.

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, except for the code provisions E.1.2 of the Corporate Governance Code. Pursuant to the code provision E.1.2 of the Corporate Governance Code, the chairman of the Board shall attend the annual general meeting. Guo Wenqing, the Chairman of the Company, was not able to attend the 2020 annual general meeting due to business engagement. Pursuant to relevant requirements, Mr. Zhang Mengxing, an executive Director and the Chairman of the Company, presided over the meeting.

At the beginning of 2021, the members of the third session of the Board were: Mr. Guo Wenqing as the executive Director and the Chairman, Mr. Zhang Mengxing as an executive Director, Mr. Zhou Jichang, Mr. Yu Hailong, Mr. Ren Xudong and Mr. Ng, Kar Ling Johnny as Independent Non-executive Directors, and Mr. Yan Aizhong as an employee representative Director. On 2 January 2021, the Company received the notice from the family of Mr. Ren Xudong, an Independent Non-executive Director of the Company, that Mr. Ren Xudong passed away due to illness. On the date of disclosure of this Report, the third session of the Board comprised 6 members with Mr. Guo Wenqing as an executive Director and the Chairman, Mr. Zhang Mengxing as an executive Director, Mr. Zhou Jichang, Mr. Yu Hailong and Mr. Ng, Kar Ling Johnny as Independent Non-executive Directors, and Mr. Yan Aizhong as an employee representative Director of the Company. The Company will carry out the relevant procedures as soon as possible in accordance with the relevant regulations and complete the by-election of Independent Directors.

During the Reporting Period, the convening of each meeting of general meetings, Board meetings and meetings of Supervisory Committee is in compliance with the relevant requirements of the Company Law and the Articles of Association. During the Reporting Period, the Company convened 1 general meetings, 4 Board meetings, 5 meetings of Special Committees, and 2 meetings of Supervisory Committee in total.

The Company has adopted the Model Code as the code governing the dealings in the Company's securities by Directors and Supervisors. Having made specific enquiries with all the Directors and Supervisors, the Company is of the view that all Directors and Supervisors fully complied with the Model Code and requirements set out thereof during the six months ended 30 June 2021.

## II. SUMMARY OF THE GENERAL MEETINGS

Sessions of the meeting	Convening date	Enquiry index of the designated website for the publication of the resolutions	Date of publication of the resolutions	Resolutions of the meeting
MCC's 2020 Annual General Meeting	25 June 2021	<a href="http://www.sse.com.cn">www.sse.com.cn</a> <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>	25 June 2021	For details, please refer to the Announcement on the Resolutions Passed at the 2020 Annual General Meeting of MCC (2021-023) dated 26 June 2021 as disclosed on the website of SSE, and the Poll Results of the 2020 Annual General Meeting held on 25 June 2021 as disclosed on the website of the Hong Kong Stock Exchange on 25 June 2021.

# Corporate Governance

Shareholders of preferred shares whose voting rights have been restored request to convene an extraordinary general meeting

Applicable  Not applicable

## Description of Shareholders' Meeting

On 25 June 2021, the Company convened the 2020 Annual General Meeting, where Mr. Zhang Mengxing being Director of the Company, Mr. Yin Sisong, Ms. Zhang Yandi and Mr. Chu Zhiqi, all being Supervisors of the Company, and Mr. Zeng Gang, Secretary to the Board, attended the meeting. Other senior management personnel of the Company attended the meeting. 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 2020", the "Resolution on the Work Report of the Supervisory Committee of MCC for the Year 2020", the "Resolution on the Report of MCC on Final Accounts for the Year 2020", the "Resolution on Profit Distribution of MCC for the Year 2020", the "Resolution on the Appointment of the Auditor of the Financial Report and Internal Control Auditor of the Company for the Year 2021", the "Resolution in relation to the Emoluments of Directors and Supervisors of MCC for the Year 2020", the "Resolution on the Guarantee Plan of MCC for the Year 2021", and the "Resolution on Application for Adjustment of the Annual Cap of the Daily Connected Transactions/Continuing Connected Transactions from the Year 2021 to 2022"; The "Work Report of Independent Directors for the Year 2020" was heard at the meeting.

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

Name	Position	Change
Ren Xudong	Independent Non-executive Director	Passed away due to illness

## Description of changes of Directors, Supervisors and senior management of the Company

On 2 January 2021, the Company received the notice from the family of Mr. Ren Xudong, an Independent Non-executive Director of the Company, that Mr. Ren Xudong passed away due to illness (For more details, please refer to the relevant announcement issued by the Company on 5 January 2021). The Company will carry out the relevant procedures as soon as possible in accordance with the relevant regulations and complete the by-election of Independent Directors.

Save as disclosed above, as of the Reporting Period, the Company was not aware of any changes on the information of Directors or Supervisors required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

## IV. PROPOSALS ON PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE

### Proposal for profit distribution and transfer of capital reserve to share capital for the first half of the year

Any distribution or transfer: Nil

# Corporate Governance

## V. 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 temporary announcements without further development or change in subsequent implementation**

Applicable  Not applicable

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

Applicable  Not applicable

***Equity incentives***

Applicable  Not applicable

***Other description***

Applicable  Not applicable

***Employee stock ownership plan***

Applicable  Not applicable

***Other incentives measures***

With the approval from the superior authorities, WISDRI Engineering & Research Incorporation Limited (hereinafter referred to as "WISDRI"), a subsidiary of the Company, is currently carrying out its position bonus incentives work. In accordance with the series of guidance documents and the requirements of the superior authorities, WISDRI carefully organized and promoted relevant work according to laws and regulations in accordance with the implementation plan of post dividends for scientific and technological enterprises.

The equity incentive work of the Company is in the demonstration and preparation stage, and the details of the specific proposals and progress arrangements are yet to be confirmed. After the relevant proposals are finalized, they will be subject to the approval of SASAC and the governing departments. The Company will perform its information disclosure obligations in a timely manner according to the progress of its work.

## VI. REVIEW OF INTERIM RESULTS BY THE FINANCE AND AUDIT COMMITTEE

The Finance and Audit Committee has reviewed the unaudited interim results of the Company for the six months ended 30 June 2021. The committee was of the opinion that the unaudited interim results for the six months ended 30 June 2021 had been in compliance with the applicable accounting principles as well as laws and regulations, and had made proper disclosures.

# Environmental and Social Responsibility

## I. INFORMATION ON ENVIRONMENTAL PROTECTION OF THE COMPANY

### (I) 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 List of Enterprises under Special Supervision and Enterprises with Significant Waste Disposal in the first half of 2021 published by the state, provincial and municipal environmental protection departments, among all subsidiaries of the Company, Xiangyang Enfi Environmental Protection Energy Co., Ltd. (襄陽恩菲環保能源有限公司), 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, were included in the list of enterprises under special supervision of exhaust gas, China Silicon Corporation Ltd. (洛陽中硅高科技有限公司), a subsidiary of China Non-ferrous, was included in the list of enterprises under special supervision of wastewater treatment plants, and 30 sewage treatment plants under MCC Ecological Environmental Protection Group Co., Ltd. (hereinafter referred to as “MCC Ecological Environmental Protection”), China Non-ferrous and WISDRI were included in the list of enterprises under special supervision of sewage treatment. During the Reporting Period, each environmental protection facility of all units under the Name List of Enterprises with Significant Waste Disposal operated normally, and the emission of key pollutants reached the emission standard without excessive emission, achieving the objective of total emission reduction.

The Company has been adhering to the guidance of Xi Jinping's ecological civilization thought, firmly establishing the concept of greenery development 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 Ecological Environmental Protection of MCC” (《中國中冶能源節約與生態環境保護管理辦法》), the “Implementation Rules for Energy Conservation and Ecological Environmental Protection Responsibility System of MCC” (《中國中冶能源節約與生態環境保護責任制實施細則》), the “Implementation Rules for Energy Conservation and Environmental Protection Inspections of MCC” (《中國中冶節能環保檢查實施細則》), the “Implementation Rules for Energy Conservation and Ecological Environmental Protection Reports of MCC” (《中國中冶能源節約與生態環境保護報告實施細則》), the “Implementation Rules for Responsibility Investigation of Safety and Environmental Protection Accidents of MCC” (《中國中冶安全環保事故責任追究實施細則》), the “Integrated Emergency Response Plan of Environmental Emergencies of MCC” (《中國中冶突發環境事件綜合應急預案》), the “Work Manual of Energy Conservation and Emission Reduction of MCC” (《中國中冶節能減排工作手冊》), and the “Green Construction Demonstration Atlas of MCC” (《中國中冶綠色施工示範圖集》) and other documents, which cover contents such as overall requirements of energy conservation and environmental protection management, supervision and inspection, responsibility of reporting, education and training, assessment, rewards and punishment, as well as integrated emergency response management of environmental emergencies. Such rules and regulations could satisfy the latest national requirements on energy conservation and environmental protection management, proactively advocate energy conservation and emission reduction of the Company, and promote green construction and related work, so as to fully accomplish the management objectives on energy conservation and environmental protection during the year. Proactively devoting itself to environmental governance and environmental protection and advocating the concept of environmental protection for years, the Company strived to enhance the efficiency of energy utilization and establish a resource-conserving and environment-friendly enterprise.

# Environmental and Social Responsibility

## I. Information about pollution discharge

① 30 enterprises under special supervision of sewage treatment

No.	Company name	Discharge vent	Major pollutants and characteristic pollutants	Executive standard	Emission standard <sup>note 1</sup> (mg/L)	Actual emission (mg/L)	Total emission rate (10,000t/day)	Discharge flow
1	Chuzhou Huatian Water Corporation MCC (滁州市中冶華天水務有限公司)	Main vent from Chuzhou Huatian Water Corporation MCC WS-01904	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant(GB18918-2002) Level I Standard A	50 5(8)	27.00 0.27	14.90	Qingliu River (清流河)
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 Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant(GB18918-2002) Level I Standard A	50 5(8)	25.32 0.47	6.30	Lai River (來河)
3	MCC Qinhuangdao Water Co., Ltd. (中冶秦皇島水務有限公司)	Vent from Shanhaiguan Wastewater Treatment Plant (山海關污水廠出水口)	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant(GB18918-2002) Level I Standard A	50 5(8)	18.26 1.00	3.48	Chao River (潮河)
4	Shouguang North Water Corporation MCC (壽光市城北中冶水務有限公司)	Vent outside Shouguang North Water Corporation MCC	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant(GB18918-2002) Level I Standard A <sup>Note2</sup>	40 2	19.90 0.58	8.52	Zhangseng River (張僧河)
5	Tianchang Huatian Water Corporation MCC (Tianchang Wastewater Treatment Plant) (天長市中冶華天水務有限公司(天長市污水處理廠))	Vent No. WS-009	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	23.10 0.99	5.98	Chuanqiao River (川橋河)
6	Qinlan Wastewater Treatment Plant of Tianchang Huatian Water Corporation MCC (天長市中冶華天水務有限公司(秦欄鎮污水處理廠))	Mixed inflow of sewage emission in Qinlan Town and Jiangwei County of Tianchang City	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	22.10 0.61	0.57	Qinlan River (秦欄河)
7	Yangcun Water Treatment Plant of Tianchang Huatian Water Corporation MCC (天長市中冶華天水務有限公司(楊村鎮污水處理廠))	Mixed inflow of sewage emission in Yangcun Wastewater Treatment Plant of Tianchang City	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	25.00 1.40	0.47	Yangcun River (楊村河)

# Environmental and Social Responsibility

No.	Company name	Discharge vent	Major pollutants and characteristic pollutants	Executive standard	Emission standard <sup>note 1</sup> (mg/L)	Actual emission (mg/L)	Total emission rate (10,000t/day)	Discharge flow
8	Wastewater Treatment Plant of Tianchang Economic Development Zone of Tianchang Huatian Water Corporation MCC (天長市中冶華天水務有限公司(天長市經濟開發區污水處理廠))	Vent No. WS-04303	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	24.00 0.84	1.99	New Chuanqiao River (新川橋河)
9	Tongcheng Wastewater Treatment Plant of Tianchang Huatian Water Corporation MCC (天長市中冶華天水務有限公司(銅城鎮污水處理廠))	Vent No. WS-04305	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	26.60 0.50	0.50	Tonglong River (銅龍河)
10	MCC Xinglong Water Co., Ltd. (興隆縣中冶水務有限公司)	Vent of disinfecting tank WS-001	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	15.68 0.65	2.24	Liu River (柳河)
11	MCC Dingyuan Water Co., Ltd. (定遠縣中冶水務有限公司)	Wastewater discharge vent WS-50004	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	25.60 0.70	4.90	Maqiao River (馬橋河)
12	Lu'an Water Corporation MCC (六安市中冶水務有限公司)	Main vent WS00075	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	13.70 1.73	2.14	Su Da Yan (蘇大堰)
13	Cha He Wastewater Treatment Plant of Lai'an Huatian Water Corporation MCC (來安縣中冶華天水務有限公司(汭河污水處理廠))	Vent from Cha He Wastewater Treatment Plant (汭河污水處理廠污水排放口)	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	21.40 0.59	1.91	Chu River (滁河)
14	Ma'anshan Water Corporation MCC (馬鞍山中冶水務有限公司)	Ma'anshan Huatian Water Corporation MCC (馬鞍山市中冶華天水務有限公司)WS-090801	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	8.17 0.23	1.45	Xiangcheng River (襄城河)



# Environmental and Social Responsibility

No.	Company name	Discharge vent	Major pollutants and characteristic pollutants	Executive standard	Emission standard <sup>note 1</sup> (mg/L)	Actual emission (mg/L)	Total emission rate (10,000t/day)	Discharge flow
15	Huangshi Water Corporation MCC (黃石中冶水務有限公司)	Vent from Huangshi Tuanchengshan Wastewater Treatment Plant (黃石團城山污水處理廠排放口)	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	10.80	3.95	Ci-hu Lake (磁湖)
			Ammoniacal nitrogen		5(8)	0.80		
16	Shouguang MCC Huatian Water Co., Ltd. (壽光市中冶華天水務有限公司)	Vent from Shouguang MCC Huatian Water Co., Ltd. (壽光中冶華天水務有限公司排污水口) WS-37078309	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A <sup>note 2</sup>	40	25.60	12.19	Xiaoqing River (小清河)
Ammoniacal nitrogen	2	0.68						
17	Qinhuangdao Funing District MCC Water Co., Ltd. (秦皇島市撫寧區中冶水務有限公司)	Main vent from Funing Wastewater Treatment Plant (撫寧污水廠總排口)	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	27.07	4.42	Discharged into artificial river
			Ammoniacal nitrogen		5(8)	0.32		
18	Fuzhou MCC Changle District Water Co., Ltd. (福州市長樂區中冶水務有限公司)	Vent from Fuzhou MCC Changle District Water Co., Ltd. (福州市長樂區中冶水務有限公司排污水口) WS26616	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	29.70	5.29	Min River (閩江)
			Ammoniacal nitrogen		5(8)	0.48		
19	MCC Xuancheng Water Co., Ltd. (宣城市中冶水務有限公司)	Vent from Xuancheng Wastewater Treatment Plant (宣城污水廠出口)	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	11.29	0.58	Shuiyang River (水陽江)
			Ammoniacal nitrogen		5(8)	0.22		
20	Beijing Zhongshe Water Treatment Co., Ltd. (北京中設水處理有限公司)	Main vent (Phase I)	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (Level 1 Standard A of current wastewater plant) DB11/890-2012	20	15.00	5.31	Ciwei River (刺渭河)
			Ammoniacal nitrogen		1.0(1.5)	0.32		
			Total phosphorus		0.2	0.12		
		Main vent (Phase II)	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (Level 1 Standard A of new wastewater plant) DB11/890-2012	20	13.00	4.21	
			Ammoniacal nitrogen		1.0(1.5)	0.25		
			Total phosphorus		0.2	0.10		

# Environmental and Social Responsibility

No.	Company name	Discharge vent	Major pollutants and characteristic pollutants	Executive standard	Emission standard <sup>note 1</sup> (mg/L)	Actual emission (mg/L)	Total emission rate (10,000t/day)	Discharge flow
21	Lanzhou Zhongtou Water Corporation (蘭州中投水務有限公司)	Main vent	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard B	60	24.49	22.04	Yellow River
			Ammoniacal nitrogen		8(15)	1.41		
			Total phosphorus		1	0.16		
22	Xiaogan Zhongshe Water Co., Ltd. (孝感中設水務有限公司)	Main vent	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	21.00	13.00	Gunzi River (滾子河)
			Ammoniacal nitrogen		5(8)	0.97		
			Total phosphorus		0.5	0.18		
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) Level I Standard A	50	12.46	3.60	Rongyou River (榮鈞河)
			Ammoniacal nitrogen		5(8)	0.30		
			Total phosphorus		0.5	0.19		
		Main vent of the Second Wastewater Treatment Plant	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	15.99	1.82	New Mang River (新蟒河)
			Ammoniacal nitrogen		5(8)	0.14		
			Total phosphorus		0.5	0.13		
24	Changzhou Enfi Water Co., Ltd. (常州恩菲水務有限公司)	Main vent	COD	Discharge Standard of Main Water Pollutants for Municipal Wastewater Treatment Plant & Key Industries of Taihu (DB32/1072-2018)	60	40.63	2.47	Cailling Port (採菱港)
			Ammoniacal nitrogen		5	0.57		
			Total phosphorus		0.5	0.12		
25	Wuzhi Zhongshe Water Co., Ltd. (武陟縣中設水務有限公司)	Main vent	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	37.29	1.34	Lao River in District 2 and 4 (二四區澇河)
			Ammoniacal nitrogen		5(8)	0.25		
			Total phosphorus		0.5	0.05		
26	Pingyuan Zhongshe Water Co., Ltd. (平原中設水務有限公司)	Main vent	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	30.90	4.87	Ma Hong Trunk Sewers (馬洪幹渠)
			Ammoniacal nitrogen		5(8)	0.50		
			Total phosphorus		0.5	0.44		

# Environmental and Social Responsibility

No.	Company name	Discharge vent	Major pollutants and characteristic pollutants	Executive standard	Emission standard <sup>note 1</sup> (mg/L)	Actual emission (mg/L)	Total emission rate (10,000t/day)	Discharge flow
27	Wuhan Urban Environmental Water Co., Ltd. (都市環保武漢水務有限公司)	Vent from Wuhan Baoxie Wastewater Treatment Plant (武漢市豹澗污水處理廠廢水排放口)	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (Level I Standard A) (GB18918-2002)	50	10.10	3.24	Yangtze River (長江)
			Ammoniacal nitrogen		5(8)	0.12		
			Total phosphorus		0.5	0.22		
28		Main vent of Zuoling Wastewater Treatment Plant of Wuhan Urban Environmental Water Co., Ltd. (都市環保武漢水務有限公司左嶺污水處理廠廢水總排口)	COD		50	11.9	7.18	
			Ammoniacal nitrogen		5(8)	0.14		
			Total phosphorus		0.5	0.15		
29	Zhuxi Urban Environmental Water Co., Ltd. (都市環保竹溪縣水務有限公司)	Vent from Zhuxi Dongcheng District Wastewater Treatment Plant (竹溪縣東城新區污水處理廠排放口)	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (Level I Standard A) (GB18918-2002)	50	16.4	0.62	Zhuxi River (竹溪河)
			Ammoniacal nitrogen		5(8)	1.7		
			Total phosphorus		0.5	0.22		
30	Macheng Urban Environmental Water Co., Ltd. (都市環保麻城水務有限公司)	Vent from Macheng Urban Environmental Wastewater Treatment Plant (都市環保麻城污水處理廠廢水排放口)	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (Level I Standard A) (GB18918-2002)	50	11.8	2	Jushui River (舉水河)
			Ammoniacal nitrogen		5(8)	1.03		
			Total phosphorus		0.5	0.19		

*Note 1:* 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.

*Note 2:* Pursuant to Shou Huan Wei Fa [2018] No. 4 Document issued by Shouguang Environmental Protection Committee, the required water output indicators of COD and ammoniacal nitrogen for Shouguang North Water Corporation MCC (壽光市城北中冶水務有限公司) and Shouguang MCC Huatian Water Co., Ltd. (壽光市中冶華天水務有限公司) were 40mg/L and 2mg/L, respectively.

# Environmental and Social Responsibility

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

No.	Company name	Discharge vent	Name of main pollutant and characteristic pollutant	Executive standard	Emission standard	Actual emission	Total emission rate (kg/h)	Discharge flow
1	Xiangyang Enfi Environmental Protection Energy Co., Ltd. (襄陽恩菲環保能源有限公司)	Xiangyang Enfi Household Waste Incineration Power Plant (Wastewater vent)	COD	Integrated wastewater discharge standard(GB8978-1996) Level Three Emission limit	500mg/L	31.58	0.62	Wastewater Treatment Plant of Yujiahu
			PH	Integrated wastewater discharge standard(GB8978-1996) Level Three Emission limit	6~9	7.32	/	
		Exhaust vent #1 from Xiangyang Enfi Waste Incineration Power Plant	SO <sup>2</sup>	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm <sup>3</sup>	20.18	1.36	Atmosphere
			NO <sub>x</sub>	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm <sup>3</sup>	132.58	8.84	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm <sup>3</sup>	5.18	0.33	
		Exhaust vent #2 from Xiangyang Enfi Waste Incineration Power Plant	SO <sup>2</sup>	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm <sup>3</sup>	24.4	1.86	
			NO <sub>x</sub>	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm <sup>3</sup>	140.91	10.73	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm <sup>3</sup>	5.42	0.41	
		Exhaust vent #3 from Xiangyang Enfi Waste Incineration Power Plant	SO <sup>2</sup>	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm <sup>3</sup>	26.67	1.77	
			NO <sub>x</sub>	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm <sup>3</sup>	197.68	13.03	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm <sup>3</sup>	0.8	0.05	

# Environmental and Social Responsibility

No.	Company name	Discharge vent	Name of main pollutant and characteristic pollutant	Executive standard	Emission standard	Actual emission	Total emission rate (kg/h)	Discharge flow
2	Ganzhou Enfi Environmental Protection Energy Co., Ltd. (贛州恩菲環保能源有限公司)	Exhaust vent # 1 from Ganzhou Enfi Waste Incineration Power Plant	SO <sub>2</sub>	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm <sup>3</sup>	2.7	0.25	Atmosphere
			NO <sub>x</sub>	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm <sup>3</sup>	142.5	12.41	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm <sup>3</sup>	3	0.27	
		Exhaust vent # 2 from Ganzhou Enfi Waste Incineration Power Plant	SO <sub>2</sub>	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm <sup>3</sup>	0.7	0.05	
			NO <sub>x</sub>	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm <sup>3</sup>	134.6	14.09	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm <sup>3</sup>	3.7	0.39	
		Exhaust vent # 3 from Ganzhou Enfi Waste Incineration Power Plant	SO <sub>2</sub>	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm <sup>3</sup>	9.91	0.84	
			NO <sub>x</sub>	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm <sup>3</sup>	162.39	13.26	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm <sup>3</sup>	6.1	0.49	
3	China City New Energy Development Dafeng Co., Ltd. (都市環保新能源開發大豐有限公司)	China City 1# gas exhaust gas	SO <sub>2</sub>	Discharge Standard of Pollutants for Thermal Power Plant (GB13223-2011)	100mg/m <sup>3</sup>	4.4	3.43	Atmosphere
			NO <sub>x</sub>		100mg/m <sup>3</sup>	62.9	24.42	

# Environmental and Social Responsibility

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

No.	Company name	Discharge vent	Name of main pollutant and characteristic pollutant	Executive standard	Emission standard	Actual emission	Total Emission rate (kg/h)	Discharge flow
1	China Silicon Corporation Ltd. – The First Subsidiary (洛陽中硅高科技有限公司一分公司)	Main vent of wastewater	PH	Integrated wastewater discharge standard (GB 8978-1996) (Level Three)	6~9	8.14	/	Sewage treatment plant of New District, Luoyang City
			SS	Integrated wastewater discharge standard (GB 8978-1996) (Level Three)	400mg/L	116.91	2.95	
			COD	Integrated wastewater discharge standard (GB 8978-1996) (Level Three)	500mg/L	58.16	1.86	
			Ammoniacal nitrogen	Integrated wastewater discharge standard (GB 8978-1996) (Level Three)	/	0.17mg/L	0.0048	
			Cl-	Discharge Standard of Chlorides for Salt and Alkali Industry DB41/276-2011	350mg/L	253.75	6.32	
			F-	Integrated Waste water Discharge Standard (GB 8978-1996) (Level Three)	20mg/L	0.19	0.01	
		Chimney of Exhaust Washing Tower	HCl	Integrated Emission Standards of Air Pollutants Level Two	100mg/Nm <sup>3</sup> 0.915kg/h	11.40 0.07	0.16 <sup>Note</sup>	Atmosphere
		Chimney of Acid Fume Purification Tower	HF	Integrated Emission Standards of Air Pollutants Level Two	9mg/Nm <sup>3</sup> 0.38kg/h	1.01 0.0073	0.0146 <sup>Note</sup>	
			NO <sub>x</sub>	Integrated Emission Standards of Air Pollutants Level Two	240mg/Nm <sup>3</sup> 2.85kg/h	12.20 0.09	0.18 <sup>Note</sup>	

*Note:* The total waste gas emission rate of HCl equals to the total rate of six exhaust washing towers, and the total emission rate of HF and NO<sub>x</sub> equals to the total rate of two acid fume purification towers for China Silicon Corporation Ltd. – The First Subsidiary (洛陽中硅高科技有限公司一分公司).

# Environmental and Social Responsibility

## II. *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) 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 wastewater treatment and smoke and dust emission is compliant with requirements.
- ③ During the Reporting Period, Beijing ENFI Environmental Protection Co., Ltd. kept increasing management and control over wastewater treatment facility, operation, etc., in order to guarantee all effluent meets standards. The standard increased by Xiaogan Sewage Treatment Plant to Level 1 Standard A, the standard increase and modification project (standard A in Beijing) of Liangxiang Sewage Treatment Plant and standard increase and medication projects (Level 1 Standard A) of Lanzhou Yan'erwan Sewage Plant are all in progress.
- ④ Wastewater treatment process used in 19 wastewater treatment plants operated by MCC Ecological Environmental Protection mainly adopted primary treatment (physical and chemical treatment process) + secondary treatment (biochemical treatment process) + tertiary treatment (advanced treatment process), in which the plants mainly executed the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (Level 1 Standard A) (GB18918-2002) for effluent quality.
- ⑤ Baoxie Wastewater Treatment Plant of Wuhan Urban Environmental Water Co., Ltd. adopted hydrolytic acidification + modified A/A/O + coagulation and filtration process with enhanced biological denitrification and phosphorus removal function. Effluent disinfection adopted disinfection by sodium hypochlorite.
- ⑥ Zuoling Wastewater Treatment Plant of Wuhan Urban Environmental Water Co., Ltd. adopted modified MSBR + coagulation and filtration process with enhanced biological denitrification and phosphorus removal function. Effluent disinfection adopted disinfection by sodium hypochlorite.
- ⑦ The 2 units of China City New Energy Development Dafeng Co., Ltd. are currently in normal operation and are equipped with "SNCR (urea injection at high temperature section of furnace, selective non-catalytic reduction denitrification system) (SNCR(爐內高溫段注射尿素、非催化還原脫硝系統))", "furnace desulfurization system (injection of dry lime powder into high temperature combustion zone in the furnace) (爐內脫硫系統(向爐內高溫燃燒區注入乾石灰粉))" and "two-level dust removal system comprising of cyclone dust remover + dust collection bag (旋風除塵+布袋除塵的兩級除塵系統)", respectively.

In the first half of 2021, pollution prevention and control facilities of the above enterprises were in normal and stable operation with perfect production operation management, guaranteeing the meeting of applicable emission standards. All sewage treatment companies attached high importance to energy conservation and consumption reduction so that operation of pollution prevention facilities was normal. By continuously strengthening the management and control of sewage treatment facilities, operation and other aspects, the standards of stable water discharge quality were guaranteed.

# Environmental and Social Responsibility

## **III. Environmental impact assessment of construction projects and other permits granted by environmental protection administrative departments**

Phase II of Ganzhou Enfi Environmental Protection Energy Co., Ltd. was approved by the Administrative Approval Bureau of Ganzhou City (贛州市行政審批局) on 3 September 2019, and environmental protection acceptance monitoring was carried out in September 2020. On 16 December 2020, the environmental protection inspection for completion was conducted by the expert inspection team. It was publicized on the national information system of acceptance of environmental protection for completion of construction projects from 9 February to 12 March 2021, and filed with the district and municipal ecological environment departments in the month of publicity.

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

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

Zhuxi Dongcheng District Wastewater Treatment Plant Construction Project has received the EIA approval "Shi Huan Han [2019] No. 481", the environmental protection in the EIA approval document has been fully implemented. The stage acceptance of environmental protection for the completion of the Phase I of the project has been completed.

## **IV. Contingency plans for environmental emergencies**

The contingency plan for environmental emergencies set out by a subsidiary of China Silicon Corporation Ltd.– The First Subsidiary (洛陽中硅高科技有限公司–分公司) was filed with Luoyang Ecological Environment Bureau Luolong District on 23 November 2020, with reference number: 410311–2020–04-H.

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 Ganzhou Ecological Environment Bureau Gan County on 18 June 2020, with reference number: 360721–2020–075–2.

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 on 3 November 2020, with reference number: 320982–2020–114-L.

All sewage treatment companies have worked out contingency plans for environmental emergencies and filed them with the local Ecological Environment Bureau.

## **V. Environmental self-monitoring plans**

China Silicon Corporation Ltd. (洛陽中硅高科技有限公司), Xiangyang Enfi Environmental Protection Energy Co., Ltd. (襄陽恩菲環保能源有限公司), Ganzhou Enfi Environmental Protection Energy Co., Ltd. (贛州恩菲環保能源有限公司), China City New Energy Development Dafeng Co., Ltd. (都市環保新能源開發大豐有限公司) and each sewage treatment companies have worked out environmental self-monitoring plans to ensure that monitoring data is transmitted and monitored in real time by local environmental protection authorities via the Internet.



# Environmental and Social Responsibility

## **VI. Administrative punishment for environmental problems during the Reporting Period**

During the Reporting Period, none of the Company's affiliated enterprises with significant waste disposal were subject to administrative punishment due to environmental problems.

## **VII. Other information about environmental protection that should be made public**

Applicable  Not applicable

## **(II) Information on environmental protection of companies not under the List of Enterprises with Significant Waste Disposal**

### **I. Administrative punishment due to environmental problems**

In the first half of 2021, the subsidiaries of the Company were subject to 15 administrative penalties by local environmental protection authorities for failing to take strict measures such as sewage discharge, dust prevention and dust reduction during construction of the projects, with fines of RMB654,000 in total. The rectification of such issues have been completed so far.

### **II. Disclosure of other environmental information with reference to the enterprises with significant waste disposal**

#### *(1) Information about pollution discharge*

- 1) CISDI Equipment Co., Ltd. (中冶賽迪裝備有限公司): The main pollutants are exhaust gas and waste water, and the main air pollutants include volatile organic compounds, particulate matter, nitrogen oxides and sulfur dioxide. The emission concentrations of such air pollutants meet the emission standard. The main water pollutants include ammonia nitrogen, suspended solids and chemical oxygen demand. The discharge concentrations of such water pollutants meet the discharge standard after waste water is treated in the biochemical tank and then discharged to the sewage treatment plant in the Park.
- 2) WISDRI (Wuhan) Heavy Machinery Co., Ltd (中冶南方(武漢)重工製造有限公司): The main pollutant is exhaust gas, and the main air pollutant is volatile organic compounds. The emission concentration meets the emission standards after being treated by pollution prevention and control facilities.
- 3) Zhengzhou Baoye Steel Structure Co., Ltd. (鄭州寶冶鋼結構有限公司): The main pollutants are exhaust gas and waste water, and the main air pollutants include volatile organic compounds, particulate matter, nitrogen oxides and sulfur dioxide, the emission concentrations of which all meet the emission standards. The main water pollutants include ammonia nitrogen, suspended solids and chemical oxygen demand, the discharge concentration of which meets the discharge standards.
- 4) Engineering project: The main pollutants include dust, waste water, noise, solid waste, etc.

# Environmental and Social Responsibility

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

Each production enterprise has built various pollution control facilities for waste water, exhaust gas, solid waste and noise in accordance with the environmental impact assessment report and approval requirements, and each project is equipped with mist cannon trucks, spraying cars, car washing stations, garbage stations and other facilities. In addition, bare soil is covered with dense mesh and noise reduction measures are taken for high-noise operations. The specific construction contents are as follows:

### 1) CISDI Equipment Co., Ltd. (中冶賽迪裝備有限公司)

Exhaust gas treatment facilities: organic gases adsorption filtration system and bag-type dust collector system are effectively operated, and the treated exhaust gas is discharged in compliance with standards.

Waste water treatment facilities: After being treated by biochemical tank, the waste water is discharged into the sewage treatment plant of the park, the discharge concentrations of which all meet the discharge standard.

### 2) WISDRI (Wuhan) Heavy Machinery Co., Ltd (中冶南方(武漢)重工製造有限公司)

Exhaust gas treatment facilities: We use ground absorption exhaust gas collection, cyclone tower, dry filter, UV photolysis/photocatalysis, activated carbon adsorption process to purify paint fume and then discharge in compliance with standard.

Noise pollution prevention and control measures: We select low-noise or self-contained muffler equipment, high-noise equipment with vibration reduction, sound insulation in buildings and other measures to reduce noise pollution.

Solid waste treatment facilities: special hazardous waste warehouses are built, hazardous wastes are sold to units with corresponding hazardous solid waste business license qualifications for comprehensive recovery, and five-duplicate procedures for hazardous waste transfer has been completed in accordance with the Measures for the Administration of Hazardous Waste Transfer Manifests (《危險廢物轉移聯單管理辦法》).

### 3) Zhengzhou Baoye Steel Structure Co., Ltd. (鄭州寶冶鋼結構有限公司)

Exhaust gas pollution control measures: three sets of smoke and dust purification and treatment devices (filter cartridge dust collector) + three 20m-high exhaust pipes are equipped for treating smoke and dust as a result of cutting; three sets of central smoke and dust purification and treatment systems + three 20m-high exhaust pipes are equipped for treating smoke and dust as a result of welding; (Each welding station is provided with suction hood); two sets of spraying-drying integrated spraying rooms and two sets of paint mist filtration systems (including glass fiber filter felt and two-stage paint mist filtration devices) + two sets of activated carbon adsorption devices + one set of desorption catalytic combustion devices + one 20m-high exhaust pipe are equipped for treating organic gases such as paint mist, xylene and non-methane hydrocarbons; and three 20m-high exhaust pipes are equipped for treating exhaust gas as a result of natural gas combustion in the drying burner, smoke and dust, SO<sub>2</sub> and NO<sub>x</sub>.

Noise pollution control measures: select wind turbines with high efficiency, low noise, low speed and high quality, and adopt shock absorption foundation, flexible joint, and sound insulation in buildings to reduce noise pollution.

# Environmental and Social Responsibility

Solid waste treatment facilities: special hazardous waste warehouses are built, hazardous wastes are sold to units with corresponding hazardous solid waste business license qualifications for comprehensive recovery, and five-duplicate procedures for hazardous waste transfer has been completed in accordance with the Measures for the Administration of Hazardous Waste Transfer Manifests (《危險廢物轉移聯單管理辦法》).

- 4) Engineering projects: mist cannon trucks, spraying cars, car washing stations, garbage stations and other facilities are equipped; bare soil is covered with dense mesh; and noise reduction measures is adopted for noisy operations.

Flying dust prevention and control measures: strictly implement the "six 100%" measures of flying dust prevention and control, and adopt dust reduction measures such as water-spraying on tower cranes, high-rise buildings, walls and mist cannon trucks, as well as dust prevention measures such as covering bare soil, greening and solidification based on the construction characteristics of the projects. Besides, sealing measures for transportation of high-floor garbage and muck is adopted, and vehicles shall be washed and cleaned before entering and leaving the site. Such measures are in line with the limit requirements of comprehensive emission standards of air pollutants.

Waste water prevention and control measures: drainage facilities is set up on the construction site, and waste water is treated by pretreatment facilities such as tertiary sedimentation tanks. After the water in monitoring wells passes quality tests, part of the waste water is reused for greening irrigation, water spraying and dust reduction, etc. The remaining waste water is discharged into the municipal sewage pipe network or the pipe network designated by the owner.

Noise prevention measures: reasonably arrange the plan to keep high-noise facilities and equipment away from surrounding noise-sensitive buildings, set up continuous closed enclosures to isolate noise, set up closed protective cover in woodworking sheds, select low-vibration and low-noise construction machineries, and regularly monitor noise volume at the factory boundary to keep in line with the environmental noise emission standards for the construction sites.

Solid waste prevention and control measures: construction waste classification collection facilities are set up on the construction site; wastes of steel, wood and concrete are rationally reused in combination with the site, and the remaining wastes are recycled for resources recycling. In addition, we enter into a solid waste removal contract with qualified units to dispose of discharged solid wastes in compliance with the rules.

### III. *Reasons for non-disclosure of other environmental information*

Applicable  Not applicable

### (III) **Disclosed information on subsequent progress or changes of environmental protection in the Reporting Period**

Applicable  Not applicable

# Environmental and Social Responsibility

## **(IV) Relevant information conducive to protecting ecology, preventing pollution and fulfilling environmental responsibilities**

All enterprises with Significant Waste Disposal of the Company 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.

On 11 April 2021, Gannan Daily Agency and Urban Management Bureau of Ganzhou organized primary school students to visit Ganzhou Enfi Environmental Protection Energy Co., Ltd. (贛州恩菲環保能源有限公司) for the phase II of "Where are the wastes".

On the 50th "5 June World Environment Day" on 5 June 2021, Tianchang Huatian Water Corporation MCC (天長市中冶華天水務有限公司), together with Chuzhou Ecological Environment Branch, the Housing and Urban-rural Development and legal department of Tianchang City, held environmental protection public welfare publicity activities in the North Square of Tianchang Citizen Square around the theme of "harmony between human and nature".

In 2021, Beijing Enfi Environmental Protection Co., Ltd. (北京恩菲環保股份有限公司) has obtained the following patents in relation to water environmental protection: a water pump impeller disassembly tool, a sewage denitrification baffled reactor, a municipal sludge pyrolysis and carbonization treatment system, a new type of rotary tangential flow high-efficiency vertical flow sedimentation tank, and microorganism gel beads.

## **(V) Measures adopted to reduce carbon emission during the Reporting Period and its results**

Closely following the goals of "carbon emission peak and carbon neutrality" and relevant requirements in China, the Company makes a new positioning of being the national team of metallurgical construction: while standing at the high-end international level and the leading position of the whole metallurgical industry, the Company will assume the responsibilities of leading China's metallurgy to become an intelligent, green, low-carbon, efficient "advanced manufacturer" with irreplaceable integration advantages of the whole metallurgical industry chain.

In the face of both opportunities and challenges, the Company has formulated and implemented "181 Plan" to achieve and support the new positioning of "the national team of metallurgical construction". The Plan facilitated us to make every effort in various aspects such as advanced process, green development, intelligent manufacturing and cutting-edge key technology. In order to make first breakthroughs in the key fields and of cutting-edge technologies, the Company has carefully selected 32 key core technologies and 5 cutting-edge technologies as the first batch of major research projects in "181 Plan".

In the field of green development, we have focused on energy saving for metallurgical manufacturing, energy recycling, disposal of the wastes and resource utilization. The Company endeavors to achieve breakthroughs in core technologies, including green low-carbon process and technologies of hydrogen metallurgy, and key technologies of oxygen blast furnace with low-carbon and rich hydrogen in the areas of waste gas treatment, solid waste resource utilization, water resources comprehensive utilization and energy efficient utilization. We actively committed to the R&D and engineering application of low-carbon metallurgical technology so as to truly achieve the green, recyclable and low-carbon development of steel mills' manufacturing. In December 2020, the Company won a tender for the project of hydrogen energy development and utilization of HBIS Xuansteel, which was the first demonstration project of hydrogen metallurgy in the world. As the first hydrogen metallurgy project using the source of hydrogen-rich gas, the project commenced its construction successfully in the first half of 2021. Leveraging the new hydrogen reduction process, the Company could implement the technology of "self-reforming hydrogen production from coke-oven gas + direct reduction of hydrogen" to prepare high-quality deoxidized pellets, thus greatly reducing carbon dioxide emissions.

# Environmental and Social Responsibility

In the field of intelligent manufacturing, we have focused on intelligent steel mills, intelligent operation and maintenance, smart construction and other aspects. The Company endeavors to achieve breakthroughs in key core technologies including intelligent steelmaking technology, one-key intelligent steelmaking with full-line converter solutions, intelligent steelmaking technology based on flue gas analysis, controlled rolling and cooling based on big data and tracking and forecasting of microstructure and properties, key technologies of smart workshops, industrial internet platform for process industry, full process production control based on big data, intelligent steel manufacturing for quality stability control, intelligent equipment operation platform, as well as metallurgical intelligent site construction based on information technology. The Company puts emphasis on keeping its stable product quality, ensures safety in manufacturing and enhances the management effectiveness, so as to establish a core technology system of intelligent manufacturing oriented to full process production, all-round management and whole life cycle of products.

During the Reporting Period, the Company has set up low-carbon technology research institutes in Beijing, Chongqing and Wuhan, with the aim of taking the pre-emptive opportunities in low-carbon development of the iron and steel industry while standing at the high end of both the industry and international level. All efforts are being made to establish the leadership of MCC in the field of low-carbon development, improve the Company's supply capacity in low-carbon standard, low-carbon path and low-carbon technology, thus providing, MCC with a strong technical support to lead the low-carbon development of Metallurgical industry in China. In addition, the Company has set up an assessment and certification center of MCC for carbon emission. Leveraging on the advantages of MCC in carbon accounting and green low-carbon certification, the center strengthens the technology innovation and strives to become a platform to provide technical consultation service in relation to technologies such as carbon accounting, carbon asset management system, carbon emission reduction scheme and path planning, with the basis of research on carbon emission assessment technology. The center also aims to lead the low-carbon transformation in steel industry and construction engineering, become a "judge" to assess carbon emission and boost the achievement of "carbon emission peak and carbon neutrality".

In addition, the Company is committed to building an energy saving and environmental protection industry platform, developing comprehensive energy saving and environmental protection services, and enhancing the capacity of the environmental protection industry in all aspects. Focusing on sub-sectors including water environment comprehensive treatment, waste incineration, hazardous waste treatment, soil remediation, ecological and environment governance in mining areas, and photovoltaic power generation, the Company cultivates a number of specialized service enterprises integrating technology consultation of energy saving and environmental protection, systematic design, equipment manufacturing, engineering construction, operation management, etc. MCC has built its energy saving and environmental protection brand and increased publicity to continuously enhance brand recognition.

The Company also actively promotes publicity and provides education for energy saving, low carbon and environmental protection to all employees. We have established a sound corporate culture on energy saving, environmental protection and low-carbon growth. Besides, through publicity activities such as Publicity Month of Energy Conservation and Environmental Protection, Energy Conservation Publicity Week, "5 June World Environment Day" and Low Carbon Day, the Company also makes further efforts to raise employees' awareness of energy conservation, low carbon and environmental protection, guides them to go green and stick to low carbon both in office and life, and promote green and low-carbon consumption. Together, we create a favorable environment for low-carbon green growth.

# Environmental and Social Responsibility

## II. THE SPECIFIC WORK TO CONSOLIDATE AND EXPAND THE ACHIEVEMENTS IN POVERTY ALLEVIATION AND TO PROMOTE RURAL REVITALIZATION

The Company continued to consolidate achievements in poverty alleviation, deeply study and implement General Secretary Xi Jinping's guiding principles related to developing paired assistance policies, and resolutely implemented the decision-making arrangements of the CPC Central Committee and the State Council on "maintaining major assistance policies unchanged during the five-year transition period (在5年過渡期內保持主要幫扶政策總體穩定)". In accordance with the requirements of the conference on promoting the collaboration and paired assistance between the eastern and western regions and the principles of the relevant documents of the SASAC, the Company issued the "Notice on continuing to implement paired assistance and partner assistance (關於繼續做好定點幫扶和對口支援有關工作的通知)". In the Notice, we made specific requirements to further implement the assistance policies: firstly, carefully study and implement the principles of the CPC Central Committee; secondly, strengthen organizational leadership; thirdly, keep promoting consumer spending on products from poor areas; fourthly, leverage characteristics of the enterprise and promote innovative measures.

During the Reporting Period, the Company selected and appointed three new officers to conduct work in designated assistance counties in Guizhou Province, ensuring there is no gap in talent assistance and work handover. The Company further consolidated and expanded the achievements in poverty alleviation and promoted rural revitalization. The Company's labor union took the lead in purchasing special agricultural products in paired assistance counties. Besides, in accordance with the relevant arrangement requirements of the CPC Central Committee and the State Council, and in order to continue to carry out the "four non-removing (四個不摘)" assistance responsibilities (that is, responsibilities, policies, assistance teams and regulations with regard to poverty alleviation will not be removed after counties being removed from poverty lists), the subsidiaries of the Company was designated to carry out the special inspection of paired assistance in 2020, reviewing the construction of assistance projects and the use of funds in 2020.

# Environmental and Social Responsibility

## III. THE FIGHT AGAINST THE OUTBREAK OF COVID-19

Always believing “The pandemic will ultimately be defeated, life will return to normal and we will continue to scale new heights and move forward on the path to success (疫情終將被我們戰勝，日子還要繼續過，山峰還要繼續攀，大路還要繼續行)”, the Company has attached great importance to the regular work of pandemic prevention and control, resolutely implemented the requirements of higher authorities, made careful arrangements, performed responsibilities, responded quickly, and taken a number of effective measures to put all prevention and control measures into practice. The Company has done a solid job in pandemic response in domestic and overseas projects as well as pandemic prevention and control among of employees, putting the life and health of our employees in the first place.

During the Reporting Period, according to the requirements of “one policy for one enterprise, one policy for one industry, and implementing targeted guidance and policy (一企一策、一業一策、分類指導、精準施策)”, the Company went to great lengths to overcome difficulties, solidly implemented the pandemic prevention and control measures, and ensured regular work conducted in a scientific and orderly manner. Enterprises at all levels have never slackened their efforts to prevent and control the pandemic at home and abroad. We monitored the pandemic every day, and always followed the principle of providing feedback on a daily and timely basis. In addition, we have guaranteed adequate supplies for pandemic prevention and made timely arrangement for COVID-19 vaccination in response to the call.

In a severe situation due to the overseas spreading of COVID-19 pandemic, the Company follows the protection and control principle of “life is of paramount importance and responsibility is above everything else (生命重於泰山·責任高於一切)”. To prevent and control the pandemic and ensure personnel stability with every effort, we entered into letters of responsibility with all project managers (responsible persons) of overseas projects, both under construction and in progress, which require overseas project managers and heads of departments as the first responsible persons for overseas pandemic prevention and control and personnel stability. Meanwhile, sticking to the principle of “it is better to be prepared for a situation and not have one than to have a situation and not be prepared (寧可備而不用·不可用而不備)”, all the Company’s overseas organizations and project departments have increased its procurement and reserves for pandemic prevention materials and daily supplies, which could meet 90-day need on a dynamic basis. We make effective proposal for pandemic containment and formulate a feasible contingent plan, conduct all work with “the bottom line thinking”. In overseas projects, if conditions permitted, especially for mining projects, we keep implementing containment measures, including employee classification, areas division, “grid management” and buffer zone management, to enforce the responsibility and ensure nothing will go wrong.

To support Afghanistan’s combat against COVID-19 pandemic, the Company also donated RMB1,588,700 as the air freight price for transporting vaccines to Afghanistan.

# Significant Events

## I. PERFORMANCE OF UNDERTAKINGS

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

Background of undertaking	Type of undertaking	Undertaking party	Details of undertaking	Date and duration of undertaking	Whether it is			
					Whether there is a time limit for performance	strictly performed in a timely manner	If not performed timely, specify the reasons in details	If not performed timely, specify further plans
Undertakings in relation to the initial public offering	Solution to and prevention of horizontal competition	CMGC	CMGC, the Controlling Shareholder of MCC, undertook to avoid being engaged in or taking part in any business which may compete horizontally with the principal business of MCC.	5 December 2008	No	Yes	-	-
Undertakings in relation to the restructuring of major assets	Solution to and prevention of horizontal competition	China Minmetals	<ol style="list-style-type: none"> <li>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.</li> <li>Upon the completion of the acquisition, China Minmetals and other controlled companies will not, in whatever form, directly or indirectly, engage in new businesses competing with MCC, and will not establish controlling subsidiaries which engage in the same or similar businesses that will constitute substantial horizontal competition with MCC. China Minmetals will supervise its controlled companies and adopt certain measures when necessary.</li> <li>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.</li> </ol>	17 February 2016	No	Yes	-	-



# Significant Events

Background of undertaking	Type of undertaking	Undertaking party	Details of undertaking	Date and duration of undertaking	Whether it is				
					Whether there is a time limit for performance	strictly performed in a timely manner	If not performed timely, specify the reasons in details	If not performed timely, specify further plans	
			<p>4. China Minmetals will abstain from voting at the Board meeting or general meeting at which MCC reviews whether its new businesses constitute horizontal competition with China Minmetals and whether to exercise the above option right and pre-emptive rights.</p> <p>5. China Minmetals undertook that it will strictly comply with the relevant regulations of the CSRC and the SSE, and the Articles of Association and other rules and regulations of MCC, and equally exercise the shareholder's rights and perform the shareholder's obligations. It also undertook not to take advantage of its privileged positions as the substantial shareholder nor impair the legal interests of MCC or other shareholders. The commitments continue to be valid, cannot be altered and are irrevocable during the period in which China Minmetals has control over MCC or there is relatively material impact. If there is any breach of the above commitments, China Minmetals shall assume all losses to MCC.</p>						
Undertakings in relation to the corporate bonds	Others	MCC	<p>During the term of Corporate Bonds (First Tranche) for 2017 under the Public Issuance by Metallurgical Corporation of China Ltd.* ("2017 Corporate Bonds"), if the Company does not expect to pay the principal and interest for this tranche of bonds on time or fails to pay the principal and interests on time on the maturity date of this tranche of bonds, at least the following measures will be taken: (1) no distribution of profits to the ordinary Shareholders; (2) no reduction in registered capital.</p> <p>During the term of Corporate Bonds (First Tranche) for 2018 under the Public Issuance by Metallurgical Corporation of China Ltd.* ("2018 Corporate Bonds"), if the Company does not expect to pay the principal and interest for this tranche of bonds on time or fails to pay the principal and interest on time on the maturity date of this tranche of bonds, at least the following measures will be taken: (1) no distribution of profits to the ordinary Shareholders; (2) no reduction in registered capital.</p>	25 October 2017 to 25 October 2022	Yes	Yes	-	-	
			<p>During the term of Corporate Bonds (First Tranche) for 2018 under the Public Issuance by Metallurgical Corporation of China Ltd.* ("2018 Corporate Bonds"), if the Company does not expect to pay the principal and interest for this tranche of bonds on time or fails to pay the principal and interest on time on the maturity date of this tranche of bonds, at least the following measures will be taken: (1) no distribution of profits to the ordinary Shareholders; (2) no reduction in registered capital.</p>	8 May 2018 to 8 May 2023	Yes	Yes	-	-	

# Significant Events

Background of undertaking	Type of undertaking	Undertaking party	Details of undertaking	Date and duration of undertaking	Whether it is			
					Whether there is a time limit for performance	strictly performed in a timely manner	If not performed timely, specify the reasons in details	If not performed timely, specify further plans
			The funds raised from 2017 Corporate Bonds and 2018 Corporate Bonds are used only for production and operating activities of enterprises that comply with national laws, regulations and policies. Such raised funds will be used strictly in accordance with the agreed purpose mentioned in the prospectus. Such funds will not be used by others and will not be used as non-production expenditures and real estate business. A practical and effective monitoring mechanism and isolation mechanism for raised funds will be established.	The issuance dates to the Maturity Date of 2017 Corporate Bonds and 2018 Corporate Bonds	Yes	Yes	-	-
Undertakings in relation to non-financial corporate debt financing instruments	Others	MCC	The funds raised from the 2020 First Tranche and the Second Tranche of Medium-term Notes of Metallurgical Corporation of China Ltd.* are used only for production and operating activities of enterprises that comply with national laws, regulations and policies, and shall not be used for land, real estate, equity, securities, futures and other areas prohibited by national regulations. Funds raised for the current period will be used to meet the liquidity requirements that comply with national laws, regulations and policies, and shall not be used for long-term investment. During the term of above Medium-term Notes, if the uses of funds are changed, the relevant information will be disclosed in a timely manner.	The issuance dates to redemption dates of the 2020 First Tranche and the Second Tranche of Medium-term Notes of Metallurgical Corporation of China Ltd.*	Yes	Yes	-	-

## II. MISAPPROPRIATION OF FUNDS BY THE CONTROLLING SHAREHOLDERS OR OTHER RELATED PARTIES FOR NON-OPERATING PURPOSES DURING THE REPORTING PERIOD

Applicable  Not applicable

## III. BREACH OF GUARANTEES

Applicable  Not applicable

# Significant Events

## IV. CHANGES AND RESOLUTIONS OF MATTERS IN RELATION TO NON-STANDARD AUDIT OPINION FOR THE ANNUAL REPORT OF LAST YEAR

Applicable  Not applicable

## V. AUDITING OF INTERIM REPORT

Applicable  Not applicable

The 2021 interim financial statement of the Company has been reviewed by WUYIGE Certified Public Accountants LLP, but has not been audited.

## VI. EVENTS IN RELATION TO BANKRUPTCY AND REORGANISATION

Applicable  Not applicable

## VII. MATERIAL LITIGATION AND ARBITRATION

The Company had material litigation and arbitration during the Reporting Period  The Company had no material litigation and arbitration during the Reporting Period

## VIII. SUSPECTED VIOLATION OF LAWS AND REGULATIONS, THE PENALTIES AND RECTIFICATION OF THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

Applicable  Not applicable

## IX. 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.

## X. MATERIAL RELATED PARTY TRANSACTIONS

### (I) Related party transactions in relation to daily operation

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

#### Overview of the Matter

#### Query Indexes

At the 26th meeting of the third session of the Board of Directors convened on 29 March 2021, the Resolution on Adjusting Annual Caps for Daily Related Party Transactions/Continuing Connected Transactions in 2021–2022 was considered and approved to meet the needs of business development. It is agreed that the Company will adjust the caps of certain types of the Group's daily related party transactions with China Minmetals and its subsidiaries other than the Company in 2021–2022.

For details, please refer to the relevant announcement published by the Company on 29 March 2021.

# Significant Events

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

Applicable  Not applicable

## 3. Events not disclosed in interim announcements

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 2021	Price of connected transaction	Amount of connected transaction	Percentage to similar transactions (%)	Payment method for connected transaction	Market price	Reason for significant difference between transaction price and reference market price
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Sales of commodities	Purchase and sales of materials- income	Agreed price	5,322,000	-	1,079,498	9.87	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Purchase of commodities	Purchase and sales of materials-expense	Agreed price	16,753,000	-	6,335,102	1.46	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of services	Engineering construction - income	Agreed price	18,420,000	-	281,498	0.13	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Acceptance of services	Engineering construction - expense	Agreed price	5,835,000	-	105,584	0.10	-	-	-
MCC Ruimu Ampere Technology Limited	Fellow subsidiary	Borrowings to related parties	Financial services - daily maximum balance of provision of loan and bill discounting services	Agreed price	800,000	-	100,000	-	-	-	-
MCC Ruimu Ampere Technology Limited	Fellow subsidiary	Borrowings to related parties	Financial services - daily maximum balance of provision of financial leasing services	Agreed price	500,000	-	250,084	-	-	-	-
MCC Ruimu Ampere Technology Limited	Fellow subsidiary	Interest income	Financial services - interest and rent	Agreed price	88,000	-	6,432	0.99	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Interest expenses	Industrial financing - financing cost - financial assistance	Agreed price	1,600,000	-	7,844	0.54	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of services	Production and maintenance- income	Agreed price	49,000	-	16	0.00	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of services	Metallurgy and management services-income	Agreed price	548,000	-	10,440	0.16	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of services	Metallurgy and management services-expenses	Agreed price	43,000	-	508	0.10	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Other outflow	Property leasing - expenses	Lease contracts	167,000	-	36,811	46.90	-	-	-

# Significant Events

## (II) Related party transaction in relation to acquisition of assets or acquisition or disposal of equity

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

Applicable  Not applicable

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

Applicable  Not applicable

3. *Events not disclosed in interim announcements*

Applicable  Not applicable

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

Applicable  Not applicable

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

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

Applicable  Not applicable

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

Applicable  Not applicable

3. *Events not disclosed in interim announcements*

Applicable  Not applicable

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

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

Applicable  Not applicable

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

Applicable  Not applicable

3. *Events not disclosed in interim announcements*

Applicable  Not applicable

# Significant Events

## (V) Financial business between the Company and its related financial companies and financial business between the Company's holding financial company and its related parties

The deposits and loans between MCC Finance Corporation Ltd. (hereinafter referred to as "Finance Company"), a subsidiary of the Company, and MCC Ruimu Amperex Technology Limited (hereinafter referred to as "MCC Amperex"), a related party of the Company, during the Reporting Period are summarised in the following table:

### 1. Deposits of MCC Amperex in Finance Company

Unit: RMB

Related party	Connection	Daily maximum deposit limit	Interest rate range of deposits	Balance at the beginning of the period	Amount for the period	Balance at the end of the period
MCC Ruimu Amperex Technology Limited	Fellow subsidiary	-	1.26%	150,579,597.81	-75,371,208.41	75,208,389.40
Total	/	/	/	150,579,597.81	-75,371,208.41	75,208,389.40

### 2. Loans provided by Finance Company to MCC Amperex

Unit: RMB

Related party	Connection	Loan facility	Interest rate range of loans	Balance at the beginning of the period	Amount for the period	Balance at the end of the period
MCC Ruimu Amperex Technology Limited	Fellow subsidiary	300,000,000.00	3.85%	100,000,000.00	0.00	100,000,000.00
Total	/	300,000,000.00	3.85%	100,000,000.00	0.00	100,000,000.00

### 3. Credit business provided by Finance Company to MCC Amperex

Unit: RMB

Related party	Connection	Business types	Total	Actual amount
MCC Ruimu Amperex Technology Limited	Fellow subsidiary	Credit granting	400,000,000.00	100,000,000.00

### 4. Other explanations

Applicable  Not applicable

## (VI) Other material related party transactions

Applicable  Not applicable

## (VII) Others

Applicable  Not applicable

# Significant Events

## XI. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

### 1. Trusteeship, contracting and leasing

Applicable  Not applicable

### 2. Major guarantees performed and outstanding during the Reporting Period

Unit: RMB

Guarantor	Relationship between the guarantor and the listed company	Guaranteed party	External guarantees provided by the Company (excluding guarantees provided to subsidiaries)				Principal debt	Security (if any)	Whether execution of guarantee has been completed	Is the guarantee overdue	Overdue amount	Counter guarantee	Whether guarantee is provided to related parties	Connection	
			Guaranteed amount	Date of guarantee (Signing date of agreement)	Inception date of guarantee	Expiration date of guarantee									Type of guarantee
MCC Real Estate Group Co., Ltd	Wholly-owned subsidiary	Zhuhai Hengqin Headquarter Building Development Co., Ltd.	543,466,654.17	2019-9-4	2019-9-4	2024-9-4	Joint liability guarantee	543,466,654.17	Nil	No	No	0	Nil	No	-
China MCC 20 Group Co., Ltd	holding subsidiary	Zhuhai Hengqin Headquarter Building Development Co., Ltd.	350,623,647.85	2019-9-4	2019-9-4	2024-9-4	Joint liability guarantee	350,623,647.85	Nil	No	No	0	Nil	No	-
Total amount of guarantees incurred during the Reporting Period (excluding guarantees to subsidiaries)													566,331,346.79		
Total balance of guarantees as at the end of the Reporting Period (A) (excluding guarantees to subsidiaries)													894,090,302.02		
<b>Guarantees provided by the Company to its subsidiaries</b>															
Total amount of guarantees provided to its subsidiaries during the Reporting Period													705,597,602.49		
Total balance of guarantees provided to its subsidiaries as at the end of the Reporting Period (B)													22,999,522,160.21		
<b>Total guarantees provided by the Company (including guarantees to its subsidiaries)</b>															
Total amount of guarantees (A+B)													23,893,612,462.23		
Total amount of guarantees as a percentage in the net assets of the Company (%)													23.61		
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)													14,991,453,581.89		
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)													14,991,453,581.89		
Explanation on the potential joint repaying liability arising from outstanding guarantees													Nil		
Explanation on guarantees													See below		

# Significant Events

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

### 3. Other material contracts

Please refer to the section "Management Discussion and Analysis" for details of material contracts signed by the Company during the Reporting Period.

## XII. EXPLANATIONS ON OTHER MAJOR EVENTS

Applicable  Not applicable



# Changes in Shares and Particulars of Shareholders

## I. CHANGES IN SHARE CAPITAL

### (I) Statement of changes in shares

#### 1. *Statement of changes in shares*

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

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

Applicable  Not applicable

#### 3. *Impacts on financial indicators including earnings per share, net assets per share, etc. from changes in shares during the period from the end of the Reporting Period to the issuance of interim report (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. PARTICULARS OF SHAREHOLDERS

### (I) Total number of Shareholders:

Total number of ordinary Shareholders as at the end of the Reporting Period ( <i>Person</i> )	389,593
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

# Changes in Shares and Particulars of Shareholders

## (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 <sup>(1)</sup>

Unit: share

### Shareholding of the top 10 Shareholders

Name of Shareholder (full name)	Change during the Reporting Period	Number of Shares held at the end of the period	Percentage (%)	Number of Shares subject to selling restrictions	Pledged, charged or frozen		Nature of Shareholder
					Status of Shares	Amount	
China Metallurgical Group Corporation (中國冶金科工集團有限公司)	0	10,190,955,300	49.18	0	Nil	0	State-owned legal person
HKSCC Nominees Limited (香港中央結算(代理人)有限公司) <sup>(2)</sup>	-1,825,000	2,839,697,051	13.70	0	Nil	0	Others
China National Petroleum Corporation (中國石油天然氣集團有限公司)	0	1,227,760,000	5.92	0	Nil	0	State-owned legal person
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	-31,157,215	589,038,427	2.84	0	Nil	0	State-owned legal person
Hong Kong Securities Clearing Company Limited (香港中央結算有限公司)	91,760,803	330,805,205	1.60	0	Nil	0	Others
Bosera Funds – Agricultural Bank – Bosera China Securities and Financial Assets Management Program (博時基金－農業銀行－博時中證金融資產管理計劃)	0	63,516,600	0.31	0	Nil	0	Others
E-Fund – Agricultural Bank – E-Fund China Securities and Financial Assets Management Programme (易方達基金－農業銀行－易方達中證金融資產管理計劃)	0	63,516,600	0.31	0	Nil	0	Others
Da Cheng Fund – Agricultural Bank – Da Cheng China Securities and Financial Assets Management Programme (大成基金－農業銀行－大成中證金融資產管理計劃)	0	63,516,600	0.31	0	Nil	0	Others
Harvest Fund – Agricultural Bank – Harvest China Securities and Financial Assets Management Programme (嘉實基金－農業銀行－嘉實中證金融資產管理計劃)	0	63,516,600	0.31	0	Nil	0	Others

## Changes in Shares and Particulars of Shareholders

Name of Shareholder (full name)	Change during the Reporting Period	Number of Shares held at the end of the period	Percentage (%)	Number of Shares subject to selling restrictions	Pledged, charged or frozen		Nature of Shareholder
					Status of Shares	Amount	
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 Shares and Particulars of Shareholders

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

Name of Shareholder	Number of tradable Shares held not subject to selling restrictions	Types and number of Shares	
		Types of shares	Number of shares
China Metallurgical Group Corporation (中國冶金科工集團有限公司)	10,190,955,300	RMB-denominated ordinary shares	10,190,955,300
HKSCC Nominees Limited (香港中央結算(代理人)有限公司) <sup>(2)</sup>	2,839,697,051	Overseas-listed foreign shares	2,839,697,051
China National Petroleum Corporation (中國石油天然氣集團有限公司)	1,227,760,000	RMB-denominated ordinary shares	1,227,760,000
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	589,038,427	RMB-denominated ordinary shares	589,038,427
Hong Kong Securities Clearing Company Limited (香港中央結算有限公司)	330,805,205	RMB-denominated ordinary shares	330,805,205
Bosera Funds – Agricultural Bank– Bosera China Securities and Financial Assets Management Program (博時基金–農業銀行–博時中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
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
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

## Changes in Shares and Particulars of Shareholders

Name of Shareholder	Number of tradable Shares held not subject to selling restrictions	Types and number of Shares	
		Types of shares	Number of shares
Explanations on repurchase accounts of the top ten Shareholders	Not applicable		
Explanations on the voting rights of the aforesaid Shareholders (as the trustor and trustee), and waiver of their voting rights	Not applicable		
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 30 June 2021.

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

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

Applicable  Not applicable

**(III) 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 Shares and Particulars of Shareholders

## III. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Unit: share

Name	Position	Number of Shares held at the beginning of the period	Number of Shares held at the end of the period	Changes in Shares during the Reporting Period	Reason for the changes
<b>Current</b>					
Guo Wenqing	Chairman and Executive Director	130,000	130,000	0	-
Zhang Mengxing	Executive Director and President	60,032	60,032	0	-
Zhou Jichang	Independent Non-executive Director	0	0	0	-
Yu Hailong	Independent Non-executive Director	0	0	0	-
Ng, Kar Ling Johnny	Independent Non-executive Director	0	0	0	-
Yan Aizhong	Employee Representative Director	0	0	0	-
Yin Sisong	Chairman of the Supervisory Committee	28,100	28,100	0	-
Zhang Yandi	Supervisor	0	0	0	-
Chu Zhiqi	Employee Representative Supervisor	0	0	0	-
Zou Hongying	Vice President and Chief Accountant	40,000	40,000	0	-
Qu Yang <sup>(1)</sup>	Vice President	70,000	70,000	0	-
Zeng Jianzhong	Vice President	0	0	0	-
Liu Fuming	Vice President	0	0	0	-
Bai Xiaohu	Vice President	0	0	0	-
Zhu Guangxia	Vice President	0	0	0	-
Zeng Gang	Secretary to the Board	0	0	0	-
<b>Resigned</b>					
Ren Xudong <sup>(2)</sup>	Independent Non-executive Director	0	0	0	-

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

Note (2) On 2 January 2021, the Company received a notice from the family of Mr. Ren Xudong, an Independent Non-executive Director, informing us that Mr. Ren unfortunately passed away due to illness (For details, please refer to the relevant announcement dated 4 January 2021 issued by the Company). The Company will complete the election of a new Independent Director in accordance with the related regulations as soon as possible.

Other information

Applicable  Not applicable

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

Applicable  Not applicable

# Changes in Shares and Particulars of Shareholders

## (III) Securities interests owned by Directors, Supervisors and senior management

### 1. *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 30 June 2021, as far as the Company is aware, interests or short positions of the Directors, Supervisors and the chief executive of the Company or their associates in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Hong Kong Stock Exchange by the Directors and Supervisors pursuant to the Model Code or the rights granted for the purchase of shares or debentures of the Company or any of its associated corporations are as follows:

*Unit: share*

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

Save as disclosed above, as at 30 June 2021, 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 Shares and Particulars of Shareholders

## 2. *Other senior management's interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations*

As at 30 June 2021, as far as the Company is aware, interests of other senior management of the Company in the Shares of the Company are as follows:

*Unit: share*

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

## 3. *Interests and short positions of substantial Shareholders and other persons in the Shares and underlying Shares of the Company*

As at 30 June 2021, the Company was informed that the following persons had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

### *Holders of A Shares*

*Unit: share*

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

Save as disclosed above, as far as the Directors, Supervisors and chief executives of the Company are aware, as at 30 June 2021, 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.

### (IV) Other information

Applicable  Not applicable



# Changes in Shares and Particulars of Shareholders

## IV. CHANGES IN CONTROLLING SHAREHOLDER OR DE FACTO CONTROLLERS

Applicable  Not applicable

## V. EMPLOYEES AND REMUNERATION POLICY

Number of existing staff of parent company	270
Number of existing staff of principal subsidiaries	97,624
Total number of existing staff	97,894
Number of resigned or retired staff to whom the Parent company and principal subsidiaries are liable	129,669

Composition of Professionals	
Categories of Professional Composition	Number of Professionals
Engineering contracting	88,271
Property development and others	2,654
Equipment manufacture	5,982
Resources development	987
Total	97,894

Level of Education	
Categories of Educational Level	Number (in persons)
Above postgraduate	12,972
Undergraduate	50,499
College degree	15,005
Below college degree	19,418
Total	97,894

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 are strictly based on state, provincial and municipal requirements. As approved by higher authorities, the Company also set up its enterprise annuity for employees according to applicable regulations.

# Corporate Bonds

## I. CORPORATE DEBENTURES, CORPORATE BONDS AND NON-FINANCIAL CORPORATE DEBT FINANCING INSTRUMENTS

### (I) Corporate debentures

Applicable  Not applicable

### (II) Corporate bonds

#### 1. Basic Information on Corporate Bonds

Unit: RMB

Name of bonds	Short name	Bond code	Issue date	Value date	Expiry date	Outstanding bonds	Interest rate (%)	Method to pay principal and interests	Stock exchange	Investor suitability arrangements (if any)	Trading mechanism	Is there any risk of termination of listing and trading
2017 Corporate Bonds (First Tranche) under the Public Issuance	17 MCC 01	144361	24 October 2017 to 25 October 2017	25 October 2017	25 October 2022	570,000,000	4.99	This tranche of bonds shall bear interest on a yearly basis at single rate rather than compound rate and interest shall be paid each year. Upon maturity, the principal shall be repaid on one-off basis and the interest for the last tranche shall also be paid at the same time	Shanghai Stock Exchange	-	Bidding transaction	No
2018 Corporate Bonds (First Tranche) under the Public Issuance	18 MCC 02	143635	7 May 2018 to 8 May 2018	8 May 2018	8 May 2023	220,000,000	4.98	This tranche of bonds shall bear interest on a yearly basis at single rate rather than compound rate and interest shall be paid each year. Upon maturity, the principal shall be repaid on one-off basis and the interest for the last tranche shall also be paid at the same time	Shanghai Stock Exchange	-	Bidding transaction	No

The Company's response measures to the risk of termination of listing and trading of the Bonds

Applicable  Not applicable

Overdue Bonds

Applicable  Not applicable

Explanations on overdue debts

Applicable  Not applicable

# Corporate Bonds

## 2. Trigger and implementation of option clauses of issuer or investor and investor protection clauses

As of the date of approval of the interim report, there were no option clauses been set for issuer or investor in the corporate bonds issued by the Company; no investor protection clauses were triggered by the corporate bonds issued by the Company.

## 3. Adjustment of credit rating results

Applicable  Not applicable

## 4. Implementation, change and impact of guarantee, debt repayment plan and other debt repayment guarantee measures during the Reporting Period

As of the date of approval of the interim report, there were no credit enhancement mechanism been set in the corporate bonds issued by the Company; the debt repayment plan with corporate bond and other debt repayment guarantee measures issued by the Company are consistent with the agreements and relevant commitments in the prospectus with no changes.

## 5. Other information on corporate bonds

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

### (III) Non-financial corporate debt financing instruments in interbank bond market

#### 1. Basic information of non-financial corporate debt financing instruments

Unit: RMB

Name of bonds	Short name	Bond code	Issue date	Value date	Expiry date	Outstanding bonds	Interest rate (%)	Method to pay principal and interests	Stock exchange	Investor suitability arrangements (if any)	Trading mechanism	Is there any risk of termination of listing and trading
2020 First Tranche of Medium-term Notes of Metallurgical Corporation of China Ltd.*	20 MCC MTN001	102001274	22 June 2020 to 23 June 2020	24 June 2020	Exercise Date of Options redeemed by the issuer, with the first exercise date on 24 June 2023	2,000,000,000	3.90	Interests payable per annum, and principal and interest payable upon maturity	National Interbank Bond Market	-	Bidding transaction	No
2020 Second Tranche of Medium-term Notes of Metallurgical Corporation of China Ltd.*	20 MCC MTN002	102001293	24 June 2020, 28 June 2020 to 29 June 2020	29 June 2020	Exercise Date of Options redeemed by the issuer, with the first exercise date on 29 June 2023	1,000,000,000	3.89	Interest payable per annum, and principal and interest payable upon maturity	National Interbank Bond Market	-	Bidding transaction	No

# Corporate Bonds

*The Company's response measures to the risk of termination of listing and trading of the Bonds*

Applicable  Not applicable

*Overdue Bonds*

Applicable  Not applicable

*Explanations on overdue debts*

Applicable  Not applicable

**2. *Trigger and implementation of option clauses of issuer or investor and investor protection clauses***

As of the date of approval of the interim report, the issuer's redemption option and interest deferred payment option have not been created on the medium-term notes issued by the Company; the medium-term notes issued by the Company had not triggered the investor protection clauses.

**3. *Adjustment of credit rating results***

Applicable  Not applicable

**4. *Implementation, change and impact of guarantee, debt repayment plan and other debt repayment guarantee measures during the Reporting Period***

As of the approval date of the interim report, no credit enhancement mechanism has been established for the medium-term notes issued by the Company; debt repayment plan with medium-term notes and other debt repayment guarantee measures issued by the Company are consistent with the agreements and relevant commitments in the prospectus with no changes.

**5. *Other explanations on non-financial corporate debt financing instruments***

2020 First Tranche of Medium-term Notes of Metallurgical Corporation of China Ltd.\* and 2020 Second Tranche of Medium-term Notes of Metallurgical Corporation of China Ltd.\* are all targeted at institutional investors in national interbank bond market through public issuance.

**(IV) The Company's loss within the scope of consolidated statements during the Reporting Period exceeded 10% of the net assets at the end of the previous year**

Applicable  Not applicable

# Corporate Bonds

## (V) Major accounting data and financial indicators

Major Indicators	As at the end of the Reporting Period	As at the end of the previous year	Increase/decrease for the end of the Reporting Period as compared to the end of the previous year
Current Ratio	1.14	1.17	Decreased by 0.03
Quick Ratio	0.70	0.74	Decreased by 0.04
Asset-liability Ratio (%)	74.11	72.28	Increased by 1.83 percentage points
Loan Repayment Ratio (%)	100	100	–
	<b>Reporting Period (January - June)</b>	Corresponding period of the previous year	Increase/decrease for the Reporting Period as compared to the corresponding period of the previous year
EBITDA/Interest Protection Multiples	4.78	3.89	Increased by 0.89
Interest Payment Ratio (%)	100	100	–

## II. CONVERTIBLE CORPORATE BONDS

Applicable  Not applicable

# Financial Statements

## I. REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

DAXIN YUE ZI [2021] No. 1-00025

### TO THE SHAREHOLDERS OF METALLURGICAL CORPORATION OF CHINA LTD.:

We have reviewed the accompanying interim financial statements of Metallurgical Corporation of China Ltd. (the "Company"), which comprised the consolidated and Company's balance sheets as at 30 June 2021, the consolidated and Company's income statements, the consolidated and Company's statements of changes in shareholders' equity and the consolidated and Company's cash flow statements for the six months then ended, and notes to the financial statements (hereinafter collectively referred to as the "Interim Financial Statements"). The preparation of the Interim Financial Statements is the responsibility of the Company's management. Our responsibility is to deliver a report on review of these Interim Financial Statements based on our review.

We conducted our review in accordance with China Certified Public Accountant Review Standard No. 2101-Review of Financial Statements. This Standard requires us to plan and perform the review to obtain limited assurance about whether the Interim Financial Statements are free from material misstatements. A review is limited primarily to procedures as enquiry of entity's personnel and analytical review procedures applied to the financial information and thus provides less assurance than an audit. We have not performed an audit, and therefore we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Statements of Metallurgical Corporation of China Ltd. are not prepared, in all material respects, in accordance with China Accounting Standards, and cannot present fairly, in all material respects, the consolidated and Company financial positions as at 30 June 2021 and the consolidated and Company's operating performance and cash flows for the six months then ended.

WUYIGE CERTIFIED PUBLIC  
ACCOUNTANTS LLP.  
Beijing, China

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

*Chinese Certified Public Accountants:*  
**Cai Jinliang**

30 August 2021

# Financial Statements

30 June 2021

## II. FINANCIAL STATEMENTS

### CONSOLIDATED BALANCE SHEET 30 June 2021

All amounts in RMB'000

Items	Notes	30 June 2021	31 December 2020
<b>Current Assets:</b>			
Cash and bank balances	VII 1	51,338,332	53,095,827
Financial assets held for trading	VII 2	801,258	2,250,940
Derivative financial assets	VII 3	83,850	46,412
Bills receivable	VII 4	6,602,880	6,646,606
Accounts receivable	VII 5	77,602,351	69,436,480
Receivables at FVTOCI	VII 6	15,121,128	11,759,582
Prepayments	VII 7	36,077,568	34,369,714
Other receivables	VII 8	71,957,303	64,225,288
Inventories	VII 9	62,620,906	60,581,435
Contract assets	VII 10	104,596,879	83,199,483
Non-current assets due within one year	VII 11	1,755,750	1,499,007
Other current assets	VII 12	2,274,493	2,142,781
<b>Total Current Assets</b>		<b>430,832,698</b>	389,253,555
<b>Non-current Assets:</b>			
Long-term receivables	VII 13	33,220,618	25,576,642
Long-term equity investments	VII 14	27,405,738	25,676,955
Investments in other equity instruments	VII 15	2,054,638	1,964,664
Other non-current financial assets	VII 16	4,458,714	4,418,546
Investment properties	VII 17	6,289,943	5,641,674
Fixed assets	VII 18	23,692,486	24,684,160
Construction in progress	VII 19	4,659,609	4,915,570
Right-of-use assets	VII 20	496,449	473,971
Intangible assets	VII 21	17,857,535	17,491,859
Goodwill	VII 22	160,928	160,928
Long-term prepayments	VII 23	360,881	295,584
Deferred tax assets	VII 24	5,886,998	5,637,114
Other non-current assets	VII 25	212,103	201,741
<b>Total Non-current Assets</b>		<b>126,756,640</b>	117,139,408
<b>TOTAL ASSETS</b>		<b>557,589,338</b>	506,392,963

# Financial Statements

30 June 2021

## II. FINANCIAL STATEMENTS (CONTINUED)

### CONSOLIDATED BALANCE SHEET (CONTINUED) 30 June 2021

All amounts in RMB'000

Items	Notes	30 June 2021	31 December 2020
<b>Current Liabilities:</b>			
Short-term borrowings	VII 26	44,434,000	29,252,171
Derivative financial liabilities	VII 27	1,036	–
Bills payable	VII 28	38,013,617	30,472,634
Accounts payable	VII 29	158,867,841	133,722,043
Receipts in advance	VII 30	360,001	238,753
Contract liabilities	VII 31	77,122,159	85,653,732
Employee benefits payable	VII 32	2,182,949	2,020,325
Taxes payable	VII 33	3,268,889	3,984,563
Other payables	VII 34	31,390,943	26,710,566
Non-current liabilities due within one year	VII 35	14,295,635	12,238,104
Other current liabilities	VII 36	7,907,333	7,498,360
<b>Total Current Liabilities</b>		<b>377,844,403</b>	331,791,251
<b>Non-current Liabilities:</b>			
Long-term borrowings	VII 37	26,695,692	25,631,067
Bonds payable	VII 38	790,000	790,000
Lease liabilities	VII 39	298,947	237,042
Long-term payables	VII 40	962,467	1,047,205
Long-term employee benefits payable	VII 41	4,243,099	4,103,656
Provisions	VII 42	773,108	777,275
Deferred income	VII 43	1,547,997	1,584,325
Deferred tax liabilities	VII 24	68,587	61,235
Other non-current liabilities	VII 44	14,600	14,600
<b>Total Non-current Liabilities</b>		<b>35,394,497</b>	34,246,405
<b>TOTAL LIABILITIES</b>		<b>413,238,900</b>	366,037,656



# Financial Statements

30 June 2021

## II. FINANCIAL STATEMENTS (CONTINUED)

### CONSOLIDATED BALANCE SHEET (CONTINUED) 30 June 2021

All amounts in RMB'000

Items	Notes	30 June 2021	31 December 2020
<b>Shareholders' Equity:</b>			
Share capital	VII 45	20,723,619	20,723,619
Other equity instruments	VII 46	20,500,000	20,500,000
Including: Perpetual bond		20,500,000	20,500,000
Capital reserve	VII 47	22,497,132	22,461,602
Other comprehensive income	VII 48	(202,159)	(284,396)
Special reserve	VII 49	12,550	12,550
Surplus reserve	VII 50	2,016,768	2,016,768
Retained earnings	VII 51	35,654,636	32,461,495
Total shareholders' equity attributable to shareholders of the Company		101,202,546	97,891,638
Non-controlling interests		43,147,892	42,463,669
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>144,350,438</b>	140,355,307
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>557,589,338</b>	506,392,963

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

30 June 2021

## II. FINANCIAL STATEMENTS (CONTINUED)

### THE COMPANY'S BALANCE SHEET 30 June 2021

All amounts in RMB'000

Items	Notes	30 June 2021	31 December 2020
<b>Current Assets:</b>			
Cash and bank balances		2,305,106	9,618,084
Derivative financial assets		83,850	38,524
Accounts receivable	XVI 1	92,059	228,188
Prepayments		1,063,193	1,797,943
Other receivables	XVI 2	56,443,014	43,536,273
Inventories		987	1,016
Contract assets		1,256,065	944,863
Non-current assets due within one year		2,037	2,037
Other current assets		4,592	1,481
<b>Total Current Assets</b>		<b>61,250,903</b>	56,168,409
<b>Non-current Assets:</b>			
Long-term receivables	XVI 3	1,984,630	2,082,190
Long-term equity investments	XVI 4	96,924,061	94,532,711
Other equity instrument investments		533	454
Fixed assets		11,816	12,478
Right-of-use assets		11,108	21,360
Intangible assets		4,561	5,445
<b>Total Non-current Assets</b>		<b>98,936,709</b>	96,654,638
<b>TOTAL ASSETS</b>		<b>160,187,612</b>	152,823,047

# Financial Statements

30 June 2021

## II. FINANCIAL STATEMENTS (CONTINUED)

### THE COMPANY'S BALANCE SHEET (CONTINUED) 30 June 2021

All amounts in RMB'000

Items	Notes	30 June 2021	31 December 2020
<b>Current Liabilities:</b>			
Short-term borrowings	XVI 5	30,222,606	20,932,888
Accounts payable		1,670,658	1,407,149
Contract liabilities		1,322,259	2,114,560
Employee benefits payable		15,354	15,407
Taxes payable		38,040	46,768
Other payables	XVI 6	18,111,638	18,485,432
Non-current liabilities due within one year	XVI 7	3,707,798	3,152,522
<b>Total Current Liabilities</b>		<b>55,088,353</b>	46,154,726
<b>Non-current Liabilities:</b>			
Long-term borrowings	XVI 8	—	2,000,000
Bonds payable	VII 38	790,000	790,000
Lease liabilities		695	695
Long-term payables		20,444,520	20,444,550
Long-term employee benefits payable		64,140	61,513
Provisions		80,145	99,806
Deferred income		3,598	3,598
<b>Total Non-current Liabilities</b>		<b>21,383,098</b>	23,400,162
<b>TOTAL LIABILITIES</b>		<b>76,471,451</b>	69,554,888

# Financial Statements

30 June 2021

## II. FINANCIAL STATEMENTS (CONTINUED)

### THE COMPANY'S BALANCE SHEET (CONTINUED) 30 June 2021

All amounts in RMB'000

Items	Notes	30 June 2021	31 December 2020
<b>Shareholders' Equity:</b>			
Share capital		20,723,619	20,723,619
Other equity instruments	VII 46	20,500,000	20,500,000
Including: Perpetual bond		20,500,000	20,500,000
Capital reserve		37,925,332	37,925,332
Other comprehensive income		(4,124)	(355)
Special reserve		12,550	12,550
Surplus reserve		2,016,768	2,016,768
Retained earnings		2,542,016	2,090,245
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>83,716,161</b>	83,268,159
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>160,187,612</b>	152,823,047

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 six months ended 30 June 2021

## II. FINANCIAL STATEMENTS (CONTINUED)

### CONSOLIDATED INCOME STATEMENT For the six months period ended 30 June 2021

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
<b>I. Total operating revenue</b>		<b>251,003,187</b>	180,565,193
Including: Operating revenue	VII 52	<b>251,003,187</b>	180,565,193
<b>II. Total operating costs</b>		<b>240,950,534</b>	172,522,957
Including: Operating costs	VII 52	<b>226,557,020</b>	161,154,787
Taxes and levies	VII 53	<b>1,127,474</b>	961,239
Selling expenses	VII 54	<b>1,156,084</b>	971,393
Administrative expenses	VII 55	<b>5,041,482</b>	4,072,741
Research and development expenses	VII 56	<b>6,008,195</b>	4,127,934
Financial expenses	VII 57	<b>1,060,279</b>	1,234,863
Including: Interest expenses		<b>1,457,533</b>	1,932,197
Interest income		<b>954,082</b>	967,130
Add: Other income	VII 58	<b>157,918</b>	128,573
Investment losses	VII 59	<b>(690,195)</b>	(522,424)
Including: (Losses) gains from investments in associates and joint ventures		<b>123,138</b>	(47,081)
(Losses) gains from derecognition of financial assets at amortized cost		<b>(529,008)</b>	(354,740)
Gains from changes in fair values	VII 60	<b>51,479</b>	11,423
Impairment losses of credit	VII 61	<b>(1,028,111)</b>	(1,517,072)
Impairment losses of assets	VII 62	<b>(1,082,271)</b>	(833,865)
Gains on disposal of assets	VII 63	<b>427,710</b>	13,807
<b>III. Operating profit</b>		<b>7,889,183</b>	5,322,678
Add: Non-operating income	VII 64	<b>170,451</b>	237,059
Less: Non-operating expenses	VII 65	<b>28,802</b>	56,352
<b>IV. Total profit</b>		<b>8,030,832</b>	5,503,385
Less: Income tax expenses	VII 66	<b>1,439,925</b>	1,226,819
<b>V. Net profit</b>		<b>6,590,907</b>	4,276,566
(I) Net profit classified by operating continuity			
Net profit from continuing operations		<b>6,590,907</b>	4,276,566
Net profit from discontinued operations		–	–
(II) Net profit classified by ownership ascription			
Net profit attributable to shareholders of the Company		<b>4,937,420</b>	3,591,925
Profit or loss attributable to non-controlling interests		<b>1,653,487</b>	684,641

# Financial Statements

For the six months ended 30 June 2021

## II. FINANCIAL STATEMENTS (CONTINUED)

### CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the six months period ended 30 June 2021

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
<b>VI. Other comprehensive income, net of income tax</b>	VII 67	<b>8,578</b>	88,900
Other comprehensive income attributable to shareholders of the Company, net of income tax		<b>81,130</b>	45,656
(I) Items that will not be reclassified to profit or loss		<b>(49,801)</b>	(75,347)
1. Re-measurement of defined benefit obligations		<b>(138,930)</b>	(46,886)
2. Changes in fair values of investments in other equity instruments		<b>89,129</b>	(28,461)
(II) Items that may be reclassified to profit or loss		<b>130,931</b>	121,003
1. Other comprehensive income that can be reclassified to profit or loss under the equity method		<b>(18,166)</b>	–
2. Changes of fair value of receivables at FVTOCI		<b>(42,637)</b>	4,890
3. Exchange differences on translating financial statements in foreign currencies		<b>191,734</b>	116,113
Other comprehensive income attributable to non-controlling interests, net of income tax		<b>(72,552)</b>	43,244
<b>VII. Total comprehensive income</b>		<b>6,599,485</b>	4,365,466
Total comprehensive income attributable to shareholders of the Company		<b>5,018,550</b>	3,637,581
Total comprehensive income attributable to non-controlling interests		<b>1,580,935</b>	727,885
<b>VIII. Earnings per share</b>	XV 3		
(I) Basic earnings per share (RMB/share)		<b>0.21</b>	0.14
(II) Diluted earnings per share (RMB/share)		<b>N/A</b>	N/A

The accompanying notes form an integral part of these financial statements

Legal Representative:  
**Guo Wenqing**

General Accountant:  
**Zou Hongying**

Financial Controller:  
**Fan Wanzhu**

# Financial Statements

For the six months ended 30 June 2021

## II. FINANCIAL STATEMENTS (CONTINUED)

### THE COMPANY'S INCOME STATEMENT For the six months period ended 30 June 2021

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
<b>I. Total operating revenue</b>	XVI 9	<b>2,267,304</b>	1,147,636
Less: Operating costs	XVI 9	<b>2,234,761</b>	1,130,178
Taxes and levies		<b>534</b>	2,541
Administrative expenses		<b>78,828</b>	70,803
Financial expenses		<b>4,223</b>	(27,428)
Including: Interest expenses		<b>940,824</b>	827,961
Interest income		<b>918,061</b>	906,784
Add: Other income		<b>580</b>	486
Investment income	XVI 10	<b>2,170,884</b>	17,814
Including: (Losses) gains from investments in associates and joint ventures		<b>6,775</b>	17,814
Gains from changes in fair values		<b>45,327</b>	–
Impairment losses of credit	XVI 11	<b>29,252</b>	(2,636)
<b>II. Operating profit</b>		<b>2,195,001</b>	(12,794)
Add: Non-operating income		<b>2</b>	366
Less: Non-operating expenses		<b>60</b>	20
<b>III. Total profit</b>		<b>2,194,943</b>	(12,448)
Less: Income tax expenses		<b>–</b>	1,126
<b>IV. Net profit</b>		<b>2,194,943</b>	(13,574)
Net profit from continuing operations		<b>2,194,943</b>	(13,574)
Net profit from discontinued operations		<b>–</b>	–
<b>V. Other comprehensive income, net of income tax</b>		<b>(3,769)</b>	(136)
(I) Items that will not be reclassified to profit or loss		<b>(3,657)</b>	(136)
1. Changes in re-measurement of defined benefit obligations		<b>(3,737)</b>	(282)
2. Changes in fair values of investments in other equity instruments		<b>80</b>	146
(II) Items that will be reclassified to profit or loss		<b>(112)</b>	–
1. Items that may be reclassified to profit or loss in equity method		<b>(112)</b>	–
<b>VI. Total comprehensive income</b>		<b>2,191,174</b>	(13,710)

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 six months ended 30 June 2021

## II. FINANCIAL STATEMENTS (CONTINUED)

### CONSOLIDATED CASH FLOW STATEMENT For the six months period ended 30 June 2021

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		234,193,038	173,919,003
Receipts of tax refunds		257,960	188,569
Other cash receipts relating to operating activities	VII 68(1)	3,070,948	3,906,395
Sub-total of cash inflows from operating activities		237,521,946	178,013,967
Cash payments for goods purchased and services received		212,999,599	152,736,321
Cash payments to and on behalf of employees		13,272,739	10,548,670
Payments of various types of taxes		6,897,838	4,562,336
Other cash payments relating to operating activities	VII68(2)	12,917,219	8,752,623
Sub-total of cash outflows from operating activities		246,087,395	176,599,950
<b>Net Cash Flows from Operating Activities</b>	VII 69(1)	<b>(8,565,449)</b>	1,414,017
<b>II. Cash Flows from Investing Activities:</b>			
Cash receipts from disposals and recovery of investments		1,634,206	1,006,894
Cash receipts from investment income		169,705	103,104
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		361,501	17,749
Other cash receipts relating to investing activities	VII 68(3)	–	1,519,700
Sub-total of cash inflows from investing activities		2,165,412	2,647,447
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		1,552,182	2,115,706
Cash payments to acquire investments		2,036,506	2,514,829
Other cash payments relating to investing activities	VII 68(4)	5,616,687	1,608,134
Sub-total of cash outflows from investing activities		9,205,375	6,238,669
<b>Net Cash Flows from Investing Activities</b>		<b>(7,039,963)</b>	(3,591,222)



# Financial Statements

For the six months ended 30 June 2021

## II. FINANCIAL STATEMENTS (CONTINUED)

### CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the six months period ended 30 June 2021

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
<b>III. Cash Flows from Financing Activities:</b>			
Cash receipts from capital contributions		3,339,300	10,136,404
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries		119,586	7,136,404
Cash receipts from issue of perpetual bond		3,219,714	3,000,000
Cash receipts from borrowings		63,020,211	60,586,005
Other cash receipts relating to financing activities	VII 68(5)	440,137	1,085,059
Sub-total of cash inflows from financing activities		66,799,648	71,807,468
Cash repayments of borrowings		45,506,351	48,684,941
Cash payments for distribution of dividends or profits or settlement of interest expenses		3,746,510	3,111,506
Including: Payments for distribution of dividends or profits to non-controlling interests of subsidiaries		844,161	333,402
Other cash payments relating to financing activities	VII 68(6)	3,421,341	9,780,256
Sub-total of cash outflows from financing activities		52,674,202	61,576,703
<b>Net Cash Flows from Financing Activities</b>		<b>14,125,446</b>	10,230,765
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>			
		<b>162,608</b>	63,441
<b>V. Net Increase in Cash and Cash Equivalents</b>			
Add: Opening balance of Cash and Cash equivalents		(1,317,358)	8,117,001
		42,165,302	31,814,900
<b>VI. Closing Balance of Cash and Cash Equivalents</b>			
	VII 69(2)	<b>40,847,944</b>	39,931,901

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 six months ended 30 June 2021

## II. FINANCIAL STATEMENTS (CONTINUED)

### THE COMPANY'S CASH FLOW STATEMENT For the six months period ended 30 June 2021

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		821,859	907,026
Receipts of tax refunds		–	–
Other cash receipts relating to operating activities		274,997	426,919
Sub-total of cash inflows from operating activities		1,096,856	1,333,945
Cash payments for goods purchased and services received		797,365	1,015,758
Cash payments to and on behalf of employees		62,676	58,259
Payments of various types of taxes		5,131	18,763
Other cash payments relating to operating activities		603,159	454,920
Sub-total of cash outflows from operating activities		1,468,331	1,547,700
<b>Net Cash Flows from Operating Activities</b>	XVI 12(1)	<b>(371,475)</b>	<b>(213,755)</b>
<b>II. Cash Flows from Investing Activities:</b>			
Cash receipts from investment income		2,115,508	313,864
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		–	–
Other cash receipts relating to investing activities		259,795	2,176,554
Sub-total of cash inflows from investing activities		2,375,303	2,490,418
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		497	269
Cash payments to acquire investments		2,188,324	315,110
Other cash payments relating to investing activities		11,925,400	9,824,105
Sub-total of cash outflows from investing activities		14,114,221	10,139,484
<b>Net Cash Flows from Investing Activities</b>		<b>(11,738,918)</b>	<b>(7,649,066)</b>

# Financial Statements

For the six months ended 30 June 2021

## II. FINANCIAL STATEMENTS (CONTINUED)

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

For the six months period ended 30 June 2021

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
<b>III. Cash Flows from Financing Activities:</b>			
Cash receipts from investments		–	3,000,000
Including: Cash receipts from issue of perpetual bond		–	3,000,000
Cash receipts from borrowings		40,667,464	44,032,022
Other cash receipts relating to financing activities		3,485,191	5,838,471
Sub-total of cash inflows from financing activities		44,152,655	52,870,493
Cash repayments of borrowings		32,568,732	31,203,519
Cash payments for distribution of dividends or profits or settlement of interest expenses		1,092,996	1,600,003
Other cash payments relating to financing activities		5,713,000	12,200,000
Sub-total of cash outflows from financing activities		39,374,728	45,003,522
<b>Net Cash Flows from Financing Activities</b>		<b>4,777,927</b>	7,866,971
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>			
		20,269	11,358
<b>V. Net Increase in Cash and Cash Equivalents</b>			
Add: Opening balance of Cash and Cash equivalents		(7,312,197)	15,508
		9,606,574	2,456,387
<b>VI. Closing Balance of Cash and Cash Equivalents</b>	XVI 12(2)	<b>2,294,377</b>	2,471,895

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 six months ended 30 June 2021

## II. FINANCIAL STATEMENTS (CONTINUED)

### CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

Items	For the six months period ended 30 June 2021								
	Attributable to shareholders of the Company								Total shareholders' equity
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Non-controlling interests	
<b>I. Closing balance of the preceding period</b>	20,723,619	20,500,000	22,461,602	(284,396)	12,550	2,016,768	32,461,495	42,463,669	140,355,307
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
<b>II. Opening balance of the current period</b>	20,723,619	20,500,000	22,461,602	(284,396)	12,550	2,016,768	32,461,495	42,463,669	140,355,307
<b>III. Changes for the period</b>	-	-	35,530	82,237	-	-	3,193,141	684,223	3,995,131
(I) Total comprehensive income	-	-	-	81,130	-	-	4,937,420	1,580,935	6,599,485
(II) Shareholders' contributions and reduction in capital	-	-	35,530	-	-	-	-	(88,854)	(53,324)
1. Capital contribution from shareholders	-	-	-	-	-	-	-	(73,786)	(73,786)
2. Capital contribution and reduction of holders of other equity instruments (Note VII 46)	-	-	-	-	-	-	-	(9,722)	(9,722)
3. Others	-	-	35,530	-	-	-	-	(5,346)	30,184
(III) Profit distribution	-	-	-	-	-	-	(1,743,172)	(807,858)	(2,551,030)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-
2. Distributions to shareholders	-	-	-	-	-	-	(1,743,172)	(807,858)	(2,551,030)
3. Others	-	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	1,107	-	-	(1,107)	-	-
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)	-	-	-	1,107	-	-	(1,107)	-	-
6. Others	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current period	-	-	-	-	3,457,237	-	-	299,534	3,756,771
2. Amount utilized in the current period	-	-	-	-	(3,457,237)	-	-	(299,534)	(3,756,771)
(VI) Others	-	-	-	-	-	-	-	-	-
<b>IV. Closing balance of the current period</b>	20,723,619	20,500,000	22,497,132	(202,159)	12,550	2,016,768	35,654,636	43,147,892	144,350,438

# Financial Statements

For the six months ended 30 June 2021

## II. FINANCIAL STATEMENTS (CONTINUED)

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

All amounts in RMB'000

Items	For the six months period ended 30 June 2020									
	Attributable to shareholders of the Company								Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits			
<b>I. Closing balance of the preceding period</b>	20,723,619	25,924,290	22,476,448	(59,618)	12,550	1,748,938	27,123,498	18,955,783	116,905,508	
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	
Corrections of prior period errors	-	-	-	-	-	-	-	-	-	
Others	-	-	-	-	-	-	-	-	-	
<b>II. Opening balance of the current period</b>	20,723,619	25,924,290	22,476,448	(59,618)	12,550	1,748,938	27,123,498	18,955,783	116,905,508	
<b>III. Changes for the period</b>	-	(6,624,615)	(77,794)	67,469	-	-	1,736,802	6,733,507	1,835,369	
(I) Total comprehensive income	-	-	-	45,656	-	-	3,591,925	727,885	4,365,466	
(II) Shareholders' contributions and reduction in capital	-	(6,624,615)	(78,440)	-	-	-	-	6,372,094	(330,961)	
1. Capital contributed by shareholders	-	-	-	-	-	-	-	83,559	83,559	
2. Capital contribution and reduction of holders of other equity instruments	-	(6,624,615)	(75,385)	-	-	-	-	6,892,172	192,172	
3. Others	-	-	(3,055)	-	-	-	-	(603,637)	(606,692)	
(III) Profit distribution	-	-	646	-	-	-	(1,833,310)	(366,472)	(2,199,136)	
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	
2. Distributions to shareholders	-	-	-	-	-	-	(1,833,310)	(366,482)	(2,199,792)	
3. Others	-	-	646	-	-	-	-	10	656	
(IV) Transfers within shareholders' equity	-	-	-	21,813	-	-	(21,813)	-	-	
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	-	-	-	21,813	-	-	(21,813)	-	-	
6. Others	-	-	-	-	-	-	-	-	-	
(V) Special reserve	-	-	-	-	-	-	-	-	-	
1. Transfer to special reserve in the current period	-	-	-	-	2,556,109	-	-	195,465	2,751,574	
2. Amount utilized in the current period	-	-	-	-	(2,556,109)	-	-	(195,465)	(2,751,574)	
(VI) Others	-	-	-	-	-	-	-	-	-	
<b>IV. Closing balance of the current period</b>	20,723,619	19,299,675	22,398,654	7,851	12,550	1,748,938	28,860,300	25,689,290	118,740,877	

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 six months ended 30 June 2021

## II. FINANCIAL STATEMENTS (CONTINUED)

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

All amounts in RMB'000

Items	For the six months period ended 30 June 2021							Total shareholders' equity
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	
<b>I. Closing balance of the preceding period</b>	<b>20,723,619</b>	<b>20,500,000</b>	<b>37,925,332</b>	<b>(355)</b>	<b>12,550</b>	<b>2,016,768</b>	<b>2,090,245</b>	<b>83,268,159</b>
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
<b>II. Opening balance of the current period</b>	<b>20,723,619</b>	<b>20,500,000</b>	<b>37,925,332</b>	<b>(355)</b>	<b>12,550</b>	<b>2,016,768</b>	<b>2,090,245</b>	<b>83,268,159</b>
<b>III. Changes for the period</b>	-	-	-	<b>(3,769)</b>	-	-	<b>451,771</b>	<b>448,002</b>
(I) Total comprehensive income	-	-	-	<b>(3,769)</b>	-	-	<b>2,194,943</b>	<b>2,191,174</b>
(II) Shareholders' contributions and reduction in capital	-	-	-	-	-	-	-	-
1. Capital contributed by shareholders	-	-	-	-	-	-	-	-
2. Capital contribution and reduction of holders of other equity instruments	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	<b>(1,743,172)</b>	<b>(1,743,172)</b>
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-
2. Distributions to shareholders	-	-	-	-	-	-	<b>(1,743,172)</b>	<b>(1,743,172)</b>
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 period	-	-	-	-	-	-	-	-
2. Amount utilized in the current period	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-
<b>IV. Closing balance of the current period</b>	<b>20,723,619</b>	<b>20,500,000</b>	<b>37,925,332</b>	<b>(4,124)</b>	<b>12,550</b>	<b>2,016,768</b>	<b>2,542,016</b>	<b>83,716,161</b>

# Financial Statements

For the six months ended 30 June 2021

## II. FINANCIAL STATEMENTS (CONTINUED)

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

All amounts in RMB'000

Items	For the six months period ended 30 June 2020							
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
<b>I. Closing balance of the preceding period</b>	20,723,619	25,924,290	38,001,042	984	12,550	1,748,938	1,920,906	88,332,329
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
<b>II. Opening balance of the current period</b>	20,723,619	25,924,290	38,001,042	984	12,550	1,748,938	1,920,906	88,332,329
<b>III. Changes for the period</b>	-	(6,624,615)	(75,385)	(136)	-	-	(1,846,884)	(8,547,020)
(I) Total comprehensive income	-	-	-	(136)	-	-	(13,574)	(13,710)
(II) Shareholders' contributions and reduction in capital	-	(6,624,615)	(75,385)	-	-	-	-	(6,700,000)
1. Capital contributed by shareholders	-	-	-	-	-	-	-	-
2. Capital contribution and reduction of holders of other equity instruments	-	(6,624,615)	(75,385)	-	-	-	-	(6,700,000)
3. Others	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	(1,833,310)	(1,833,310)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-
2. Distributions to shareholders	-	-	-	-	-	-	(1,833,310)	(1,833,310)
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 period	-	-	-	-	-	-	-	-
2. Amount utilized in the current period	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-
<b>IV. Closing balance of the current period</b>	20,723,619	19,299,675	37,925,657	848	12,550	1,748,938	74,022	79,785,309

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

Legal Representative:  
**Guo Wenqing**

General Accountant:  
**Zou Hongying**

Financial Controller:  
**Fan Wanzhu**

## III. BASIC CORPORATE INFORMATION

### 1. Basic information of the Company

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

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

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

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

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

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



# Financial Statements

## III. BASIC CORPORATE INFORMATION (CONTINUED)

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

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

The services or products provided by the Group are as follows: The engineering contracting business mainly includes scientific research, planning, exploration, consulting, etc. of metallurgical engineering, housing construction engineering, transportation infrastructure engineering and other projects such as mining, environmental protection, electric power, chemical engineering, light industry and electronics. Design, procurement, construction, installation, maintenance, supervision and related technical services; property development business mainly includes the development and sales of residential and commercial property, construction of affordable housing and first-level land development; products of equipment manufacturing business mainly include metallurgy Special equipment, steel structure and other metal products, etc.; resource development business mainly includes the development and smelting of domestic and foreign metal mineral resources, and the production and processing of non-metallic mineral resources, non-ferrous metals and polysilicon.

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 30 August 2021.

### 2. Scope of consolidated financial statements

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

## IV. BASIS OF PREPARATION

### 1. Basis of preparation

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

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

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

## 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 30 June 2021 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 30 June 2021 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. The preparation period of this financial statement is from January 1 to June 30 of 2021.

# Financial Statements

## 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.

## 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.

# Financial Statements

## 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.

## 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 are recognized as other comprehensive income.

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

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

#### (2) *Translation of financial statements denominated in foreign currency*

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

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

# Financial Statements

## 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)

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.

## 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.



# Financial Statements

## 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.

## 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.

# Financial Statements

## 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.

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.

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

### 10. Financial instruments (Continued)

#### (2) Impairment of financial instruments (Continued)

##### (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.

##### (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.

# Financial Statements

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

### 10. Financial instruments (Continued)

#### (2) Impairment of financial instruments (Continued)

##### (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.

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.

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

### 10. Financial instruments (Continued)

#### (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.

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.

# Financial Statements

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

### 10. Financial instruments (Continued)

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

##### (b) Other financial liabilities (Continued)

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.

#### (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.

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

### 10. Financial instruments (Continued)

#### (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 refinancing), repurchase, selling or cancellation of these instruments are treated as change in equity. Change of fair value of equity instruments is not recognized by the group. The related transaction costs are deducted from equity.

The Group recognizes the distribution to holders of the equity instruments as distribution of profits, and dividends paid do not affect total amount of shareholders' equity.

#### (7) *Derivatives*

Derivatives of the Group include Forward foreign exchange settlement and sale contracts and USD foreign exchange option. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value. Changes are recognized in current profit or loss.

#### (8) *Offsetting financial assets and financial liabilities*

Where the Group has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

### 11. Inventories

#### (1) *Categories of inventories and initial measurement*

The Group's inventories are initially measured at cost. Inventories mainly include raw materials, material procurement, outsourced processing materials, work in progress, finished goods, materials in transit, costs to fulfil a contract, properties under development, completed properties held for sale etc.

#### (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.



# Financial Statements

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

### 11. Inventories (Continued)

**(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) *Inventory system***

The perpetual inventory system is maintained for stock system.

**(5) *Amortization method for low cost and short-lived consumable items and packaging materials***

Materials in transit include packaging materials and low cost and short-lived consumable items. Packaging materials and low cost and short-lived consumable items are using either one-off amortization method or multiple-stage amortization method.

**(6) *Properties under development and completed properties held for sale***

Costs of properties under development and completed properties held for sale mainly consist of acquisition cost of land use rights, expenditures of land development, infrastructure costs, construction costs, capitalized borrowing costs and other relevant costs. The expenditure of development land is included in the development cost. The construction expenditures of public facilities (the facilities approved by the relevant government departments such as roads) form part of property development costs and are allocated to respective individual properties projects. Cost of property development product is calculated based on actual costs incurred.

### 12. Long-term equity investments

Long-term equity investments include long-term equity investments in subsidiaries and equity investments in associates and joint ventures.

Subsidiaries are the companies that are controlled by the Company. Associates are the companies over which the Group has significant influence. Joint ventures are joint arrangements over which the Group has joint control along with other investors and has rights to the net assets of the joint arrangement.

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.

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

### 12. Long-term equity investments (Continued)

#### (1) *Determination of investment cost*

For a long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost of the long-term equity investment is the share of the carrying amount of the shareholders' equity of the acquiree attributable to the ultimate controlling party at the date of combination. For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition. For a business combination not involving enterprises under common control achieved in stages that involves multiple exchange transactions, the initial investment cost is carried at the aggregate of the carrying amount of the acquirer's previously held equity interest in the acquiree and the new investment cost incurred on the acquisition date.

Regarding the long-term equity investment acquired otherwise than through a business combination, if the long-term equity investment is acquired by cash, the historical cost is determined based on the amount of cash paid and payable; if the long-term equity investment is acquired through the issuance of equity instruments, the historical cost is determined based on the fair value of the equity instruments issued.

#### (2) *Subsequent measurement and recognition of profit or loss*

If the long-term equity investment is accounted for at cost, it should be measured at historical cost. Dividend declared by the investee should be accounted for as investment income.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income of the investee for the period as investment income or loss and other comprehensive income for the period. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date after making appropriate adjustments to be confirmed with the Group's accounting policies and accounting period. The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. For the changes in equity in addition to the net profit or loss, other comprehensive income and profits distribution, adjust the carrying value of long-term equity investment when the investee declares dividend distribution and included in shareholders' equity. The Group recognizes its share of the dividends of the investee should be adjusted, and reduces the carrying value of the investment. Unrealized profits or losses resulting from the Group's transactions with its associates and joint ventures are recognized as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated if the trading assets do not form a business. Unrealized losses are resulted from the Group's transactions with its associates and joint ventures, the impairment losses on the transferred assets are not eliminated.

# Financial Statements

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

### 12. Long-term equity investments (Continued)

#### (3) *Basis for determining control, joint control and significant influence over investee*

Control is achieved when the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

#### (4) *Impairment loss of long-term equity investments*

If the recoverable amounts of the investments to subsidiaries, joint ventures and associates are less than their carrying amounts, an impairment loss should be recognized to reduce the carrying amounts to the recoverable amounts (Note V 18).

#### (5) *The disposal of long-term equity investment*

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognized in profit or loss for the period.

If the Group loses its control over the investee because of the disposal of partial equity investment and the remaining equity investment still have joint control or significant influence on the investee, then equity method should be adopted to record long-term equity investment when preparing the financial statements as if the equity investment is all the way accounted for under equity method from the date the Group acquired this investment. If the remaining equity investment does not have joint control or significant influence on the investee, the equity investment should be recorded according to the recognition and measurement of financial assets and the difference between the carrying amount and fair value of the equity investment on the date of losing control shall be included in profit or loss for the current year. The other comprehensive income recognized before the Group had controlled over the investee under equity method or the financial assets recognition and measurement standard should be treated referring to the same fundamental of disposing related assets and liabilities on losing its control over the investee. The other changes in shareholders' equity of the investee's net assets except the net profit or loss, other comprehensive income and profit distribution will be included in profit or loss for the current year of losing its control over the investee. If the residual interests were measured under the equity method, the Group proportionally carries over the other comprehensive income and other shareholders' equity. If the residual interests were measured under the financial assets recognition and measurement standard, the Group wholly carries over the other comprehensive income and other shareholders' equity.

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

### 13. Investment properties

Investment properties include properties held to earn rentals or for capital appreciation or properties in construction which will be used to earn rentals or for capital appreciation in the future. An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of investment property, and adopts a depreciation or amortization policy for the investment property according to estimated useful lives and net salvage value for buildings or land use rights. The estimated useful lives, estimated residual values and annual depreciation rates of investment properties by category are as follows:

	Estimated useful lives	Estimated residual values (%)	Annual depreciation (amortization) rate (%)
Buildings and structures	15–40 years	3–5	2.38–6.47
Land use rights	40–70 years	–	1.43–2.50

When the purpose of the investment properties is changed to self-use, the investment properties are transferred to fixed assets or intangible assets from the date the purpose is changed. When the purpose of the self-use buildings or land use rights are changed to held for earning rentals or capital appreciation, the buildings are transferred from fixed assets or intangible assets to investment properties from the date the purpose is changed. The carrying amounts of the buildings remain unchanged before and after the purpose change.

The estimated useful lives, estimated residual values and depreciation (amortization) rate of investment properties are reviewed and adjusted as appropriate at each year-end.

When an investment property is sold or retired from its use and the expected not to be able to recover economic benefits from disposal, the investment property should be de-recognized. When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

If the recoverable amounts of the investment properties are less than the carrying amount, the carrying amount will be reduced to the recoverable amounts (Note V18).

# Financial Statements

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

### 14. Fixed assets

#### (1) Recognition criteria for fixed assets

Fixed assets include buildings and structures, machinery and equipment, transportation vehicles, office equipment and others.

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured. Purchased or constructed fixed assets are initially measured at cost when acquisition. During the course of transformation of the Company into a limited liability company, the initial costs of fixed assets injected by the State-owned shareholder were measured based on the valuation amount approved by the State-owned assets management authority.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Those old fixed asset items are replaced by other new fixed asset items, the old fixed asset items should be de-recognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

#### (2) Depreciation of each category of fixed assets

Fixed asset is depreciated based on the cost of fixed asset recognized less expected net residual value over its useful life using the straight-line method. The fixed asset after impairment, depreciation is calculated based on the carrying amount of the fixed asset after impairment over the estimated remaining useful life of the asset. The estimated useful lives, estimated residual values and annual depreciation rate of fixed assets are reviewed at each year end date to assess if any change is needed. The estimated useful life, estimated net residual value and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation	Useful life (year)	Residual value (%)	Annual depreciation rate (%)
Buildings and structures	the straight-line method	15–40	3–5	2.38–6.47
Temporary buildings and structures	the straight-line method	3–5	3–5	19.00–32.33
Machinery and equipment	the straight-line method	3–14	3–5	6.79–32.33
Transportation vehicles	the straight-line method	5–12	3–5	7.92–19.40
Office equipment and others	the straight-line method	5–12	3–5	7.92–19.40

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

### 14. Fixed assets (Continued)

#### (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 V18).

### 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 V18).

### 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.

# Financial Statements

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

### 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.

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.

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

### 17. Intangible assets (Continued)

#### (1) Valuation methods, service life, impairment test (Continued)

##### (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 V18).

#### (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.



# Financial Statements

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

### 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.

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.

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

### 20. Employee benefits (Continued)

#### (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.

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.

# Financial Statements

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

### 20. Employee benefits (Continued)

#### (3) Termination benefits (Continued)

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.

### 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.

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

### 22. Perpetual bonds or other financial instruments (Continued)

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.

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.

# Financial Statements

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

### 23. Revenue (Continued)

#### (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.

#### (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.

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

### 23. Revenue (Continued)

#### **(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.

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.

# Financial Statements

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

### 23. Revenue (Continued)

#### (4) Revenue recognition at satisfying each stand-alone performance obligation (Continued)

##### (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.

##### (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.

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

### 23. Revenue (Continued)

#### (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.

#### (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.



# Financial Statements

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

### 23. Revenue (Continued)

#### (6) Contract costs (Continued)

##### (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 V10(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.

### 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.

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

### 24. Government grants (Continued)

#### (1) *The basis of judgment and accounting treatments of the government grants related to assets*

Government grants used for creating long-term assets by purchase, construction or other ways, are recognized by the Group as the government grants related to assets, mainly including the investment subsidies for the purchase or construction of new equipment and other production infrastructure.

Government grants related to assets of the Group will be recognized as deferred income and amortized to profit or loss for the current period on a reasonable and systematic basis over the useful life of the related assets.

#### (2) *The basis of judgment and accounting treatments of the government grants related to income*

The government grants related to income are those other than the ones related to assets. Government grants of the Group related to income mainly include scientific research subsidies. As they are mainly the compensation for related expenses of the enterprises, such government grants are recognized as the government grants related to income. The Group classifies government grants difficult to distinguish as the ones related to income on an entire basis.

If the government grants related to income are compensation for related expenses or losses to be incurred in subsequent periods, they are recognized as deferred income, and will be recognized in profit or loss or used to offset with related costs and expenses for the period when related expenses or losses are recognized. If the government grants related to income are compensation for related expenses or losses already incurred, they are recognized immediately in profit or loss for the current period or used to offset related with costs and expenses.

#### (3) *Interest subsidy received under policy loans*

If the preferential low-interest loans received by the Group is subject to the fact that the government finance authority allocates interest subsidy fund to the bank which thereafter issues loans to the Group at preferential low-interest rates, the Group recognizes such borrowing at an amount actually received and calculates the borrowing costs based on the principal and the preferential low-interest rates. If the preferential low-interest loans received by the Group is the interest subsidy fund to the Group directly from the government finance authority, the Group deducts the interest subsidy from related borrowing costs.

#### (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.

# Financial Statements

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

### 25. Deferred tax assets/deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

All taxable temporary differences are recognized as related deferred tax liabilities under normal circumstances. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized. However, for deductible temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized. At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized or the liability is settled.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Except for those current income tax and deferred tax charged to comprehensive income or shareholders' equity in respect of those transactions or events which have been directly recognized in other comprehensive income or shareholders' equity, and deferred tax recognized on business combinations, all other current income tax and deferred tax items are charged to profit or loss in the current year.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

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

### 26. Lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset from the lessor to the lessee for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### (1) *The Group as the lessee*

##### (a) *Separation of the lease*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component for contracts containing leases for buildings and structures, machinery and equipment, and transportation vehicles.

##### (b) *Right-of-use assets*

Except for short-term leases and leases of low value assets, the Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset provided by the lessor is available for use). Right-of-use assets are measured at cost which includes:

- the amount of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

If a re-measurement of the lease liability occurs after the commencement date of the lease, the book value of the right-of-use assets shall be adjusted accordingly.

The Group depreciates the right of use assets in accordance with the relevant depreciation requirements of the *Accounting Standards for Business Enterprises No. 4 – Fixed Assets*. Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

# Financial Statements

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

### 26. Lease (Continued)

#### (1) *The Group as the lessee (Continued)*

##### (b) *Right-of-use assets (Continued)*

The Group determines whether the right of use assets are impaired and accounts for the identified impairment loss based on the *Accounting Standards for Business Enterprises No. 8 – 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 V18).

##### (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.

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

### 26. Lease (Continued)

#### (1) The Group as the lessee (Continued)

##### (d) Lease liabilities (Continued)

Variable lease payments that depend on an index or a rate are initially measured using the index or rate at the commencement date. Variable lease payments that are not included in the measurement of lease liabilities are recognized in profit or loss or the cost of underlying assets in the period in which they occur.

Interest expenses on the lease liabilities in each period during the lease term are recognized by the Group by using the fixed periodic rate of interest.

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.

# Financial Statements

## 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.

## 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.

### 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.



# Financial Statements

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

### 27. Other significant accounting policies and accounting estimates (Continued)

#### (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 XV1 (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.

## 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 V22 to be recorded as equity instrument. Details are set out in Note VII46.

##### (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.

# Financial Statements

## 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 30 June 2021, the net book value of the Group's accounts receivable is RMB77,602,351,000 (As at 31 December 2020: RMB69,436,480,000), from which the provision for bad debts of RMB13,380,498,000 has been deducted (As at 31 December 2020: RMB12,977,047,000), refer to Note VII5(1) for details.

###### (iii) Useful lives and residual values of fixed assets

The useful lives of fixed assets are estimated based on historical experience of the Group with similar assets used in a similar way. If useful lives of the fixed assets are estimated to be shorter than previously estimated, the Group will increase the depreciation rates accordingly, or dispose of those assets that are idle or technically obsolete.

At the end of each year, the Group reviews and makes appropriate adjustment for expected service life and expected net salvage value of fixed assets.

###### (iv) Impairment losses of assets

The Group makes a loss allowance against amount of expected credit losses during the whole life of the contract assets that exclude significant financing component or do not consider the financing component in the contract within one year arising from transactions adopting New Standards for Revenue. As at 30 June 2021, the net book value of the Group's contract assets is RMB104,596,879,000 (As at 31 December 2020: RMB83,199,483,000), from which the provision for bad debts of RMB4,481,923,000 has been deducted (As at 31 December 2020: RMB3,661,638,000), refer to Note VII10(1) for details.

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

### 27. Other significant accounting policies and accounting estimates (Continued)

#### (5) Significant accounting estimates and judgments (Continued)

(b) *The key assumptions and uncertainties used in accounting estimates (Continued)*

(iv) Impairment losses of assets (Continued)

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 2020: 14.29% 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.

(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.

# Financial Statements

## 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 (Continued)

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.

### 28. Changes in significant accounting policies and accounting estimates

#### (1) Changes in significant accounting policies

During the reporting period, there were no significant changes in accounting policies.

#### (2) Changes in significant accounting estimates

During the reporting period, there were no significant changes in accounting estimates.

## VI. TAXATION

### 1. Major categories of taxes and respective tax rates

Category of tax	Basis of tax computation	Tax rate
Value-added tax ("VAT")	VAT payable (VAT payable is imposed on the taxable sales amount multiplied by the tax rate (output-VAT) less deductible input-VAT of current year)	3%, 5%, 6%, 9% and 13%
City maintenance and construction tax ("CCT")	Payment for VAT and consumption tax	1%, 5% and 7%
Education surcharges	Payment for VAT and consumption tax	3%
Enterprise income tax ("EIT")	Taxable income	25%
Land appreciation tax	Appreciation amount on the transfer of real estate	30% to 60%

(1) *The domestic entities subject to different enterprise income tax rates are disclosed in Note VI 2.*

(2) *The foreign business entities subject to non-25% income tax rates*

Subject of tax payment	Enterprise income tax rate
MCC Minera Sierra Grande S.A	35%
MCC Luba International (Private) Ltd.	35%
ENFI Zambia Ltd.	35%
China 19 MCC Group Namibia Co., Ltd.	35%
MCC International Venezuelan Ltd.	34%
China ENFI (Namibia) Ltd.	33%
China Metallurgical Construction Zimbabwe Co., Ltd.	33%
China ENFI Congo (DRC) Co. Ltd.	30%
MCC Australia Holding Pty Ltd.	30%
MCC Australian Gold Mines Ltd.	30%
MCC Mining (Western Australia) Pty Ltd.	30%
MCC Shijiu Papua New Guinea Co., Ltd.	30%
ACRE Coking & Refractory (India) Engineering Consulting Corporation, MCC Papua New Guinea subsidiary of Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	30%
China ENFI (Chile) SAS	28%
China First Metallurgical India (Private) Ltd.	25.17%
China First Metallurgical Construction Malaysia Co., Ltd.	24%
MCC Malaysia Overseas Ltd.	24%
MCC Real Estate Malaysia Ltd.	24%
MCC Construction Engineering (Malaysia) Co., Ltd.	24%
Shanghai Baoye (Malaysia) Co., Ltd.	24%
CCEPC Malaysia BHD	24%

# Financial Statements

## 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 Tian Gong (Malaysia) Engineering Technology Co., Ltd.	24%
MCC East Malaysia Sdn Bhd.	24%
CISDI Engineering (America) Co., Ltd.	21%
MCC-CISDI Engenharia do Brasil Ltd.	20%
MCC Tian Gong (Kampuchea) Engineering Technology Co., Ltd.	20%
China 22MCC Group Russia Co., Ltd.	20%
MCC Kampuchea Overseas Ltd.	20%
MCC Constructing (Tailand) Ltd.	20%
China Cambodia Development Construction Co., Ltd.	20%
MCC International (Kampuchea) 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.	16.50%
Nan Hua International Engineering Ltd.	16.50%
MCC Real Estate Hong Kong Co., Ltd.	16.50%
Chinese Metallurgical Engineering Technology (Hong Kong) Co., Ltd.	16.50%
MCC Holding (Hong Kong) Corporation Limited	16.50%
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.	0.00%
MCC Ramu NiCo Ltd.	0.00%
Ramu NiCo Management (MCC) Ltd.	0.00%
MCC Tongsin Resources Ltd.	0.00%
MCC JCL Anak Mining Co., Ltd.	0.00%
China Metallurgical Group Duda Mining Development Co., Ltd.	0.00%
China Metallurgical Group Resources Development Co., Ltd.	0.00%
China Metallurgical New Energy (Pakistan) Ltd.	0.00%

## 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. In terms of corporate income tax, according to the circular, 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 Announcement of the MoF, the State Administration of Taxation and the National Development and Reform Commission issued on the Extension of enterprise Income Tax Policies for the Development of the Western Regions ([2020] No. 23) (hereinafter referred to as the “Announcement”) have clarified a package of tax policies to further support the development of the western region. The above announcement had been implemented since 1 January 2021. According to the announcement, from 1 January 2021 to 31 December 2030, 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 2030.
- (b) China Metallurgical Construction Engineering Group Co., Ltd. has been levied at a preferential tax rate of 15% from 2007 to 2030.
- (c) Chongqing CISDI Engineering Management Consultants Co., Ltd., CISDI Industrial Furnace 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 2030.
- (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 2030.
- (e) CISDI Group Chongqing Information and Technology Co., Ltd. has been levied at a preferential tax rate of 15% from 2016 to 2030.
- (f) CISDI Chongqing Environmental Consulting Co., Ltd. is levied at a preferential tax rate of 15% from 2017 to 2030.
- (g) CISDI Technology Research Center Co., Ltd. and CISDI Architectural & Municipal Design Co., Ltd. are levied at a preferential tax rate of 15% from 2018 to 2030.
- (h) Ganzhou ENFI Environmental Energy Co., Ltd. will pay corporate income tax at a reduced rate of 15% from 2021 to 2030.



# Financial Statements

## 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) Hunan MCC Changtian Heavy Industry Technology Co., Ltd., MCC Huatian Nanjing Electric Engineering Technology Co., Ltd., MCC 5 Group (Shanghai) Co., Ltd., China 20 Metallurgical Group Co., Ltd., 22nd Metallurgical Group Equipment Manufacturing Co., Beijing Yuanda International Engineering Management Consulting Co., Ltd., Beijing Jinwei Welding Materials Co., Beijing Zhongshe Water Treatment Co., Ltd., Hunan Hetian Engineering Project Management Co., Ltd., MCC Chengdu Reconnaissance and Research Institute Limited, MCC Heavy Industry (Xinjiang) Co., Ltd., Beijing Newvisun Construction Engineering Technology Co., Ltd., Beijing Jingcheng Kelin Environmental Protection Technology Co., Ltd., Hebei Guopeng Building Material Co., Ltd., Zhejiang MCC 20 Group Co., Ltd., MCC-SFRE Heavy Industry Equipment Co., Ltd., Ma'anshan Seventeen Metallurgical Engineering Technology Co., Ltd., MCC Northwest Engineering and Technology Corporation (formerly called: MCC Huatian Baotou Design Research Institute Limited), China Metallurgical Tiangong (Tianjin) Equipment Manufacturing Co., Ltd., Tianjin Xinbin Engineering Technology Testing Co., Ltd., MCC Shenkan (Qinhuangdao) Engineering Design and Research Institute Co., Ltd. and Xi'an Huijin Technology Co.,Ltd. have been levied at a preferential tax rate of 15% from 2018 to 2021.
- (b) Panzhihua Tianyu Engineering Detection Co., Ltd., MCC South Handan Wupeng Furnace Lining New Material Co., Ltd., MCC Tiangong Group Co., Ltd., Beijing Sida Jianmao Technology Development Co., Ltd., CISDI Electrics Technology Co., Ltd., MCC North (Dalian) Engineering Technology Co., Ltd., MCC Wuhan Metallurgical Construction Research Institute Co., Ltd., MCC ACRE Corporation (dalian), Mcc, China Metallurgical Construction Research Institute (Shenzhen) Co., Ltd., Beijing MCC Equipment Research and Design Institute Co., Ltd., MCC South Wuhan Iron and Steel Design and Research Institute Co., Ltd., China 20 Metallurgical Group Co., Ltd., CISDI Shanghai Engineering Technology Co., Ltd., MCC East Engineering Technology Co., Ltd. have been levied at a preferential tax rate of 15% from 2019 to 2021.
- (c) China ENFI Engineering Corporation, MCC (Guizhou) Construction Investment Development Co., Ltd., Tianjin Yejian Special Materials Co., Ltd., MCC Energy Conservation and Environmental Protection Co., Ltd., Hunan MCC Changtian Energy Conservation and Environmental Protection Technology Co., Ltd., MCC Chang Tian International Engineering Co., Ltd., Beijing Metallurgical Nuclear Technology Development Co., Ltd., Hunan Changtian Automation Co., Ltd., Hunan Changtian Automation Engineering Co., Ltd. and MCC Dadi Engineering Consulting Co., Ltd. have been levied at a preferential tax rate of 15% from 2019 to 2022.

## VI. TAXATION (CONTINUED)

### 2. Tax incentive (Continued)

#### (2) *Preferential Tax Policies for High-Technology Enterprises (Continued)*

- (d) China First Metallurgical Group Co., Ltd., MCC South Engineering Technology Co., Ltd., MCC Southern Continuous Casting Technology Engineering Co., Ltd., MCC South (Wuhan) Automation Co., Ltd., MCC South (Wuhan) Information Technology Engineering Co., Ltd., MCC-17 Group Co., Ltd., China Metallurgical Construction Research Institute (Shanghai) Co., Ltd., MCC South (Wuhan) Thermal Engineering Co., Ltd., MCC TianGong Tianjin Co., Ltd., MCC ACRE Automation Co., Ltd. and China MCC 19 Group (Fangchenggang) Structure of the Equipment Co., Ltd. have been levied at a preferential tax rate of 15% from 2020 to 2022.
- (e) China MCC 5 Group Co., Ltd., CERI Phoenix Industrial Furnace Co., Ltd., CERI Eco Technology Co., Ltd., CERI Manufacturing Executive & Managing System Co., Ltd., Beijing Tianrun Construction Co., Ltd., CERI ZeYu Energy Environmental Protection Engineering Technology Co., Ltd., Beijing ENFI Environmental Protection Co., Ltd., Beijing Jingcheng Serui Information Technology Co., Ltd., MCC Southern Metropolis Environmental Engineering Technology Co., Ltd., MCC Communication Construction Group Co., Ltd., CERI Long Product Co., Ltd., CERI Technology Co., Ltd., CERI Hua Yu Architectural Design & Research Institute Co., Ltd., MCC Ceristar Electric Co., Ltd., Beijing ENFI Environmental Protection Technology Co., Ltd., China metallurgical certification testing Co., Ltd., MCC Urban Investment Holding Co., Ltd., Central Research Institute of Building and Construction Co., Ltd., MCC Group Capital Engineering&Research Incorporation Limited, China Silicon Corporation Ltd. Shanghai Baoye Engineering Technology Corp., Ltd., Shanghai Baoye Group Co., Ltd. and Shanghai Baoye Metallurgical Engineering Co., Ltd. have been levied at a preferential tax rate of 15% from 2020 to 2023.
- (f) MCC Shenyang Exploration Engineering Technology Co., Ltd., MCC Baosteel Technical Service Co., Ltd., MCC Huatian Engineering Technology Co., Ltd., MCC Huatian Nanjing Engineering Technology Co., Ltd., Shanghai MCC Environmental Engineering Technology Co., Ltd., MCC 19th Group Co., Ltd., MCC CISDI Engineering Technology Co., Ltd. have been levied at a preferential tax rate of 15% from 2021 to 2023.

#### (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: Fuzhou City Changle District MCC Water Co., Ltd., Wuhan Urban Environmental Water Co., Ltd., Zhanjiang MCC Environmental Operation Management Co., Ltd. and Beijing Zhongshe Water Treatment Co., Ltd. are qualified for a preferential tax policy that from the tax year when the enterprise has obtained the first piece of revenue to the third year, the enterprise income tax is exempted, and in the following 3 years, the enterprise income tax is half exempted.

Among them, the preferential policy of Zhanjiang MCC Environmental Operation Management Co., Ltd. and Beijing Zhongshe Water Treatment 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%. Ejina Ken ENFI New Energy Limited have come into effect in 2017 and the applicable tax rate for the current year was 12.5%.

# Financial Statements

## VI. TAXATION (CONTINUED)

### 2. Tax incentive (Continued)

#### (3) *The other major preferential tax benefits (Continued)*

- (b) According to the Item 3 of Article 27 of the Law of the People's Republic of China on Enterprise Income Tax as well as Article 87 of the Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax, following examination and approval by the tax authorities, Ejina Ken ENFI New Energy Limited has enjoyed the favorable corporate income tax policy of "3-year tax exemption followed by 3-year tax 50%-reduction" since 2017. Therefore, the applicable tax rate for this year was 12.5%.
- (c) According to the MoF and the State Administration of Taxation on issues concerning VAT, Business Tax and Enterprise Income Tax Policies for the Promotion of the Development of the Energy-Conservation Service Industry ("Cai Shui [2010] No. 110"), qualified energy conservation service companies implementing energy management contract projects that meet the relevant provisions of the Enterprise Income Tax Law shall be exempted from enterprise income tax from the first tax year when it obtains the first piece of revenue from their production and business operation to the third year and followed by 50% reduction of income tax rate of 25% from the fourth year to the sixth year.

Hunan MCC Changtian Energy Conservation and Environmental Protection Technology Co., Ltd. and MCC Energy Conservation Environmental Protection Co., Ltd. have a number of energy management contract projects. Each project is subject to income tax independently, and shall be exempted from enterprise income tax from the first tax year when it obtains the first piece of revenue from its production and business operation to the third year and followed by 50% reduction of income tax rate of 25% from the fourth year to the sixth year.

- (d) According to the Notice of the MoF and State Administration of Taxation on Issues Relevant to Implementation of the List of Public Infrastructure Projects Enjoying Enterprise Income Tax Preferences ("Cai Shui [2008] No. 46"), if enterprises have engaged in public infrastructure projects subject to conditions and technology standards provided in the List of Public Infrastructure Projects Enjoying Enterprise Income Tax Preferences with approval since 1 January 2008, their income from investments and operations can be exempted from tax in the first, second and third year and halved in the fourth, fifth and sixth year from the taxable year of earning the first operating income.

MCC Huakang (Zhenjiang) New Energy Co., Ltd., as qualified for aforementioned policies, enjoy 0% applicable tax rate for the year.

- (e) According to Cai Shui [2009] No. 166 "Notice of Ministry of Finance, State Administration of Taxation and National Development and Reform Commission on Publication of Catalogue for Enterprise Income Tax Preferences for Environmental Protection and Energy and Water Conservation Enterprises (Trial)", where the enterprises obtain revenue from projects satisfying "Catalogue for Enterprise Income Tax Preferences for Environmental Protection and Energy and Water Conservation Enterprises", they are entitled to the enterprise income tax preference of "3-year tax exemption followed by 3-year tax 50%-reduction".

Wuxi Xidong Environmental Energy Co., Ltd., Urban Environmental Protection Zhuxi County Water Affairs Co., Ltd., Urban Environmental Macheng Water Co., Ltd., Urban Environmental Protection Wuhan Water Co., Ltd. and Ganzhou ENFI Environmental Energy Co., Ltd. are applicable to the above provisions and subject to tax rate of 0.00% for the current year.

## 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 2021, Industrial Construction Magazine Agency, Beijing Anhui Property Management Co., Ltd., Beijing Xinpeng Energy Technology Co., Ltd., Beijing Xinguang Technology Co., Ltd., China Metallurgical Construction Engineering Group Bengbu Construction Co., Ltd., Steel Magazine (Hubei) Co., Ltd., Chongqing MCC Property Management Co., Ltd., MCC Refractory Materials Testing Center, Shanghai MCC Baosteel Technology Occupation Skill Training Center, Dalian China Metallurgical Jiaonai Dragon Instrument Co., Ltd., Chongqing Tuoye Construction Engineering Quality Inspection Co., Ltd., Shanghai Baosteel MCC 5 Dedusting Equipment Co.,Ltd., MCC 5 Group Shanghai Yuanzhu New Building Materials Co.,Ltd., MCC Real Estate Service Co., Ltd., Beijing MCC Capital Engineering & Research Incorporation Limited, Shanghai ZhiDa Electronic Co., Ltd., Shanghai Baoding Environmental Engineering Technology Service Co., Ltd., Shanghai Baoshan District Jiangyuan Training Center, Shanghai Baoye Education and Training Center, Shanghai Baoye Engineering Management Co., Ltd., Baotou Beilei Supervision Consulting Co., Ltd., Shanghai Baosteel No. 5 Metallurgy Metal Structure Co., Ltd., MCC 5 Shanghai Engineering & Research Construction Co., Ltd., Shanghai Yuanzheng Science and Technology Co., Ltd., Hunan Changyuan Property Management Co., Ltd., Inspection and Certification Co., Ltd. MCC, ACRE Coking & Refractory Engineering Consulting (Shanghai) Corporation, MCC Inner Mongolia Construction Investment Co., Ltd., MCC Zhongyuan Construction Investment Co., Ltd., Beijing ENFI Property Management Co., Ltd., MCC 5 Chengdu Tianfu New Area Construction Co., Ltd., Sichuan Metallurgy Construction Engineering Quality Checking and Measuring Co., Ltd., Tianjin Xinbin Engineering Technology Detection Co., Ltd., Guangzhou Shirong International Trade Co., Ltd., MCC 19 Shenzhen Construction Co., Ltd., Ma'anshan Water Corporation, MCC, MCC Xuancheng Water Co., Ltd., China Metallurgical (Hainan) Investment Development Co., Ltd., Chongqing MCC Real Estate Development Co., Ltd., Qingdao MCC Oriental Hotel Management Co., Ltd., Shanghai Baoye Vocational Skills Training Center, Shanghai Xinding Construction Engineering Technology Co., Ltd., MCC 5 Group Chengdu New Construction Technology Service Co., Ltd., Chengdu MCC Yanjing Real Estate Co., Ltd., MCC 5 Group Shanghai Equipment Material Supply Co., Ltd., Fangchenggang MCC Xinggang Real Estate Co., Ltd., Lu'an MCC Water Co., Ltd., Chongqing CCIDA Data Technology Co., Ltd., Beijing Jingqiu Energy Saving New Technology Co., Ltd., Shenzhen MCC Mingsheng Investment Co., Ltd., China Metallurgical (Hainan) Investment Development Co., Ltd., Shanghai Baoye Municipal Engineering Co., Ltd., Shanghai MCC Xianglin Property Management Co.,Ltd., MCC ACRE (Xichang) Water Co., Ltd., Urban Environmental Protection Operating Qian'an Co., Ltd., Fangchenggang Urban Environmental protection Co., Ltd., MCC Equipment Architectural Design Engineering (Shanghai) Co., Ltd., MCC Dadi Engineering Consulting Co., Ltd. and Hainan MCC 2 Industrial Development Co., Ltd. satisfy the criteria of small and low-profit enterprise and are entitle to the tax preference, i.e. the portion of taxable income not exceeding RMB1 million is subject to 25% reduction and applies enterprise income tax rate of 20%; the portion exceeding RMB1 million but not exceeding RMB3 million is subject to reduction of 50% and applies enterprise income tax rate of 20%.

# Financial Statements

## 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 2021.

- (h) According to the relevant regulation of Law of the People's Republic of China on Enterprise Income Tax, the Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax ("Order of the State Council No. 512") and Circular on Issues Concerning the Enterprise Income Tax Incentives on Enterprises That Recruit the Disabled ("Cai Shui [2009] No. 70"), enterprise could deduct all the salary payment for the disabled employees and again claim additional 100% deduction of the aforesaid salary payment.

MCC Baosteel Technology Services Co., Ltd., Shanghai Baohong Industry and Trade Co., Ltd., China MCC 19 Group Co., Ltd., China MCC 19 Group Property Management Service Co., Ltd., MCC TianGong Group Corporation Limited. China MCC 20 Group Co., Ltd., Shanghai MCC 20 Group Co., Ltd., Sichuan MCC 19 Group Property Service Co.,Ltd. and MCC TianGong Tianjin Co., Ltd. could deduct all the salary payment for the disabled employees and again claim additional 100% deduction of the aforesaid salary payment in 2021.

- (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. Announcement of the State Administration of Taxation of the Ministry of Finance No. 6, 2021, announcement on the extension of the implementation period of some preferential tax policies. With the approval of the local tax bureau, the following enterprises affiliated to the company shall enjoy this preferential treatment:

## 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., 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., MCC Wuhan Research Institute of Metallurgical Construction Co., Ltd., Huatian Engineering & Technology Corporation, MCC, MCC Huatian Engineering & Technology (Nanjing) Co., Ltd., WISDRI (Wuhan) Automation Co., Ltd., WISDRI (Wuhan) Informatology Engineering Co., Ltd., WISDRI Engineering&Research Incorporation Limited, WISDRI (Wuhan) Wei Shi Thermotechnical Co., Ltd., WISDRI City Environment Protection Engineering Co., Ltd., MCC Southern Continuous Casting Technology Engineering Co., Ltd., CISDI Shanghai Engineering Technology Co., Ltd., CISDI Engineering Co., Ltd., CISDI Industrial Furnace Co., Ltd., CISDI Group Chongqing Information and Technology Co., Ltd., Cisdielectric Technology Co., Ltd., MCC Xi'an Electric Furnace Institute Co., Ltd., MCC-SFRE Heavy Industry Equipment Co., Ltd., MCC Chang Tian International Engineering Co., Ltd., Hunan Changtian Automation Co., Ltd., Hunan MCC Changtian Heavy Industry Technology Co., Ltd., Hunan MCC Changtian Energy Conservation and Environmental Protection Technology Co., Ltd., MCC Tian Gong (Tianjin) Equipment Manufacturing Co., Ltd., Kunshan MCC Baosteel Welding Material Co., Ltd., Shanghai MCC Environmental Engineering Technology Co., Ltd., Hunan Hetian Engineering Project Management Co., Ltd., MCC Chengdu Reconnaissance and Research Institute Limited, Tianjin Xinbin Engineering Technology Detection Co., Ltd., Shanghai MCC 20 Group Co., Ltd., Shanghai Baoye Group Co., Ltd., MCC Northwest Engineering and Technology Corporation (formerly called: MCC Huatian Baotou Design Research Institute Limited), Shanghai Baoye Metallurgical Engineering Co. Ltd., Shanghai Baoye Building Decoration Co., Ltd., Shanghai Yuanzheng Technology Co., Ltd., MCC Southern City Construction Engineering Technology Co., Ltd., Shanghai ZhiDa Electronic Co., Ltd., Shanghai Xinding Construction Engineering Technology Co., Ltd., Zhejiang MCC 20 Group Co., Ltd., MCC TianGong Tianjin Co., Ltd., MCC ACRE Automation Co., Ltd., MCC Huatian Nanjing Electrics Engineering & Technology, WISDRI Wuhan Steel Design & Research Co., Ltd., Xi'an Huijin Technology Co.,Ltd., Beijing Metallurgical Equipment Research Design Institute Co., Ltd., Shanghai Baoye Engineering Technology Co., Ltd., Hunan Changtian Automation Engineering Co., Ltd., CISDI Engineering Management Consultants Co., Ltd., MCC Huatian Nanjing Engineering Technology Co., Ltd., MCC Dongfang Holding Co., Ltd., Fangchenggang Zhongyi Heavy Industry Co., Ltd., Wuhan Yiye Steel Structure Co., Ltd. and China ENFI Engineering Corporation enjoy the preferential tax policy of additionally calculation and deduction of research and development expenditures in 2021.

# Financial Statements

## VI. TAXATION (CONTINUED)

### 2. Tax incentive (Continued)

#### (3) The other major preferential tax benefits (Continued)

- (j) According to “Cai Shui [2015] No. 78”, The MoF and the State Administration of Taxation on issuing the Notice of the Comprehensive Utilization of Resources “Products and Services” of Value Added Tax Preferential Directory, enterprises provide products and labor service using the above resources can enjoy VAT refund policy.

Xiaogan Zhongshe Water Co., Ltd., Beijing Zhongshe Water Treatment Co., Ltd., Lanzhou Zhongtuo Water Corporation, Changzhou ENFI Water Co., Ltd., Laian Huatian Water Corporation MCC, Shouguang Huatian Water Corporation MCC, Shouguang North Water Corporation MCC, Chuzhou Huatian Water Corporation MCC, Tianchang Huatian Water Corporation MCC, Huangshi Water Corporation MCC, Lu'an Water Corporation MCC, Ma'anshan Water Corporation MCC, Wuhan Urban Environmental Water Co., Ltd., Zhejiang Chunnan Sewage Treatment Co., Ltd., Fuzhou City Changle District MCC Water Co., Ltd., MCC Xinglong Water Co., Ltd., China City Environment Protection Engineering Limited Group, Wenxian Zhongtuo Water Supply Co., Ltd., Qinhuangdao Funing District MCC Water Co., Ltd., Wuxi Xidong Environmental Energy Co., Ltd., Xiangyang ENFI Environmental Protection Energy Co., Ltd., Dingyuan Water Corporation MCC, MCC Xuancheng Water Co., Ltd., MCC Qinhuangdao Water Co., Ltd., Urban Environmental Macheng Water Co., Ltd., Urban Environmental Protection Zhuxi County Water Affairs Co., Ltd., Ganzhou ENFI Environmental Energy Co., Ltd., Pingyuan Zhongshe Water Co., Ltd., Beijing ENFI New Energy Technology Co., Ltd. and WuZhi County Zhongshe Water Treatment Co., Ltd. enjoyed the policy of “levy and refund” of value-added tax refund of 70% for the sewage treatment services since July 1, 2015.

- (k) According to the MoF and the State Administration of Taxation on issues concerning VAT, Business Tax and Enterprise Income Tax Policies for the Promotion of the Development of the Energy-Conservation Service Industry (“Cai Shui [2010] No. 110”), the taxable income earned by qualified energy conservation service companies for implementing energy management contract projects shall be temporarily exempted from VAT.

Hunan MCC Changtian Energy Conservation and Environmental Protection Technology Co., Ltd., MCC Energy Conservation Environmental Protection Co., Ltd., Ganzhou ENFI Environmental Energy Co. Ltd. and Ejina Ken ENFI New Energy 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%.

## VI. TAXATION (CONTINUED)

### 2. Tax incentive (Continued)

#### (3) The other major preferential tax benefits (Continued)

- (m) According to the MoF and the State Administration of Taxation on issuing Concerning Value-added Tax Policy on Software Products ("Cai Shui [2011] No. 100"), the refund-upon-collection policy shall be applied to the VAT part in excess of 3% of their actual tax burden of selling software products.

CISDI Group Chongqing Information and Technology Co., Ltd. enjoyed the policy of "levy and refund" of value-added tax of selling software products from 2015 to 2021, with the refund rate of 10%. CISDI Electrics Technology Co., Ltd. enjoyed the policy of "levy and refund" of value-added tax of selling software products for long-term, with the refund rate of 10%.

- (n) 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. and Nanjing Zhengbin Real Estate Development 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 2021.

- (o) 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., 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., MCC Real Estate Beijing Property Management Co., Ltd., China Metallurgical (Hainan) Investment Development Co., Ltd., Shanghai Xinding Construction Engineering Technology Co., Ltd., Shouguang Huatian Water Corporation MCC, Lu'an Water Corporation MCC, Huangshi Water Corporation MCC, Beijing MCC Jianyan Property Management Co., Ltd., Inspection and Certification Co., Ltd. MCC, MCC Rail Transit Co., Ltd., MCC Northwest Engineering and Technology Corporation, Urban Environmental Protection Operating Qian'an Co., Ltd. and Chongqing CCIDA Data Technology Co., Ltd. applicable to this policy in 2021.

- (p) 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 in 2021.



# Financial Statements

## VI. TAXATION (CONTINUED)

### 2. Tax incentive (Continued)

#### (3) *The other major preferential tax benefits (Continued)*

- (q) 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. MCC Changtian International Engineering Co., Ltd. adopts this policy in 2021.
- (r) According to the Notice on Tax Policies of Small-scale VAT Taxpayers (“Ji Cai Shui [2019] No. 6”) issued by Hebei Provincial Department of Finance and Hebei Provincial Taxation Bureau, Hebei Province reduced resource tax (excluding water resource tax), urban maintenance and construction tax, real estate tax, urban land use tax and stamp tax (excluding stamp tax on securities transactions), farmland occupation tax, education surcharges and local education surcharges by 50% of the taxable amount for small-scale VAT taxpayers from 1 January 2019 to 31 December 2021. China Huaye Handan Real Estate Management Center adopts this policy from 1 January 2019 to 31 December 2021.
- (s) According to the Ministry of Finance, the State Taxation Administration, National Development and Reform Commission and the Ministry of Ecological and Environment issued on Income Tax Policies of Third-party Enterprises Engaged in Pollution Prevention and Control [2019] No. 60: for qualified third-party enterprises engaged in pollution prevention and control (hereinafter referred to as third-party prevention and control enterprises), the enterprise income tax shall be levied at a reduced rate of 15%. The policy will apply to Xiangyang ENFI Environmental Protection Energy Co., Ltd. and Zhanjiang MCC Environmental Operation Management Co., Ltd. in 2021.

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash and bank balances

All amounts in RMB'000

Items	30 June 2021	31 December 2020
Cash	14,612	11,441
Bank deposits	39,578,427	41,409,099
Other cash and bank balances	11,745,293	11,675,287
Total	51,338,332	53,095,827
Including: Total amount of deposits abroad	1,933,694	1,333,900

As at 30 June 2021, restricted cash and bank balances of the Group were RMB10,490,388,000 (as at 31 December 2020: RMB10,930,525,000) (Note VII170), 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	30 June 2021	31 December 2020
Financial assets at FVTPL	801,258	2,250,940
Including: Currency funds	800,197	2,250,132
Equity instruments held for sale	1,061	808
Total	801,258	2,250,940

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	30 June 2021	31 December 2020
Forward foreign exchange settlement and Sale contracts	83,850	46,412
Total	83,850	46,412

For method of determining the fair value of derivative financial assets, refer to Note XI 3.

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Bills receivable

#### (1) Bills receivable analyzed by category

All amounts in RMB'000

Items	30 June 2021			31 December 2020		
	Book value	Provisions for credit losses	Carrying amount	Book value	Provisions for credit losses	Carrying amount
Bank acceptance bills	1,614,745	–	1,614,745	1,970,938	–	1,970,938
Commercial acceptance bills	5,005,125	16,990	4,988,135	4,691,068	15,400	4,675,668
Total	6,619,870	16,990	6,602,880	6,662,006	15,400	6,646,606

#### (2) Pledged bills receivable at 30 June 2021

All amounts in RMB'000

Items	30 June 2021
Bank acceptance bills	292,821
Commercial acceptance bills	149,606
Total	442,427

#### (3) Bills receivable endorsed to other parties or discounted but not yet due at 30 June 2021

As at 30 June 2021, bills receivable endorsed to other parties or discounted with recourse but not yet due were RMB2,058,356,000 (as at 31 December 2020: RMB980,211,000), among which the amount derecognized was RMB1,338,199,000 (as at 31 December 2020: RMB605,993,000). 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 RMB720,157,000 (as at 31 December 2020: RMB374,218,000). 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 30 June 2021, the balance of impairment provision for the Group's bills receivable is RMB16,990,000 (as at 31 December 2020: RMB15,400,000). The reversed credit losses were RMB1,590,000 in the current period up to 30 June 2021.

(5) Bills receivable with title restriction as at 30 June 2021 are set out in Note VII 70.

# Financial Statements

## 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	30 June 2021	31 December 2020
Within 1 year	59,132,832	51,208,541
1 to 2 years	11,785,323	11,838,375
2 to 3 years	5,724,710	4,659,742
3 to 4 years	3,187,934	3,688,508
4 to 5 years	2,211,621	1,952,971
Over 5 years	8,940,429	9,065,390
Total book value	<b>90,982,849</b>	82,413,527
Less: provisions for credit losses	<b>13,380,498</b>	12,977,047
Carrying amount	<b>77,602,351</b>	69,436,480

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	30 June 2021		30 June 2021		Carrying amount	31 December 2020		31 December 2020		Carrying amount
	Book value		Provision for credit losses			Book value		Provision for credit losses		
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Accounts receivable for which provision for credit losses is individually assessed										
(a)	25,011,673	27.49	6,158,607	24.62	18,853,066	23,253,301	28.22	5,879,358	25.28	17,373,943
Accounts receivable for which provision for credit losses is collectively assessed on a portfolio basis										
(b)	65,971,176	72.51	7,221,891	10.95	58,749,285	59,160,226	71.78	7,097,689	12.00	52,062,537
Total	<b>90,982,849</b>	<b>100.00</b>	<b>13,380,498</b>	/	<b>77,602,351</b>	82,413,527	100.00	12,977,047	/	69,436,480

# Financial Statements

## 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 period

All amounts in RMB'000

Accounts receivable (per entity)	Accounts receivable	30 June 2021 Provision for credit losses	Proportion of provision (%)	Reasons
Party 1	1,548,080	–	–	The group considered the reasonable and supported information related to other party (including forward-looking information), then evaluated the anticipated credit losses and made provision for credit losses.
Party 2	1,369,272	547,709	40.00	
Party 3	572,959	572,959	100.00	
Party 4	508,776	393,270	77.30	
Party 5	400,357	5,135	1.28	
Others	20,612,229	4,639,534	22.51	
Total	25,011,673	6,158,607	24.62	/

- (b) Accounts receivable for which provision for credit losses is collectively assessed on a portfolio basis at the end of the period.

All amounts in RMB'000

Aging	Accounts receivable	30 June 2021 Provision for credit losses	Proportion of provision (%)
Within 1 year	47,045,770	1,262,671	2.68
1 to 2 years	8,735,314	839,363	9.61
2 to 3 years	4,072,719	851,442	20.91
3 to 4 years	2,067,926	828,697	40.07
4 to 5 years	1,318,324	763,122	57.89
Over 5 years	2,731,123	2,676,596	98.00
Total	65,971,176	7,221,891	10.95

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.

# Financial Statements

## 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 2020	8,462,766	4,514,281	12,977,047
Provision for the current period	464,882	341,885	806,767
Reversal for the current period	(162,989)	(235,618)	(398,607)
Write-off for the current period	–	(4,118)	(4,118)
Other changes	(1,541)	950	(591)
Provision for credit losses at 30 June 2021	8,763,118	4,617,380	13,380,498
Book value at 30 June 2021	84,823,289	6,159,560	90,982,849

#### (4) The top 5 largest accounts receivable collected by arrears at 30 June 2021

All amounts in RMB'000

Name of entity	Relationship with the Group	30 June 2021	As a percentage of total accounts receivable (%)
Party 1	Third party	2,570,237	2.82
Party 2	Third party	1,825,333	2.02
Party 3	Third party	1,548,080	1.70
Party 4	Third party	1,369,272	1.50
Party 5	Third party	703,228	0.77
Total	/	8,016,150	8.81

(5) As at 30 June 2021, the Group's assets and liabilities recognized for transfer of accounts receivable and continuing involvement amounted to RMB14,600,000 (31 December 2020: 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 30 June 2021 are set out in Note VII 70.

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Receivables at FVTOCI

All amounts in RMB'000

Item	30 June 2021	31 December 2020
Bank acceptance bills	15,121,128	11,759,582
Total	15,121,128	11,759,582

- (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 adopts 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 is subsequently measured at fair value through OCI. For method of determining the fair value, refer to Note XI 3.

For the current period, the changes in fair value of such bank acceptance bills resulted in decrease of RMB60,991,000 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 period, the Group didn't make provision for credit impairment loss of the receivables at FVTOCI.
- (3) As at 30 June 2021, the Group has receivable bank acceptance bills that has been discounted or endorsed with recourse right but undue amounting to RMB9,165,476,000 (Amounting to RMB19,918,051,000 as at 31 December 2020). 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 30 June 2021 are set out in Note VII 70.

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 7. Prepayments

#### (1) Aging analysis of prepayments

All amounts in RMB'000

Aging	30 June 2021		31 December 2020	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	30,594,496	84.80	27,856,345	81.05
1 to 2 years	2,850,903	7.90	4,051,565	11.79
2 to 3 years	1,040,508	2.88	1,154,752	3.36
Over 3 years	1,591,661	4.42	1,307,052	3.80
Total	36,077,568	100.00	34,369,714	100.00

As at 30 June 2021, prepayments aged over one year were RMB5,483,072,000 (As at 31 December 2020: RMB6,513,369,000), mainly including prepaid construction payments and payments for goods to sub-contractors.

#### (2) The five largest prepayments at 30 June 2021

All amounts in RMB'000

Name of entity	Relationship with the Group	30 June 2021	As a percentage of total prepayments (%)
Party 1	Third party	1,064,294	2.95
Party 2	Third party	269,216	0.75
Party 3	Third party	238,420	0.66
Party 4	Third party	236,047	0.65
Party 5	Third party	205,501	0.57
Total	/	2,013,478	5.58



# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 8. Other receivables

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

All amounts in RMB'000

Items	30 June 2021	31 December 2020
Interest receivables	19,304	5,580
Dividends receivable	602,253	487,993
Other receivables	71,335,746	63,731,715
Total	71,957,303	64,225,288

#### (2) Interest receivables

All amounts in RMB'000

Item	30 June 2021	31 December 2020
Interests on term deposits	19,304	5,580
Total	19,304	5,580

#### (3) Dividends receivable

##### (a) Presentation of dividends receivable

All amounts in RMB'000

The name of investee	30 June 2021	31 December 2020
Zhuhai MCC Jianxin Investment Management Partnership (LP)	527,241	388,551
Hebei Xiong'an Rongxi Concrete Co., Ltd.	18,783	–
Sichuan Fazhan Guoye Construction Investment Co., Ltd.	13,479	–
Hebei Steel Luan County Sijiyang Iron Ore Co., Ltd.	9,024	52,725
WISCO MCC Industrial Technology Service Co., Ltd.	6,015	–
Others	27,711	46,717
Total	602,253	487,993

(b) As at 30 June 2021, dividends receivable aged over one year were RMB275,465,000 (31 December 2020: RMB184,682,000).

# Financial Statements

## 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	30 June 2021	31 December 2020
Within 1 year	49,852,695	42,650,722
1 to 2 years	8,380,789	6,427,608
2 to 3 years	6,318,812	6,499,351
3 to 4 years	3,256,715	5,517,987
4 to 5 years	3,790,257	2,471,062
Over 5 years	7,629,275	7,506,735
Total book value	79,228,543	71,073,465
Less: provisions for credit losses	7,892,797	7,341,750
Carrying amount	71,335,746	63,731,715

##### (b) Provision for credit losses of other receivables

All amounts in RMB'000

Items	Phase 1 Future 12-month expected credit losses	Phase 2 Lifetime expected credit losses (Non-credit- impaired)	Phase 3 Lifetime expected credit losses (Credit- impaired)	Total
Provision for credit losses at 31 December 2020	2,275,527	681,417	4,384,806	7,341,750
Provision for the current period	57,064	16,014	693,792	766,870
Reversal for the current period	(24,292)	(2,915)	(182,386)	(209,593)
Write-off for the current period	–	–	(1,641)	(1,641)
Other changes	–	–	(4,589)	(4,589)
Provision for credit losses at 30 June 2021	2,308,299	694,516	4,889,982	7,892,797
Carrying amount of other receivables at 30 June 2021	68,529,228	3,934,668	6,764,647	79,228,543

# Financial Statements

## 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	30 June 2021	31 December 2020
Guarantee deposits	35,090,584	30,561,019
Loan receivables from related parties	33,940,510	31,781,493
Pretty cash	429,570	316,054
Receivables on disposal of investments	2,702,393	2,702,393
Others	7,065,486	5,712,506
Total	79,228,543	71,073,465

(d) The top 5 largest other receivables at the end of the current period

All amounts in RMB'000

Name of entity	Relationship with the Group	Nature of other receivables	30 June 2021	Aging	As a percentage of total other receivables (%)
Party 1	Joint venture	Loans to related parties	5,019,899	Within 1 year	6.34
Party 2	Joint venture	Loans to related parties	2,988,725	Within 1 year	3.77
Party 3	Joint venture	Loans to related parties	2,575,173	Within 1 year	3.25
Party 4	Joint venture	Loans to related parties	2,365,149	Within 1 year	2.99
Party 5	Third party	Others	2,122,943	Over 5 years	2.68
Total	/	/	15,071,889	/	19.03

(e) As at 30 June 2021, 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 2020: nil).

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9. Inventories

#### (1) Categories of inventories

All amounts in RMB'000

Items	30 June 2021			31 December 2020		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Raw materials	3,342,107	16,602	3,325,505	5,003,298	18,604	4,984,694
Materials procurement	129,153	–	129,153	86,422	–	86,422
Outsourced processing materials	10,157	330	9,827	10,065	330	9,735
Work in progress	2,832,016	504,097	2,327,919	3,002,146	334,043	2,668,103
Finished goods	2,372,804	198,964	2,173,840	2,540,229	136,238	2,403,991
Other materials	574,182	1,048	573,134	640,615	1,060	639,555
Performance costs of contract	72,874	–	72,874	73,814	–	73,814
Properties under development (a)	38,328,300	13,310	38,314,990	31,327,122	10,169	31,316,953
Completed properties held for sale (b)	16,194,366	500,702	15,693,664	18,901,009	502,841	18,398,168
Total	63,855,959	1,235,053	62,620,906	61,584,720	1,003,285	60,581,435

Note: Inventories with title restriction are set out in Note VII 70.

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9. Inventories (Continued)

#### (1) Categories of inventories (Continued)

##### (a) Details of the properties under development

All amounts in RMB'000

Project name	Project Commencement date	Estimated Completion date	Estimated total investment amount	31 December 2020	30 June 2021
Nanjing Xiaguan River Project	2011-01-01	2022-04-30	16,728,279	6,860,670	<b>7,148,832</b>
MCC Yijing Mansion	2018-06-15	2021-12-31	9,939,495	6,205,384	<b>6,618,316</b>
MCC Xinglong New City Hongshijun	2017-12-20	2023-12-31	16,700,000	3,234,492	<b>3,424,520</b>
Shijiazhuang Zhaotuo Park Project	2019-03-01	2022-12-31	5,441,540	–	<b>2,698,237</b>
Qingdao MCC Dexian Mansion	2020-06-24	2022-06-30	5,139,190	1,937,309	<b>2,237,319</b>
Hangzhou The splendid Huafu	2017-12-20	2021-09-30	7,460,040	–	<b>2,122,965</b>
Qin Hai Yun Villa Project	2011-08-08	2025-12-31	4,400,000	1,473,365	<b>1,627,868</b>
MCC Tongluo Town	2014-11-01	2026-12-31	3,500,000	1,434,243	<b>1,476,663</b>
Yanjiao Headquarters Base Project	2019-10-31	2021-12-10	2,794,420	886,992	<b>1,203,445</b>
Changchengshili Spring Breeze Town	2018-03-03	2021-12-31	2,500,000	659,841	<b>898,551</b>
Qinhuangdao Fanhua Dexian New City Project II	2018-12-31	2021-12-31	2,828,897	661,372	<b>675,424</b>
Qinhuangdao Yunding Dexian New Town Project I	2018-12-31	2021-12-31	2,472,199	572,853	<b>585,369</b>
Shanghai Jinshan District – MCC Fengjunyuan Project II	2015-12-31	2021-12-31	590,516	470,684	<b>542,878</b>
Renhe Xili	2019-03-01	2022-12-31	1,924,180	421,801	<b>440,538</b>
Plot D-1, Gengyang New City	2019-12-10	2021-12-31	575,000	408,405	<b>434,075</b>
Others	/	/	74,861,365	6,099,711	<b>6,193,300</b>
Total	/	/	157,855,121	31,327,122	<b>38,328,300</b>

# Financial Statements

## 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 2020	Increase in the current period	Decrease in the current period	30 June 2021
Tianjin Xinbadali District Qixianli Project	2019-06-26	2,725,034	1,053,331	1,704,782	<b>2,073,583</b>
Shijiazhuang MCC Dexian Mansion Project	2020-10-31	2,200,265	70,275	333,615	<b>1,936,925</b>
Hengqin Port Base Project	2020-01-31	1,813,794	–	6,905	<b>1,806,889</b>
MCC 39th Street Project	2019-09-30	1,701,874	104,246	434,906	<b>1,371,214</b>
Hong Kong Quanwan Qinglongtou Yijing Longwan Project	2020-10-06	1,280,458	–	198,275	<b>1,082,183</b>
Nanjing Xiaguan Riverside Project	2020-06-24	828,248	–	124,726	<b>703,522</b>
Brazil Fluctuation Apartment Project	2018-10-30	625,124	–	16,313	<b>608,811</b>
Baotou MCC Campus South Road Community Project	2020-11-20	406,886	125,404	56,420	<b>475,870</b>
Qin Hai Yun Villa Project	2019-06-19	474,154	–	19,124	<b>455,030</b>
Beijing Daxing District Jiugong Green Belt Parcel A1 Project	2017-10-31	524,043	–	89,291	<b>434,752</b>
MCC Xinglong New City Hongshijun	2020-02-28	400,544	10,231	23,165	<b>387,610</b>
Tangshan Wutong Road Project	2012-10-31	345,308	14,576	–	<b>359,884</b>
Hangzhou The splendid Huafu	2021-02-27	–	3,482,256	3,151,059	<b>331,197</b>
Dalian International Business City	2014-12-31	333,227	–	16,230	<b>316,997</b>
Tongluo Town F Land	2020-06-01	323,460	–	39,047	<b>284,413</b>
Qingshuitang Jiezhixia Area, Qinhuai District	2020-11-30	798,582	17,621	535,143	<b>281,060</b>
Xi'an MCC chang'an metropolis	2018-12-31	268,979	102	19,254	<b>249,827</b>
MCC.Happy Chen	2020-12-31	406,968	–	171,353	<b>235,615</b>
Others	/	3,444,061	1,911,197	2,556,274	<b>2,798,984</b>
<b>Total</b>	/	<b>18,901,009</b>	<b>6,789,239</b>	<b>9,495,882</b>	<b>16,194,366</b>

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9. Inventories (Continued)

#### (2) Provision for impairment

All amounts in RMB'000

Items	Balance at 31 December 2020	Increase			Decrease		Balance at 30 June 2021
		Provision	Others	Reversals	Write-offs	Others	
Raw materials	18,604	(2,002)	-	-	-	-	16,602
Outsourced processing materials	330	-	-	-	-	-	330
Work in progress	334,043	181,328	-	-	11,274	-	504,097
Finished goods	136,238	83,862	-	6,984	14,152	-	198,964
Other materials	1,060	(12)	-	-	-	-	1,048
Properties under development	10,169	5,358	-	-	2,217	-	13,310
Completed properties held for sale	502,841	(1,975)	-	-	164	-	500,702
Total	1,003,285	266,559	-	6,984	27,807	-	1,235,053

(3) As at 30 June 2021, the total borrowing costs capitalized in properties under development were RMB5,320,073,000 (as at 31 December 2020: RMB4,387,821,000). Borrowing costs capitalized for the current period amounted to RMB661,493,000 (for the period ended 30 June 2020: RMB294,569,000). The capitalization rates of borrowing costs were from 3.60% to 7.80% (for the period ended 30 June 2020: 4.28% to 8.50%).

### 10. Contract assets

#### (1) Presentation of contract assets

All amounts in RMB'000

Items	30 June 2021			31 December 2020		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Contract assets interrelated with engineering contracting services	104,294,680	4,205,918	100,088,762	82,659,393	3,366,039	79,293,354
Contract assets interrelated with quality guarantee deposit	4,784,122	276,005	4,508,117	4,201,728	295,599	3,906,129
Total	109,078,802	4,481,923	104,596,879	86,861,121	3,661,638	83,199,483

## 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 2020	2,434,832	1,226,806	3,661,638
Provision for the current period	211,556	612,108	823,664
Reversal for the current period	(968)	–	(968)
Other changes	(2,170)	(241)	(2,411)
Provision impairment at 30 June 2021	2,643,250	1,838,673	4,481,923
Book value of contract assets at 30 June 2021	107,035,764	2,043,038	109,078,802

#### (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 30 June 2021, implementation progress of part of contracts exceeded the settlement progress, thus formed related contract assets, which shall be transferred into receivables after the completion of settlement.

For the engineering quality deposit arising from the settlement of engineering contracting services provided by the Group, the Group has the right to receive the consideration unconditionally from the customer upon the expiration of the guarantee period with no significant quality issues occurred therein. Such deposit constituted contract assets and was transferred into accounts receivable under the above-said condition.

#### (4) West Australia SINO Iron Mining Project

In 2012, MCC Mining (Western Australia) Pty Ltd. ("Western Australia"), a wholly owned subsidiary of the Group, was forced to postpone the SINO Iron Project, including six production lines in total, due to reasons like extreme weather condition in Australia and other unpredictable reasons. The owner of the project is CITIC Limited. The Group negotiated with China CITIC Group Ltd. ("CITIC Group", the parent company of CITIC Limited) for the project delay and the total contract price after cost overruns. CITIC Group and Western Australia signed the Third Supplementary EPC Agreement of SINO Iron Project in Western Australia on 30 December 2011 agreeing that the construction costs to complete the second main process line including trial run should be within USD4.357 billion. The ultimate construction costs for the aforesaid project should be determined by an audit performed by third party auditor. Based on the consensus with CITIC Group above and the estimated total construction costs of the project, the Group recognized impairment loss on contract costs of USD481 million (equivalent to approximately RMB3.035 billion) for the year ended 31 December 2012.



# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10. Contract assets (Continued)

#### (4) West Australia SINO Iron Mining Project (Continued)

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 30 June 2021.

On 30 June 2021, the contract assets of the project mentioned above amounted to RMB3,456,220,000. After the completion of the audit mentioned above, the Group will actively follow up with CITIC Group for negotiation and discussion in reaching the final agreed project construction costs and make relevant accounting treatments accordingly.

### 11. Non-current assets due within one year

*All amounts in RMB'000*

Items	30 June 2021	31 December 2020
Long-term receivables due within 1 year (Note VII 13)	1,755,750	1,499,007
Total	1,755,750	1,499,007

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Other current assets

All amounts in RMB'000

Items	30 June 2021	31 December 2020
VAT debit balance	1,625,163	1,280,151
Prepayments of enterprise income tax	649,330	862,630
Total	2,274,493	2,142,781

### 13. Long-term receivables

#### (1) Long-term receivables

All amounts in RMB'000

Items	30 June 2021	31 December 2020
Long-term receivables on project	36,024,110	27,489,727
Loans to related parties	361,385	773,176
Receivables on disposal of equity investments	333,485	333,485
Others	1,063,834	1,224,025
Total carrying amount	37,782,814	29,820,413
Less: provisions for credit losses of long-term receivables	2,806,446	2,744,764
Total book value	34,976,368	27,075,649
Including: Long-term receivables due within 1 year, net	1,755,750	1,499,007
Long-term receivables due over 1 year, net	33,220,618	25,576,642

As at 30 June 2021, long-term receivables are presented on a net basis with the discount rate ranging from 4.35% to 4.90%.

# Financial Statements

## 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

Items	Phase 1	Phase 2	Phase 3	Total
	Future 12-month expected credit losses	Lifetime expected credit losses (Non-credit- impaired)	Lifetime expected credit losses (Credit-impaired)	
Provisions for credit losses at 31 December 2020	364,410	329,461	2,050,893	2,744,764
Provision for the current period	6,078	36,108	54,016	96,202
Reversal for the current period	(2,529)	(7,037)	(25,552)	(35,118)
Write-off for the current period	–	–	–	–
Other changes	–	–	598	598
Provisions for credit losses at 30 June 2021	367,959	358,532	2,079,955	2,806,446
Book value of long-term receivables at 30 June 2021	30,204,496	4,263,562	3,314,756	37,782,814

- (3) As of 30 June 2021, 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 2020: nil).

# Financial Statements

## 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 2020	Movements for the current period							Carrying amount at 30 June 2021	Provision for impairment at 30 June 2021	
		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 period			Others
<b>1. Joint ventures</b>											
Guizhou Ziwang Highway Construction Co., Ltd. (Note IX 1(1)(b))	1,590,744	-	-	(37,503)	-	-	-	-	-	1,553,241	-
Guizhou Sanli Highway Construction Co., Ltd. (Note IX 1(1)(b))	1,388,242	-	-	49,953	-	-	-	-	-	1,438,195	-
Guizhou Sanshi Highway Construction Co., Ltd. (Note IX 1(1)(b))	838,490	-	-	(15,316)	-	-	-	-	-	823,174	-
Zuhai Hengqin Headquarters Building Development Co., Ltd. (Note IX 1(1)(b))	515,500	-	-	1,265	-	-	-	-	-	516,765	-
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd. (Note IX 1(1)(b))	243,785	-	-	-	-	-	-	-	-	243,785	-
Others	2,471,511	44,990	(156,064)	(8,345)	-	-	-	-	64,890	2,416,982	154,830
Sub-total	7,048,272	44,990	(156,064)	(9,946)	-	-	-	-	64,890	6,992,142	154,830
<b>2. Associates</b>											
Zuhai MCC Jianxin Investment Management Partnership (LP) (Note IX 1(1)(b))	3,955,134	-	-	138,691	-	-	(138,691)	-	-	3,955,134	-
Beijing City Vice-Center Investment Fund Partnership (LP) (Note IX 2(1)(a))	702,205	150,000	-	516	-	-	-	-	-	852,721	-
Yunnan Mangliang Expressway Investment and Development Co., Ltd.	482,600	158,976	-	-	-	-	-	-	-	641,576	-
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	517,771	-	-	12,532	-	-	-	-	-	530,303	-
Yunnan Luqiu Guangfu Expressway Investment Development Co., Ltd.	38,000	321,881	-	-	-	-	-	-	-	359,881	-
Others	12,932,973	1,293,168	(78,097)	(18,655)	(969)	7,650	(62,089)	-	-	14,073,981	155,586
Sub-total	18,628,683	1,924,025	(78,097)	133,084	(969)	7,650	(200,780)	-	-	20,413,596	155,586
Total	25,676,955	1,969,015	(234,161)	123,138	(969)	7,650	(200,780)	-	64,890	27,405,738	310,416

# Financial Statements

## 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	30 June 2021	31 December 2020	Cash dividends recognized for the current period
Investments in non-trading equity instruments – listed companies	341,174	266,483	–
Investments in non-trading equity instruments – unlisted companies	1,713,464	1,698,181	6,890
Total	2,054,638	1,964,664	6,890

(2) For the current period, the Group derecognized investment in other equity instruments, and transferred the accumulated gains from such investment previously included in other comprehensive income amounting to RMB1,107,000 to retained earnings.

(3) As of 30 June 2021, the cumulative loss of other equity instruments held by the Group that are recorded in other comprehensive income is RMB131,701,000 (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 30 June 2021	Carrying amount at 31 December 2020
Financial assets at FVTPL	4,458,714	4,418,546
Including: Investment in unquoted fund product	4,448,252	4,408,083
Equity instrument investment	10,462	10,463
Total	4,458,714	4,418,546

The method for determining the fair value of above other non-current financial assets can be found in Note XI.

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 17. Investment properties

#### (1) Investment properties measured at cost

All amounts in RMB'000

Items	Buildings and structures	Land use rights	Total
<b>I. Total original book value</b>			
1. 31 December 2020	6,197,101	599,507	6,796,608
2. Increase	892,943	17,291	910,234
(1) Purchase or construction	–	–	–
(2) Transferred from fixed assets	19,397	–	19,397
(3) Transferred from land use rights	–	17,291	17,291
(4) Transferred from construction in progress	871,307	–	871,307
(5) Others	2,239	–	2,239
3. Decrease	173,429	–	173,429
(1) Disposal	7,882	–	7,882
(2) Transferred to fixed assets	6,527	–	6,527
(3) Others	159,020	–	159,020
4. 30 June 2021	6,916,615	616,798	7,533,413
<b>II. Accumulated depreciation and amortization</b>			
1. 31 December 2020	991,535	139,796	1,131,331
2. Increase	82,244	9,412	91,656
(1) Provision or amortization	68,390	6,473	74,863
(2) Transferred from fixed assets	13,854	–	13,854
(3) Transferred from land use rights	–	2,939	2,939
3. Decrease	2,823	–	2,823
(1) Disposal	532	–	532
(2) Transferred to fixed assets	2,291	–	2,291
4. 30 June 2021	1,070,956	149,208	1,220,164
<b>III. Provision for impairment</b>			
1. 31 December 2020	23,603	–	23,603
2. Increase	–	–	–
(1) Provision	–	–	–
3. Decrease	297	–	297
(1) Disposal	297	–	297
4. 30 June 2021	23,306	–	23,306
<b>IV. Total carrying amount</b>			
1. 30 June 2021	5,822,353	467,590	6,289,943
2. 31 December 2020	5,181,963	459,711	5,641,674

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 17. Investment properties (Continued)

- (2) As at 30 June 2021, the Group have buildings and structures of investment properties at carrying amount of RMB194,993,000 (historical book value of RMB217,608,000) of which the title certificates were not obtained by the Group (as at 31 December 2020: carrying amount of RMB198,435,000; original book value of RMB217,608,000).

*All amounts in RMB'000*

Item	Carrying amount	Reasons for title certificates outstanding
Scientific Research Building of China Non-ferrous Engineering Co., Ltd.	194,993	In the process

- (3) Investment properties with title restriction as at 30 June 2021 are set out in Note VII 70.

### 18. Fixed assets

#### (1) Fixed assets

*All amounts in RMB'000*

Items	Buildings and structures	Machinery and equipment	Transportation vehicles	Office equipment and others	Total
<b>I. Total historical cost:</b>					
1. 31 December 2020	24,176,149	21,735,377	2,066,623	3,961,146	51,939,295
2. Increase	132,806	201,281	65,560	142,985	542,632
(1) Purchase	73,733	172,043	57,032	113,153	415,961
(2) Transferred from investment properties	6,527	-	-	-	6,527
(3) Transferred from construction in progress	51,550	27,226	-	3,262	82,038
(4) Others	996	2,012	8,528	26,570	38,106
3. Decrease	409,657	798,607	74,821	56,981	1,340,066
(1) Disposal or written-off	324,525	707,820	66,883	26,624	1,125,852
(2) Transferred to investment properties	19,397	-	-	-	19,397
(3) Others	65,735	90,787	7,938	30,357	194,817
4. 30 June 2021	23,899,298	21,138,051	2,057,362	4,047,150	51,141,861

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18. Fixed assets (Continued)

#### (1) Fixed assets (Continued)

Items	Buildings and structures	Machinery and equipment	Transportation vehicles	Office equipment and others	Total
<b>II. Accumulated depreciation</b>					
1. 31 December 2020	7,774,079	13,841,702	1,352,448	1,778,537	24,746,766
2. Increase	420,372	661,269	75,831	143,808	1,301,280
(1) Provision	416,431	659,454	72,183	130,464	1,278,532
(2) Transferred from investment properties	2,291	–	–	–	2,291
(3) Others	1,650	1,815	3,648	13,344	20,457
3. Decrease	182,914	501,982	64,852	40,075	789,823
(1) Disposal or written-off	152,772	442,487	58,981	27,944	682,184
(2) Transferred to investment properties	13,854	–	–	–	13,854
(3) Others	16,288	59,495	5,871	12,131	93,785
4. 30 June 2021	8,011,537	14,000,989	1,363,427	1,882,270	25,258,223
<b>III. Provision for impairment</b>					
1. 31 December 2020	1,038,991	1,327,965	29,518	111,895	2,508,369
2. Increase	–	–	–	–	–
(1) Provision	–	–	–	–	–
3. Decrease	36,150	273,859	4,287	2,921	317,217
(1) Disposal or written-off	529	248,523	–	26	249,078
(2) Others	35,621	25,336	4,287	2,895	68,139
4. At 30 June 2021	1,002,841	1,054,106	25,231	108,974	2,191,152
<b>IV. Total carrying amount</b>					
1. 30 June 2021	14,884,920	6,082,956	668,704	2,055,906	23,692,486
2. 31 December 2020	15,363,079	6,565,710	684,657	2,070,714	24,684,160

#### (2) Temporary idle fixed assets

All amounts in RMB'000

Items	Historical cost	Accumulated depreciation	Provision for impairment	Carrying amount	Notes
Buildings and structures	284,032	96,319	148,380	39,333	Seasonal suspension or idle
Machinery and equipment	806,338	399,576	347,946	58,816	Seasonal suspension or idle
Other equipment	41,701	29,375	1,895	10,431	Seasonal suspension or idle



# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18. Fixed assets (Continued)

#### (3) Fixed assets under operating leases

All amounts in RMB'000

Items	30 June 2021 Carrying amount
Machinery equipment and others	9,983

#### (4) Fixed assets of which certificates of title have not been obtained

Buildings and structures with an aggregate carrying amount of RMB258,096,000 (historical cost: RMB344,036,000) (as at 31 December 2020: carrying amount of RMB262,166,000; historical cost of RMB344,036,000) 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 Non-ferrous Engineering Co., Ltd.	119,580	In the process
Heavy industry production base project of China First Metallurgical Group Co., Ltd.	125,853	In the process
The office building of China Huaye Group Co., Ltd. in Beijing	12,663	In the process

(5) Fixed assets with title restriction as at 30 June 2021 are set out in Note VII 70.

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 19. Construction in progress

#### (1) Construction in progress analysed by category

All amounts in RMB'000

Category	30 June 2021	31 December 2020
Construction in progress	4,599,626	4,867,383
Materials for construction of fixed assets	59,983	48,187
Total	4,659,609	4,915,570

#### (2) Construction in progress

##### (a) Construction in progress

All amounts in RMB'000

Items	30 June 2021			31 December 2020		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Infrastructure Project of MCC JCL Anak Mining Co., Ltd.	1,075,052	-	1,075,052	1,062,355	-	1,062,355
Zhumadian City Group Outreach Road Courtyard Development and Reform	738,869	-	738,869	637,946	-	637,946
Project of Central Research Institute of Building and Construction Co., Ltd.	386,736	-	386,736	336,407	-	336,407
Construction Research Institute No. 3 Blast Furnace System Engineering	343,791	-	343,791	311,081	-	311,081
Environmental Protection BOO Project	305,385	-	305,385	227,969	-	227,969
MCC Guangdong Shenzhen Qianhai Technology Building Project	135,463	-	135,463	122,889	-	122,889
Xiaogan Dangerous Waste Treatment Center Project	94,564	-	94,564	39,542	-	39,542
Project Management Department of Technology Center Building	73,198	-	73,198	46,320	-	46,320
High Performance Carbon Brick Production Line	63,169	-	63,169	45,617	-	45,617
Rizhao Kangyang Town PPP Project I	62,834	-	62,834	24,458	-	24,458
Changtian Heavy Industry Base construction	2,112,094	791,529	1,320,565	2,804,666	791,867	2,012,799
Others						
Total	5,391,155	791,529	4,599,626	5,659,250	791,867	4,867,383

# Financial Statements

## 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 at current period

All amounts in RMB'000

Items	Budgeted amount	31 December 2020	Increase	Transfer to fixed assets/ investment properties	Other changes	30 June 2021	Cost incurred as a percentage of budgeted amount (%)	Construction progress (%)	Accumulated capitalized borrowing costs	Including: Capitalized borrowing costs for the current period	Latest rate of borrowing costs capitalized for the current period (%)	Sources of fund
Infrastructure Project of MCC JCL Anak Mining Co., Ltd.	23,847,800	1,062,355	23,740	-	(11,043)	1,075,052	19.97	19.97	-	-	-	Self-raised funds
Zhumadian City Group Outreach Road	1,223,657	637,946	100,923	-	-	738,869	60.38	60.38	14,174	14,174	4.65	Self-raised funds and loans from financial institutions
Courtyard Development and Reform Project of Central Research Institute of Building and Construction Co., Ltd.	1,000,000	336,407	50,329	-	-	386,736	38.67	38.67	15,476	-	6.64	Self-raised funds and loans from financial institutions
Construction Research Institute No. 3 Blast Furnace System Engineering Environmental Protection BOO Project	649,867	311,081	67,465	(34,755)	-	343,791	58.25	58.25	5,489	4,160	4.14	Self-raised funds and loans from financial institutions
MCC Guangdong Shenzhen Qianhai Technology Building Project	3,382,174	227,969	77,416	-	-	305,385	48.00	48.00	130,711	20,290	7.50	Self-raised funds and loans from financial institutions
Xiaogan Dangerous Waste Treatment Center Project	199,476	122,889	12,574	-	-	135,463	67.91	67.91	5,359	2,517	4.35	Self-raised funds and loans from financial institutions
Project Management Department of Technology Center Building	235,000	39,542	55,022	-	-	94,564	40.24	40.24	-	-	-	Self-raised funds
High Performance Carbon Brick Production Line	180,000	46,320	26,878	-	-	73,198	88.00	88.00	-	-	-	Self-raised funds
Rizhao Kangyang Town PPP Project I	140,000	45,617	17,552	-	-	63,169	45.12	45.12	-	-	-	Self-raised funds
Changtian Heavy Industry Base construction	100,000	24,458	38,376	-	-	62,834	62.83	62.83	-	-	-	Self-raised funds
Others	6,670,917	2,804,666	543,865	(1,224,679)	(11,758)	2,112,094	/	/	48,837	11,996	-	/
<b>Total</b>	<b>37,628,891</b>	<b>5,659,250</b>	<b>1,014,140</b>	<b>(1,259,434)</b>	<b>(22,801)</b>	<b>5,391,155</b>	<b>/</b>	<b>/</b>	<b>220,046</b>	<b>53,137</b>	<b>/</b>	<b>/</b>

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 19. Construction in progress (Continued)

#### (2) Construction in progress (Continued)

(c) The Group made provision for impairment of construction in progress of RMB Nil for the current period (for the period ended 30 June 2020: RMB Nil). As at 30 June 2020, the balance of the impairment provision for construction in progress of the Group was RMB791,529,000 (as at 31 December 2020: RMB791,867,000).

#### (3) Materials for construction

*All amounts in RMB'000*

<b>Items</b>	<b>30 June 2021</b>	31 December 2020
Materials	<b>13,068</b>	5,260
Equipment	<b>46,179</b>	42,297
Tools and instruments prepared for production	<b>603</b>	608
Others	<b>133</b>	22
Total	<b>59,983</b>	48,187

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 20. Right-of-use assets

All amounts in RMB'000

Items	Buildings and structures	Machinery and equipment	Transportation vehicles	Others	Total
<b>I. Total historical cost:</b>					
1. 31 December 2020	565,622	60,198	381,694	23,276	1,030,790
2. Increase	120,424	709	–	2,049	123,182
(1) New leases	120,363	709	–	2,049	123,121
(2) Others	61	–	–	–	61
3. Decrease	16,955	9,593	8,138	–	34,686
(1) Expired lease contract	7,973	160	4,108	–	12,241
(2) Change of exchange rate	657	–	–	–	657
(3) Others	8,325	9,433	4,030	–	21,788
4. 30 June 2021	669,091	51,314	373,556	25,325	1,119,286
<b>II. Accumulated depreciation</b>					
1. 31 December 2020	249,633	51,870	249,729	5,587	556,819
2. Increase	57,387	4,877	22,475	2,153	86,892
(1) Provision	57,387	4,877	22,475	2,153	86,892
3. Decrease	4,522	8,892	7,460	–	20,874
(1) Expired lease contract	3,708	160	3,668	–	7,536
(2) Change of exchange rate	594	–	–	–	594
(3) Others	220	8,732	3,792	–	12,744
4. 30 June 2021	302,498	47,855	264,744	7,740	622,837
<b>III. Provision for impairment</b>					
1. 31 December 2020	–	–	–	–	–
2. 30 June 2021	–	–	–	–	–
<b>IV. Carrying amount</b>					
1. 30 June 2021	366,593	3,459	108,812	17,585	496,449
2. 31 December 2020	315,989	8,328	131,965	17,689	473,971

For the current period, the Group's short-term leasing fee and low-price assets leasing fee, which is simplified and charged to current profits and losses, is RMB71,730,000.

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 21. Intangible assets

#### (1) Intangible assets

All amounts in RMB'000

Items	Land use rights	Mining rights	Franchise	Software	Patent and proprietary technology	Trademark right	Total
<b>I. Total historical cost</b>							
1. 31 December 2020	8,008,790	4,047,858	11,087,819	832,906	227,927	270	24,205,570
2. Increase	999	–	701,167	31,949	1,804	–	735,919
(1) Purchase	–	–	396,245	31,671	–	–	427,916
(2) Transferred from construction in progress	999	–	304,922	168	–	–	306,089
(3) Others	–	–	–	110	1,804	–	1,914
3. Decrease	163,822	97,309	45,011	31,721	228	–	338,091
(1) Disposal or written-off	145,520	–	40,149	31,570	–	–	217,239
(2) Transferred to investment properties	17,291	–	–	–	–	–	17,291
(3) Others	1,011	97,309	4,862	151	228	–	103,561
4. 30 June 2021	7,845,967	3,950,549	11,743,975	833,134	229,503	270	24,603,398
<b>II. Accumulated amortization</b>							
1. 31 December 2020	1,679,348	64,521	1,662,859	548,849	66,275	270	4,022,122
2. Increase	88,374	1,419	150,769	40,728	10,300	–	291,590
(1) Amortization	88,374	1,419	150,769	40,715	10,287	–	291,564
(2) Others	–	–	–	13	13	–	26
3. Decrease	41,085	100	39,563	30,638	53	–	111,439
(1) Disposal or written-off	37,961	–	39,563	30,554	–	–	108,078
(2) Transferred to investment properties	2,939	–	–	–	–	–	2,939
(3) Others	185	100	–	84	53	–	422
4. 30 June 2021	1,726,637	65,840	1,774,065	558,939	76,522	270	4,202,273
<b>III. Provision for impairment</b>							
1. 31 December 2020	86,611	2,600,220	–	250	4,508	–	2,691,589
2. Increase	–	–	–	–	–	–	–
(1) Provision	–	–	–	–	–	–	–
3. Decrease	63,916	84,083	–	–	–	–	147,999
(1) Disposal or written-off	63,342	–	–	–	–	–	63,342
(2) Others	574	84,083	–	–	–	–	84,657
4. 30 June 2021	22,695	2,516,137	–	250	4,508	–	2,543,590
<b>IV. Carrying amount</b>							
1. 30 June 2021	6,096,635	1,368,572	9,969,910	273,945	148,473	–	17,857,535
2. 31 December 2020	6,242,831	1,383,117	9,424,960	283,807	157,144	–	17,491,859

As at 30 June 2021, the internally developed intangible assets as a percentage of total intangible assets of the Group were 0.43% (as at 31 December 2020: 0.43%).

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 21. Intangible assets (Continued)

(2) The Group made no extra impairment provision of Cape Lambert Iron Project owned by the Group for the current period. As at 30 June 2021, the accumulated impairment provision for the Cape Lambert Iron Project intangible assets amounting to RMB2,495,639,000, including the decreasing accumulated impact on exchange fluctuation of Australian dollars of RMB292,724,000. The related intangible assets belong to the resource development segment.

(3) Intangible assets with title restriction as at 30 June 2021 are set out in Note VII 70.

### 22. Goodwill

#### (1) Original historical cost

All amounts in RMB'000

Name of investee	31 December 2020	Increase		Decrease		30 June 2021
		Business combinations	Others	Disposal	Others	
MCC Finance Corporation Ltd.	105,032	-	-	-	-	105,032
Beijing ShengPeng Real Estate Development Co., Ltd.	94,923	-	-	-	-	94,923
Chengde Tiangong Architectural Design Co., Ltd.	33,460	-	-	-	-	33,460
China Metallurgical Construction Engineering Group Chongqing Heyuan Concrete Co., Ltd.	18,533	-	-	-	-	18,533
MCC Minera Sierra Grande S. A	18,653	-	-	-	1,209	17,444
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	293,113	-	-	-	1,209	291,904

# Financial Statements

## 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 2020	Increase		Decrease		30 June 2021
		Provision	Others	Disposal	Others	
Beijing ShengPeng Real Estate Development Co., Ltd.	94,923	-	-	-	-	94,923
MCC Minera Sierra Grande S.A	18,653	-	-	-	1,209	17,444
Qingdao JinZe HuaDi Real Estate Development Co., Ltd.	9,779	-	-	-	-	9,779
Beijing HaiKe Real Estate Development Co., Ltd.	6,477	-	-	-	-	6,477
China Metallurgical Construction Engineering Group Chongqing Heyuan Concrete Co., Ltd.	2,353	-	-	-	-	2,353
Total	132,185	-	-	-	1,209	130,976

(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 2020: 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.



# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 23. Long-term prepayments

All amounts in RMB'000

Items	31 December	Increase	Amortization	Other	30 June 2021
	2020				
Improvements of leasehold	51,825	7,935	10,962	–	48,798
Insurance expenditures	4,591	–	853	–	3,738
Repair expenditures	25,143	5,355	2,764	103	27,631
Others	214,025	105,154	38,465	–	280,714
Total	295,584	118,444	53,044	103	360,881

### 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	30 June 2021		31 December 2020	
	Deductible temporary differences/tax losses	Deferred tax assets	Deductible temporary differences/tax losses	Deferred tax assets
Impairment provision	24,360,403	4,294,015	24,424,381	4,188,838
Unrealized profit on inter-company transactions	3,402,885	682,765	2,550,283	582,220
Defined benefit plans	1,276,817	262,301	1,243,176	268,998
Deductible tax losses	681,925	166,668	1,161,802	186,083
Employee benefits payable	353,423	56,604	364,681	58,128
Changes in the fair value of other equity instrument investments	268,535	46,764	186,194	43,758
Others	2,105,541	435,640	1,829,598	380,696
Total	32,449,529	5,944,757	31,760,115	5,708,721

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 24. Deferred tax assets/Deferred tax liabilities (Continued)

(2) *Deferred tax liabilities without taking into consideration of the offsetting of balances within the same tax jurisdiction*

All amounts in RMB'000

	30 June 2021		31 December 2020	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Fair value adjustments upon business combination not under common control	7,904	2,766	9,773	3,421
Changes in the fair value of investments of other equity instruments	103,914	15,943	140,107	23,302
Others	455,731	107,637	433,457	106,119
<b>Total</b>	<b>567,549</b>	<b>126,346</b>	<b>583,337</b>	<b>132,842</b>

(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 period	Deferred tax assets and liabilities after offset at the end of the period	The offset amount of deferred tax assets and liabilities at the beginning of the period	Deferred tax assets and liabilities after offset at the beginning of the period
Deferred tax assets	57,759	5,886,998	71,607	5,637,114
Deferred tax liabilities	57,759	68,587	71,607	61,235

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 24. Deferred tax assets/Deferred tax liabilities (Continued)

#### (4) Details of the Group's unrecognized deferred tax assets

All amounts in RMB'000

Items	30 June 2021	31 December 2020
Deductible temporary differences	11,652,440	10,521,073
Deductible tax losses	6,899,482	9,317,348
Total	18,551,922	19,838,421

#### (5) Deductible tax losses that are not recognized as deferred tax assets will expire in the following years

All amounts in RMB'000

Year	30 June 2021	31 December 2020
2021	–	3,010,040
2022	1,635,895	1,654,036
2023	1,731,302	1,741,711
2024	1,751,488	1,754,835
2025	1,104,500	1,156,726
2026	676,297	–
Total	6,899,482	9,317,348

### 25. Other non-current assets

All amounts in RMB'000

Items	30 June 2021	31 December 2020
Deposits for acquisition of assets	197,503	187,141
Continuing involvement in the transferred financial asset (Note VII 5(5))	14,600	14,600
Total	212,103	201,741

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 26. Short-term borrowings

#### (1) Categories of short-term borrowings

All amounts in RMB'000

Items	30 June 2021	31 December 2020
Pledged loans (a)	–	7,452
Mortgaged loans (b)	690,685	576,198
Credit loans	43,743,315	28,668,521
Total	44,434,000	29,252,171

#### (a) Pledged loans

As at 30 June 2021, the pledged loans of RMB nil (31 December 2020: RMB7,452,000) were obtained by pledging bank acceptance bills with the carrying amount of RMB nil as a collateral to the bank.

#### (b) Mortgaged loans

As at 30 June 2021, the mortgaged loans of RMB690,685,000 (as at 31 December 2020: RMB576,198,000) were secured by the mortgage of the Group's intangible assets and fixed assets in an aggregate carrying amount of RMB880,098,000 (as at 31 December 2020: RMB878,419,000).

(2) For the current period, the weighted average interest rate of short-term borrowings was 3.36% per annum (For the period ended 30 June 2020: 3.77% per annum).

### 27. Derivative financial liabilities

All amounts in RMB'000

Items	30 June 2021	31 December 2020
RMB option	915	–
Forward exchange contracts	121	–
Total	1,036	–

Determination of fair value of derivative financial liabilities is set out in Note XI 3.

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 28. Bills payable

All amounts in RMB'000

Category	30 June 2021	31 December 2020
Bank acceptance bills	33,295,522	27,496,190
Commercial acceptance bills	4,718,095	2,976,444
Total	38,013,617	30,472,634

### 29. Accounts payable

#### (1) Presentation of accounts payable

All amounts in RMB'000

Items	30 June 2021	31 December 2020
Project fees	99,530,080	84,040,670
Purchases	43,231,575	36,962,900
Design fees	561,225	797,224
Labor fees	12,569,607	9,264,773
Retention money	1,285,938	916,344
Others	1,689,416	1,740,132
Total	158,867,841	133,722,043

#### (2) Aging analysis of accounts payable

All amounts in RMB'000

Aging	30 June 2021	31 December 2020
Within 1 year	122,741,746	100,720,202
1 to 2 years	18,899,722	16,921,797
2 to 3 years	6,693,679	6,104,507
Over 3 years	10,532,694	9,975,537
Total	158,867,841	133,722,043

(3) On 30 June 2021, accounts payable of RMB36,126,095,000 (31 December 2020: RMB33,001,841,000) 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.

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 30. Receipts in advance

All amounts in RMB'000

Items	30 June 2021	31 December 2020
Lease receipts in advance	360,001	238,753
Total	360,001	238,753

### 31. Contract liabilities

#### (1) Presentation of contract liabilities

All amounts in RMB'000

Items	30 June 2021	31 December 2020
Contract liabilities relating to engineering contracting service contracts	61,004,882	69,859,483
Contract liabilities relating to sales contracts	13,689,884	13,250,241
Contract liabilities relating to other customers' contracts	2,427,393	2,544,008
Total	77,122,159	85,653,732

#### (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 30 June 2021, 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 30 June 2021, 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.

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 32. Employee benefits payable

#### (1) Employee benefits payable

All amounts in RMB'000

Items	31 December 2020	Increase	Decrease	30 June 2021
I. Short-term employee benefits	1,647,198	10,328,127	10,230,051	1,745,274
II. Post-employment benefits – defined contribution plan	311,133	1,441,075	1,407,671	344,537
III. Termination benefits	10,169	12,189	16,174	6,184
IV. Other benefits	51,825	1,646,873	1,611,744	86,954
Total	2,020,325	13,428,264	13,265,640	2,182,949

#### (2) Short-term employee benefits

All amounts in RMB'000

Items	31 December 2020	Increase	Decrease	30 June 2021
I. Salaries, bonuses, allowances and subsidies	515,750	8,269,433	8,195,687	589,496
II. Staff welfare	10,507	398,596	397,879	11,224
III. Social insurance premiums	27,282	698,622	687,088	38,816
Including: Medical insurance	25,430	631,987	621,153	36,264
Work-related injury insurance	1,630	46,873	46,157	2,346
Maternity insurance	222	19,762	19,778	206
IV. Housing provident funds	127,653	742,135	764,760	105,028
V. Labor union expenditures and employees' education expenses	966,006	219,341	184,637	1,000,710
Total	1,647,198	10,328,127	10,230,051	1,745,274

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 32. Employee benefits payable (Continued)

#### (3) Defined contribution plan

All amounts in RMB'000

Items	31 December 2020	Increase	Decrease	30 June 2021
1. Basic retirement insurance	83,610	1,004,065	1,000,090	87,585
2. Unemployment insurance	4,200	39,506	37,700	6,006
3. Supplementary pension	223,323	397,504	369,881	250,946
Total	311,133	1,441,075	1,407,671	344,537

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.

For the current period, the Group made deposits amounting to RMB1,441,075,000 (for the period ended 30 June 2020: RMB779,326,000) to the defined contribution plan. As at 30 June 2021, there was a payable amount of RMB344,537,000 (as at 31 December 2020: RMB311,133,000).

### 33. Taxes payable

All amounts in RMB'000

Items	30 June 2021	31 December 2020
Value added tax	230,332	617,597
Consumption tax	8,883	2,307
Enterprise income tax	1,211,226	1,210,405
Individual income tax	104,290	411,285
City maintenance and construction tax	61,286	67,043
Education surcharges	41,246	48,554
Land appreciation tax	1,320,136	1,342,072
Others	291,490	285,300
Total	3,268,889	3,984,563



# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 34. Other payables

#### (1) Other payables disclosed by nature

All amounts in RMB'000

Categories	30 June 2021	31 December 2020
Interest payable	14,975	12,868
Dividends payable	2,096,270	916,864
Other payables	29,279,698	25,780,834
Total	31,390,943	26,710,566

#### (2) Interest payable

All amounts in RMB'000

Items	30 June 2021	31 December 2020
Interests payable on long-term borrowings	8,981	8,204
Interest payable on corporate bonds	–	–
Interest payable on short-term borrowings	–	–
Others	5,994	4,664
Total	14,975	12,868

As at 30 June 2021, the Group did not have any significant overdue interest.

#### (3) Dividends payable

All amounts in RMB'000

Items	30 June 2021	31 December 2020
Dividend declared on perpetual bonds classified as equity instrument	15,535	401,733
Other dividends	2,080,735	515,131
Total	2,096,270	916,864

Dividends aged over one year but not settled yet is RMB342,290,000, relevant subsidiaries are discussing with the relevant shareholders for the settlement plan.

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 34. Other payables (Continued)

#### (4) Other payables

(a) Other payables disclosed by nature

All amounts in RMB'000

Items	30 June 2021	31 December 2020
Guarantees and deposits	21,413,212	19,448,018
Rents	126,502	108,418
Utilities	114,607	101,949
Repair and maintenance expenses	322,593	320,477
Others	7,302,784	5,801,972
Total	29,279,698	25,780,834

(b) On 30 June 2021, other payables aged over one year of RMB9,906,461,000 (31 December 2020: RMB10,773,438,000) were mainly guarantees and deposits payable collected by the Group. As both parties remained business transactions, the amount has not been settled.

### 35. Non-current liabilities due within one year

All amounts in RMB'000

Items	30 June 2021	31 December 2020
Long-term borrowings due within one year (Note VII 37)	13,885,559	10,797,928
Bonds payable due within one year (Note VII 38)	20,972	909,559
Lease liabilities due within one year (Note VII 39)	135,880	189,581
Long-term payables due within one year (Note VII 40)	–	–
Employee benefits payable due within one year (Note VII 41)	253,224	341,036
Total	14,295,635	12,238,104

### 36. Other current liabilities

All amounts in RMB'000

Items	30 June 2021	31 December 2020
Amounts to be transferred to output VAT	7,907,333	7,498,360
Total	7,907,333	7,498,360

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 37. Long-term borrowings

#### (1) Long-term borrowings disclosed by category

All amounts in RMB'000

Items	30 June 2021	31 December 2020
Pledged loans (a)	4,740,471	3,365,012
Mortgaged loans (b)	4,137,851	3,512,652
Guaranteed loans (c)	5,636,710	4,885,065
Credit loans	26,066,219	24,666,266
<b>Total</b>	<b>40,581,251</b>	<b>36,428,995</b>
Less: Long-term borrowings due within one year (Note VII 35)	13,885,559	10,797,928
Including: Pledged loans	519,435	590,009
Mortgaged loans	1,832,715	1,116,180
Guaranteed loans	22,571	4,267
Credit loans	11,510,838	9,087,472
Long-term borrowings due over one year	26,695,692	25,631,067

#### (a) Pledge loans

As at 30 June 2021, long-term borrowings of RMB4,740,471,000 (as at 31 December 2020: RMB3,365,012,000) were secured by the pledge of the Group's accounts receivable in amount of RMB2,320,222,000 (as at 31 December 2020: RMB2,510,527,000).

#### (b) Mortgage loans

As at 30 June 2021, long-term borrowings of RMB4,137,851,000 (as at 31 December 2020: RMB3,512,652,000) were secured by the mortgage of the Group's intangible assets, investment properties, inventories, etc in amount of RMB6,006,660,000 (as at 31 December 2020: RMB5,254,119,000).

#### (c) Guaranteed loans

As at 30 June 2021, long-term borrowings of RMB5,636,710,000 were guaranteed by CMGC (as at 31 December 2020: RMB4,885,065,000).

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 37. Long-term borrowings (Continued)

#### (2) Analysis of the maturity profile of long-term borrowings due over one year

All amounts in RMB'000

Maturity Date	30 June 2021	31 December 2020
1 to 2 years	10,403,099	10,199,358
2 to 5 years	11,004,493	10,770,680
Over 5 years	5,288,100	4,661,029
Total	26,695,692	25,631,067

(3) For the current period, the weighted average interest rate of long-term borrowings was 4.65% per annum (For the period ended 30 June 2020: 5.17% per annum).

(4) As at 30 June 2021, the Group did not have any significant overdue long-term borrowings.

### 38. Bonds payable

#### (1) Bonds payable

All amounts in RMB'000

Items	30 June 2021	31 December 2020
Corporate debentures	810,972	1,699,559
Total	810,972	1,699,559
Including: Bonds payable due within one year (Note VII 35)	20,972	909,559
Bonds payable due over one year	790,000	790,000

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 38. Bonds payable (Continued)

#### (2) Movements of bonds payable

All amounts in RMB'000

Name of bonds	Face value	Issue date	Term	Issue amount	31 December 2020	Issued in the current period	Interest accrued based on face value	Effect of change of exchange rate	Premium and discount amortization	Repaid in the current period	30 June 2021
Corporate debentures (a)	570,000	2017-10-24 to 2017-10-25	5 years	570,000	575,299	-	14,222	-	-	156	589,365
Corporate debentures (b)	870,000	2018-05-07 to 2018-05-08	3 years	870,000	897,116	-	20,793	-	-	917,909	-
Corporate debentures (c)	220,000	2018-05-07 to 2018-05-08	5 years	220,000	227,144	-	5,478	-	-	11,015	221,607
Total	1,660,000	/	/	1,660,000	1,699,559	-	40,493	-	-	929,080	810,972

- (a) 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.
- (b) 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. The bond is due to be repaid on May 6, 2021.
- (c) 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.

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 39. Lease liabilities

#### (1) Lease liabilities disclosed by nature

All amounts in RMB'000

Items	30 June 2021	31 December 2020
Lease of buildings and structures	330,321	297,501
Other leases	104,506	129,122
Total	434,827	426,623
Including: Lease liabilities due within one year (Note VII 35)	135,880	189,581
Lease liabilities due over one year	298,947	237,042

#### (2) Analysis of the maturity profile of lease liabilities

All amounts in RMB'000

Maturity Date	30 June 2021	31 December 2020
1st year after the balance sheet date	153,430	206,222
2nd year after the balance sheet date	114,400	101,476
3rd year after the balance sheet date	58,949	71,091
Subsequent years	163,694	85,493
Total minimum lease payments	490,473	464,282
Less: Unrecognized financing cost	55,646	37,659
Total lease liabilities	434,827	426,623

### 40. Long-term payables

#### (1) Presentation of long-term payables

All amounts in RMB'000

Categories	30 June 2021	31 December 2020
Long-term payables	887,721	883,492
Special payables	74,746	163,713
Total	962,467	1,047,205

# Financial Statements

## 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	30 June 2021	31 December 2020
Housing maintenance fee payables	41,775	41,775
Amounts due to funds	376,858	376,858
Others	469,088	464,859
Total	887,721	883,492
Including: Long-term payables due within one year (Note VII 35)	–	–
Long-term payables due over one year	887,721	883,492
	887,721	883,492

##### (b) Analysis of the maturity profile of long-term payables due over one year

All amounts in RMB'000

Maturity Date	30 June 2021	31 December 2020
1 to 2 years	1,197	1,220
2 to 5 years	450,608	451,601
Over 5 years	435,916	430,671
Total	887,721	883,492
	887,721	883,492

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 40. Long-term payables (Continued)

#### (3) Special payables

All amounts in RMB'000

Items	31 December 2020	Increase	Decrease	30 June 2021
Housing allowance payables	571	–	–	571
Special housing maintenance fee payables	45	35	35	45
Special payables for water/power/gas supply and property (Note)	160,323	–	88,967	71,356
Others	2,774	–	–	2,774
<b>Total</b>	<b>163,713</b>	<b>35</b>	<b>89,002</b>	<b>74,746</b>

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	30 June 2021	31 December 2020
Post-employment benefits -Net liability arising from defined benefit plans	4,496,323	4,444,692
<b>Total</b>	<b>4,496,323</b>	<b>4,444,692</b>
Including: Long-term employee benefits payable due within one year (Note VII 35)	253,224	341,036
Long-term employee benefits payable due over one year	4,243,099	4,103,656



# Financial Statements

## 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	Amount for the current period	Amount for the prior period
<b>I. Opening balance</b>	<b>4,444,692</b>	3,438,881
<b>II. Defined benefit costs recognized in profit or loss</b>	<b>93,514</b>	52,279
1. Past service cost	<b>26,763</b>	3,245
2. Net interest expense	<b>66,751</b>	49,034
<b>III. Defined benefit costs recognized in other comprehensive income</b>	<b>153,529</b>	52,305
1. Actuarial (gains) losses	<b>153,529</b>	52,305
<b>IV. Other movements</b>	<b>(195,412)</b>	(187,947)
1. Benefits paid	<b>(195,412)</b>	(187,947)
<b>V. Closing balance</b>	<b>4,496,323</b>	3,355,518

(b) Defined benefit plan is for the staff supplementary-retirement benefits RMB2,986,979,000 of the balance of defined benefit plan is for the staff retired before 31 December 2007; 1,509,344,000 of the balance of defined benefit plan is for the staff retired before 31 December 2023. The retirement benefits received depend on the position, seniority, salary, etc when the staff retires. The Group's supplementary-retirement benefits obligation at the balance sheet date is calculated by an external independent actuary "Willis Towers Watson" using projected unit credit actuarial cost method.

(c) 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.

(d) The major actuarial assumptions used for calculating the present value of the defined benefit obligations of the Group

	30 June 2021	31 December 2020
Discount rate	<b>3.00%</b>	3.25%
Mortality rate	<b>CLA CL5/CL6 up 3</b>	CLA CL5/CL6 up 3
Annual growth rate of living cost for retirement staff and survivors	<b>4.50%</b>	4.50%
Annual growth rate of various employee medical expense reimbursement	<b>8.00%</b>	8.00%

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 42. Provisions

All amounts in RMB'000

Items	30 June 2021	31 December 2020	Reasons
Pending litigations	125,140	127,904	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 these obligations and the amount had been reliably estimated.
Product quality warranties	9,934	9,594	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	217,944	219,635	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	248,001	224,760	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"	167,328	187,061	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	4,761	8,321	Others
<b>Total</b>	<b>773,108</b>	<b>777,275</b>	/

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 43. Deferred income

All amounts in RMB'000

Items	31 December 2020	Increase	Decrease	30 June 2021	Reasons
Government grants	1,489,631	123,973	147,104	1,466,500	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	94,694	–	13,197	81,497	Others
Total	1,584,325	123,973	160,301	1,547,997	/

### 44. Other non-current liabilities

All amounts in RMB'000

Items	30 June 2021	31 December 2020
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 2020	Movements during the current period					Sub-total	30 June 2021
		Issue of new shares	Bonus issue	Shares converted from capital reserve	Others			
Total shares	20,723,619	–	–	–	–	–	20,723,619	

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 46. Other equity instruments

All amounts in RMB'000

Name of financial instrument	31 December 2020		Increase		Decrease		30 June 2021	
	Number (ten thousand)	Carrying amount	Number (ten thousand)	Carrying amount	Number (ten thousand)	Carrying amount	Number (ten thousand)	Carrying amount
Renewable Financing Instruments of Generali China Asset Management in 2019	-	3,000,000	-	-	-	-	-	3,000,000
Renewable Financing Instruments of Kunlun Trust in 2019	-	8,000,000	-	-	-	-	-	8,000,000
2019 First Tranche of Renewable Financing Instrument of ICBC	-	1,000,000	-	-	-	-	-	1,000,000
2019 Second Tranche of Renewable Financing Instrument of ICBC	-	1,000,000	-	-	-	-	-	1,000,000
Public Offering of Renewable Corporate Bonds in 2020 (First Tranche)	2,000	2,000,000	-	-	-	-	2,000	2,000,000
Public Offering of Renewable Corporate Bonds in 2020 (Second Tranche)	1,000	1,000,000	-	-	-	-	1,000	1,000,000
Renewable Financing Instruments of North Silver abundance (Beijing) Asset Management Limited in 2020	-	3,000,000	-	-	-	-	-	3,000,000
Renewable Financing Instruments of Bairui Trust in 2020	-	1,500,000	-	-	-	-	-	1,500,000
<b>Total</b>	<b>/</b>	<b>20,500,000</b>	<b>/</b>	<b>-</b>	<b>/</b>	<b>-</b>	<b>/</b>	<b>20,500,000</b>

As it is at the discretion of the Company to decide whether to redeem the above-mentioned medium-term notes or defer payments on the above-mentioned corporate bonds and renewable financing instruments, the above-mentioned renewable financing instruments' perpetuity remains in effect. Unless otherwise dictated by a compulsory interest payment occurrence that is independently decided and consequently controlled by the Company, the Company can choose, at its own discretion, to defer the current interest payment and previous deferred interests and related yields to next interest payment date without any limitation on the number of deferred interest payments, and the repayment order of such renewable financing instruments at the settlement is inferior to that of ordinary bonds and other debts issued by the Company. The Company believes that such renewable financing instruments do not meet the definition of financial liabilities and are accounted for as other equity instruments subsequent to deduction of related transaction costs from the total issue amount.

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 47. Capital reserve

All amounts in RMB'000

Items	31 December 2020	Increase	Decrease	30 June 2021
Share premium	22,467,142	–	–	22,467,142
Other capital reserve	(5,540)	35,530	–	29,990
Total	22,461,602	35,530	–	22,497,132

### 48. Other comprehensive income

All amounts in RMB'000

Items	31 December 2020	Amount for the current period					Less: Retained earnings transferred from other comprehensive income	30 June 2021
		Other comprehensive income before tax for the period	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		
<b>(I) Other comprehensive income that will not be reclassified to profit or loss</b>								
	49,824	(51,341)	–	5,141	(49,801)	(6,681)	(1,107)	1,130
1. Changes in re-measurement of defined benefit obligations	8,359	(153,529)	–	(2,484)	(138,930)	(12,115)	–	(130,571)
2. Fair value changes in investments in other equity instruments	41,465	102,188	–	7,625	89,129	5,434	(1,107)	131,701
<b>(II) Other comprehensive income that may be reclassified to profit or loss</b>								
	(334,220)	57,034	–	(8,026)	130,931	(65,871)	–	(203,289)
1. Other comprehensive income that may be transferred to profit or loss under equity method	23,225	(969)	–	–	(18,166)	17,197	–	5,059
2. Changes in fair value of receivables at FVTOCI	(107,847)	(60,991)	–	(8,026)	(42,637)	(10,328)	–	(150,484)
3. Exchange differences on translating foreign operations	(249,598)	118,994	–	–	191,734	(72,740)	–	(57,864)
Total other comprehensive income	(284,396)	5,693	–	(2,885)	81,130	(72,552)	(1,107)	(202,159)

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 49. Special reserve

All amounts in RMB'000

Items	31 December 2020	Increase	Decrease	30 June 2021
Production safety fee	12,550	3,457,237	3,457,237	12,550
Total	12,550	3,457,237	3,457,237	12,550

### 50. Surplus reserve

All amounts in RMB'000

Items	31 December 2020	Increase	Decrease	30 June 2021
Statutory surplus reserve	2,016,768	–	–	2,016,768
Total	2,016,768	–	–	2,016,768

### 51. Retained earnings

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
31 December 2020	32,461,495	27,123,498
Add: Net profit attributable to shareholders of the parent company for the current period	4,937,420	3,591,925
Other comprehensive income carried forward to retained earnings	(1,107)	(21,813)
Less: Appropriation to surplus reserve	–	–
Declaration of dividends on ordinary shares (a)	1,554,272	1,492,101
Declaration of dividends on perpetual bonds (c)	188,900	341,209
30 June 2021 (b) (c)	35,654,636	28,860,300

- (a) In accordance with the resolution at the 2020 annual general meeting of shareholders on 25 June 2021, a final cash dividend of RMB0.75 (inclusive of tax) for every ten shares was approved after the appropriation to statutory surplus reserve, which amounted to RMB1,554,272,000. As of 30 August 2021, the dividends has been paid.
- (b) As at 30 June 2021, retained earnings of the Group contained statutory surplus reserve of subsidiaries of the parent company amounting to RMB15,104,047,000 (as at 31 December 2020: RMB15,080,725,000).
- (c) For the current period, dividends on perpetual bond amounted to RMB188,900,000 (For the period ended 30 June 2020: RMB341,209,000). On 30 June 2021, retained earnings contained no interests belonging to the perpetual bond holders (as at 31 December 2020: nil).

# Financial Statements

## 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 period		Amount for the prior period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Principal business	250,347,973	226,149,668	180,118,655	160,884,464
Other business	655,214	407,352	446,538	270,323
Total	251,003,187	226,557,020	180,565,193	161,154,787

#### (2) The segment information of operating revenue and operating costs for the period ended 30 June 2021

All amounts in RMB'000

	Engineering contracting	Property development	Equipment manufacture	Resource development	Other	Total
Contract assets	228,838,859	10,776,086	5,878,131	3,467,759	1,387,138	250,347,973
Including: Recognize revenue at a point in time	14,639,826	9,459,508	4,221,948	3,467,759	572,523	32,361,564
Recognition of revenue within a certain period of time	214,199,033	1,316,578	1,656,183	-	814,615	217,986,409
Other business income	510,653	63,540	65,701	1,687	13,633	655,214
Total	229,349,512	10,839,626	5,943,832	3,469,446	1,400,771	251,003,187

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 52. Operating revenue and operating costs (Continued)

#### (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 RMB11,043,193,000 (for the for the period ended 30 June 2020: RMB9,740,375,000), accounting for 4.40% of the total operating revenue of the Group (for the period ended 30 June 2020: 5.39%). 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	3,739,725	1.49
Party 2	2,909,383	1.16
Party 3	1,596,177	0.64
Party 4	1,434,364	0.57
Party 5	1,363,544	0.54
Total	<u>11,043,193</u>	<u>4.40</u>

(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 30 June 2021, 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.

### 53. Taxes and levies

*All amounts in RMB'000*

Items	Amount for the current period	Amount for the prior period
City construction and maintenance tax	155,862	129,701
Education surcharges	73,460	61,353
Land appreciation tax	471,767	410,247
Property tax	114,941	93,179
Land use tax	55,402	53,167
Stamp duty	139,277	98,019
Others	116,765	115,573
Total	<u>11,043,193</u>	<u>961,239</u>



# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 54. Selling expenses

*All amounts in RMB'000*

Items	Amount for the current period	Amount for the prior period
Packing charges	4,072	2,017
Employee benefits	522,233	417,319
Depreciation of fixed assets	8,344	7,722
Traveling expenses	101,497	64,715
Office expenses	95,268	67,485
Transportation expenses	47,640	86,625
Advertising and sales service expenses	236,525	213,065
Others	140,505	112,445
Total	<b>1,156,084</b>	971,393

### 55. Administrative expenses

*All amounts in RMB'000*

Items	Amount for the current period	Amount for the prior period
Employee benefits	3,380,034	2,662,452
Depreciation of fixed assets	260,291	265,636
Traveling expenses	161,172	113,275
Office expenses	202,664	161,986
Lease rentals	53,836	64,279
Repairs and maintenance expenses	66,595	46,688
Amortization of intangible assets	89,635	86,166
Professional service fees	182,115	144,384
Others	645,140	527,875
Total	<b>5,041,482</b>	4,072,741

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 56. Research and development expenditure

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Research and development material expenditure	3,891,720	2,603,107
Employee benefits	1,792,291	1,216,918
Depreciation of fixed assets	42,576	47,770
Amortization of intangible assets	9,570	6,956
Others	272,038	253,183
Total	6,008,195	4,127,934

### 57. Financial expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Interest expenses	2,360,156	2,369,277
Less: Capitalized interests	902,623	437,080
Less: Interest income	954,082	967,130
Exchange losses	70,781	(100,719)
Bank charges	372,248	259,865
Interest expenses of lease liabilities	10,995	9,996
Others	102,804	100,654
Total	1,060,279	1,234,863

### 58. Other income

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Government grants related to routine activities	34,894	50,105
Research subsidies	15,871	7,167
Others	107,153	71,301
Total	157,918	128,573

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 59. Investment income

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
(Losses) Gains from long-term equity investments under equity method	123,138	(47,081)
Investment income on disposal of long-term equity investments	5,261	9,482
Investment income on disposal of financial assets held-for-trading	6,807	7,156
Investment income from disposal of other non-current financial assets	4,455	–
Investment loss from disposal of receivables at FVTOCI	(267,141)	(160,541)
Investment income from holding investment in other equity instrument	6,890	6,318
Investment income from holding other non-current financial assets	31,729	47,209
Losses from derecognition of financial assets at amortized cost ( <i>Note</i> )	(529,008)	(354,740)
Others	(72,326)	(30,227)
Total	(690,195)	(522,424)

*Note:* For the current period, 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 RMB529,008,000 (for the period ended 30 June 2020: RMB354,740,000).

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 60. (Losses) gains from changes in fair values

All amounts in RMB'000

Sources	Amount for the current period	Amount for the prior period
(Losses) Gains arising on changes in fair value of financial assets held for trading	6,937	21,824
(Losses) Gains arising on changes in fair value of derivative financial assets	45,579	(401)
(Losses) Gains arising on changes in fair value of derivative financial liabilities	(1,036)	(4,821)
(Losses) Gains arising on changes in fair value of other non-current financial assets	(1)	(5,179)
Total	51,479	11,423

### 61. Impairment losses of credit

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Credit losses on bills receivable (Note VII 4(4))	(1,590)	6,425
Credit losses on accounts receivable (Note VII 5(3))	(408,160)	(191,459)
Credit losses on other receivables (Note VII 8(4) (b))	(557,277)	(561,756)
Credit losses on long-term receivables (Note VII 13(2))	(61,084)	(770,240)
Others	-	(42)
Total	(1,028,111)	(1,517,072)

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 62. Impairment losses of assets

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
I. Impairment of contract assets (Note VII 10(2))	(822,696)	(324,780)
II. Impairment of inventories (Note VII 9(2))	(259,575)	(501,101)
III. Impairment of long-term equity investments (Note VII 14)	-	-
IV. Impairment of investment properties (Note VII 17(1))	-	(5,371)
V. Impairment of fixed assets (Note VII 18(1))	-	-
VI. Impairment of construction in progress (Note VII 19(2) (c))	-	-
VII. Impairment of intangible assets (Note VII 21)	-	(2,602)
VIII. Impairment of goodwill (Note VII 22(2))	-	(11)
Total	(1,082,271)	(833,865)

### 63. Gains on disposal of assets

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Gains on disposal of fixed assets	144,992	13,807
Gains on disposal of intangible assets	282,718	-
Total	427,710	13,807

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 64. Non-operating income

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period	Recognized in non-recurring profit or loss for the current period
Income from penalty	7,185	20,121	7,185
Government grants irrelevant to routine activities	83,384	89,243	83,384
Unpayable balances	35,190	28,387	35,190
Others	44,692	99,308	44,692
Total	170,451	237,059	170,451

### 65. Non-operating expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period	Recognized in non-recurring profit or loss for the current period
Fines and surcharges for overdue payments	11,144	18,402	11,144
Compensation and default payments	17,125	21,869	17,525
Others	533	16,081	533
Total	28,802	56,352	28,802

### 66. Income tax expenses

#### (1) Income tax expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Current year tax expenses	1,676,382	1,655,136
Deferred tax expenses	(236,457)	(428,317)
Total	1,439,925	1,226,819

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 66. Income tax expenses (Continued)

#### (2) Reconciliation of income tax expenses to the accounting profit

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Total profit	<b>8,030,832</b>	5,503,385
Income tax expenses calculated at the statutory/ applicable tax rate (25%)	<b>2,007,708</b>	1,375,846
Effect of difference between applicable tax rate and statutory tax rate	<b>(781,514)</b>	(206,556)
Income not subject to tax	<b>(254,654)</b>	120,494
Expenses not deductible for tax purposes	<b>88,616</b>	(72,822)
Utilization of tax losses and other temporary differences for which no deferred income tax assets were recognized previously	<b>(301,493)</b>	(88,546)
Tax losses and other temporary differences for which no deferred income tax assets were recognized	<b>976,265</b>	142,525
Others	<b>(295,003)</b>	(44,122)
Income tax expense	<b>1,439,925</b>	1,226,819

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.

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 67. Other comprehensive income

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
(I) Other comprehensive income that will not be reclassified to profit or loss		
1. Changes in re-measurement of defined benefit obligations	(153,529)	(52,305)
Less: Income tax effects on changes in re-measurement of defined benefit obligations	(2,484)	(3,339)
Sub-total	(151,045)	(48,966)
2. Fair value changes of investments in other equity instruments	102,188	(36,313)
Less: Income tax effects arising from fair value changes of investments in other equity instruments	7,625	(7,542)
Sub-total	94,563	(28,771)
(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	(969)	3
Less: Effect of income tax incurred by other comprehensive income under equity method	-	-
Sub-total	(969)	3
2. Changes in fair value of receivables at FVTOCI	(60,991)	2,085
Less: Effect of changes in fair value of receivables at FVTOCI on income tax	(8,026)	(2,965)
Sub-total	(52,965)	5,050
3. Exchange differences on translating foreign operations	118,994	161,584
Total	8,578	88,900



# Financial Statements

## 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 period	Amount for the prior period
Receipts of deposits and guarantee funds	1,965,194	2,822,854
Interest income	300,833	546,090
Government grants received	275,887	148,938
Others	529,034	388,513
Total	<b>3,070,948</b>	3,906,395

#### (2) Other cash payments relating to operating activities

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Payments of deposits and guarantee funds	4,529,565	2,418,853
Research and development expenses	4,678,399	2,856,290
Payments for retirement benefits	195,433	184,135
Travelling expenses	262,669	240,979
Office expenses	297,933	277,452
Utility expense	41,122	191,769
Repair and maintenance expenses	69,496	170,796
Advertising and sales service expenses	58,124	74,691
Settlements for payables	95,351	217,804
Others	2,689,127	2,119,854
Total	<b>12,917,219</b>	8,752,623

# Financial Statements

## 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 period	Amount for the prior period
Interest income from loans	–	1,519,700
Total	–	1,519,700

#### (4) Other cash payments relating to investing activities

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Providing loans to related parties	5,616,687	1,608,134
Total	5,616,687	1,608,134

#### (5) Other cash receipts relating to financing activities

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Decrease in restricted deposits	440,137	1,085,059
Total	440,137	1,085,059

#### (6) Other cash payments relating to financing activities

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Increase in restricted deposits	3,230,050	9,700,000
Cash outflows related to leases	186,853	49,236
Transactions with minority shareholders	4,438	31,020
Total	3,421,341	9,780,256

# Financial Statements

## 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 period	Amount for the prior period
<b>1. Reconciliation of net profit to cash flows from operating activities:</b>		
Net profit	6,590,907	4,276,566
Add: Provision for impairment losses of assets and credit losses	2,110,382	2,350,937
Depreciation of fixed assets and right-of-use assets, and amortization of investment properties	1,440,287	1,477,789
Amortization of intangible assets	291,564	264,822
Amortization of long-term prepayments	53,044	43,873
Gains on disposal of fixed assets, intangible assets and other long-term assets	(427,710)	13,807
Losses on written-off of fixed assets	(694)	1,479
Losses from changes in fair value	(51,479)	(11,423)
Financial expenses	815,279	1,932,196
Investment income	161,187	167,684
Increase in deferred tax assets	(235,856)	(420,434)
Decrease in deferred tax liabilities	(601)	(7,883)
Decrease in inventories	(2,271,239)	654,704
Decrease in contract assets	(22,217,681)	(14,057,100)
Increase in contract liabilities	(8,531,573)	(2,033,021)
Decrease in receivables from operating activities	51,300,495	(9,494,308)
Increase in payables from operating activities	(37,591,761)	16,254,329
Net cash flows from operating activities	<b>(8,565,449)</b>	1,414,017
<b>2. Significant non-cash investing and financing activities:</b>		
<b>3. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	40,847,944	39,931,901
Less: Opening balance of cash	42,165,302	31,814,900
Net increase in cash and cash equivalents	<b>(1,317,358)</b>	8,117,001

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 69. Supplementary information to the cash flow statements (Continued)

#### (2) The composition of cash and cash equivalents

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
<b>I. Cash</b>	<b>40,847,944</b>	42,165,302
Including: Cash on hand	14,612	11,441
Bank deposits without restriction	39,578,427	41,409,099
Other cash and bank balances without restriction	1,254,905	744,762
<b>II. Cash equivalents</b>	-	-
<b>III. Closing balance of cash and cash equivalents</b>	<b>40,847,944</b>	42,165,302
Including: Cash and cash equivalents of the Company or within the Group with restriction	-	-

### 70. Assets with title restrictions

All amounts in RMB'000

Items	30 June 2021	Reasons
Cash and bank balances	10,490,388	Freeze/Control
Bills receivable	442,427	Pledge
Bills receivable	720,157	Endorsed or discounted
Accounts receivable	2,320,222	Pledge
Receivables at FVTOCI	3,662,857	Pledge
Inventories	5,031,292	Mortgage/Freeze
Investment properties	338,432	Mortgage
Fixed assets	398,220	Mortgage/Freeze
Intangible assets	1,291,154	Mortgage/Freeze
Construction in progress	124,906	Mortgage
Total	<b>24,820,055</b>	/

# Financial Statements

## 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 30 June 2021	Exchange rate	RMB at 30 June 2021
<b>Cash and bank balances</b>			<b>4,586,534</b>
Including:USD	<b>391,987</b>	6.4601	<b>2,532,275</b>
EUR	<b>12,933</b>	7.6862	<b>99,406</b>
AUD	<b>50,490</b>	4.8528	<b>245,018</b>
HKD	–	0.8321	–
RMB	<b>209,563</b>	1.0000	<b>209,563</b>
Others	/	/	<b>1,500,272</b>
<b>Accounts receivable</b>			<b>900,158</b>
Including:USD	<b>85,644</b>	6.4601	<b>553,269</b>
EUR	<b>1,284</b>	7.6862	<b>9,869</b>
GBP	<b>591</b>	8.9410	<b>5,284</b>
AUD	<b>1,000</b>	4.8528	<b>4,853</b>
HKD	<b>12,512</b>	0.8321	<b>10,411</b>
Others	/	/	<b>316,472</b>
<b>Other receivables</b>			<b>25,584,777</b>
Including:USD	<b>1,961,000</b>	6.4601	<b>12,668,256</b>
EUR	<b>400</b>	7.6862	<b>3,074</b>
AUD	<b>49,713</b>	4.8528	<b>241,247</b>
HKD	<b>71,034</b>	0.8321	<b>59,107</b>
Others	/	/	<b>12,613,093</b>
<b>Short-term borrowings</b>			<b>3,894,805</b>
Including:USD	<b>588,000</b>	6.4601	<b>3,798,539</b>
Others	/	/	<b>96,266</b>
<b>Accounts payable</b>			<b>1,405,066</b>
Including:USD	<b>62,412</b>	6.4601	<b>403,188</b>
EUR	<b>2,497</b>	7.6862	<b>19,192</b>
GBP	<b>1,060</b>	8.9410	<b>9,477</b>
JPY	<b>340,255</b>	0.058428	<b>19,880</b>
AUD	<b>565</b>	4.8528	<b>2,742</b>
HKD	<b>102,062</b>	0.8321	<b>84,926</b>
Others	/	/	<b>865,661</b>
<b>Other payables</b>			<b>5,602,176</b>
Including:USD	<b>186,743</b>	6.4601	<b>1,206,378</b>
EUR	<b>1,437</b>	7.6862	<b>11,045</b>
AUD	<b>34,394</b>	4.8528	<b>166,907</b>
HKD	<b>43,973</b>	0.8321	<b>36,590</b>
Others	/	/	<b>4,181,256</b>

# Financial Statements

## 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.

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 72. Government grants

#### (1) Basic information of government grants

All amounts in RMB'000

Government grants	Category	Amount received for the current period	Presenting items	Amount recognized in profit or loss
Land demolition subsidies, Jinniu District, Chengdu	Related to assets	49,646	Deferred income/ Non-operating income	49,646
Subsidy from Resource Management Division of Ministry of Science and Technology for restructuring of research institutes	Related to income	38,004	Deferred income/ Administrative expenses	21,113
Dalian Finance Bureau Science and technology support fund	Related to income	29,179	Operating cost	29,179
Shanghai Baoshan Yuepu town people's government development subsidy	Related to income	11,650	Other income	11,650
Pension expenditure to retirees allocated from the Ministry of Science and Technology	Related to income	9,413	Non-operating income	9,413
2099 Tieshan Road, Baoshan District	Related to income	8,824	Other income	8,824
VAT on software products will be refunded immediately	Related to income	8,821	Other income	8,821
Chongqing Liangjiang New Area Finance Bureau allocated the central special fund for high-quality manufacturing development in 2021	Related to income	7,200	Deferred income/ Other income	-
Beijing Miyun District Enterprise Development Fund	Related to income	6,059	Other income	6,059
Tax refund for shipping development zone	Related to income	4,693	Other income	4,693
Others	Related to assets/ Related to income	102,398	Deferred income/ Operating cost/ Administrative expenses/ Other income/ Non-operating income/ Research and development expenses	149,619
Total	/	275,887	/	299,017

# Financial Statements

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 72. Government grants (Continued)

(2) During the reporting period, the Group has no returned government grants.

## VIII. CHANGES OF THE SCOPE OF CONSOLIDATION

### 1. Other reasons for changes in consolidation scope

All amounts in RMB'000

Company name	Investment cost	Investment method	Net assets at the end of the period	Net profit this year
MCC Fujian Investment and Construction Co., Ltd.	60,000	Newly established through investments	94,386	(5,614)

For this reporting period, except for the newly established companies through investments, there was no other significant change of the scope of the consolidation.



# Financial Statements

## 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
China 22MCC Group Co., Ltd.	China	Tangshan	Engineering contracting	100.00	–	Invested by shareholders
China Non-ferrous Engineering Co., Ltd.	China	Beijing	EPC	100.00	–	Invested by shareholders
China Second Metallurgical Group Corporation Limited (i)	China	Baotou	Engineering contracting	100.00	–	Invested by shareholders

# Financial Statements

## 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	
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
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	98.26	–	Invested by shareholders

# Financial Statements

## 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 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 (ii) (iii)	China	Hong Kong, China	Others	100.00	–	Established through investments
MCC Financial Leasing Co., Ltd.	China	Zhuhai	Finance lease	51.00	49.00	Established through investments
MCC Inner Mongolia Construction Investment Co., Ltd.	China	Hohhot	Engineering contracting	100.00	–	Established through investments
MCC South China Construction Investment Co., Ltd.	China	Shenzhen	Engineering contracting	51.00	–	Established through investments
MCC Rail Transit Co., Ltd.	China	Langfang	Engineering contracting	100.00	–	Established through investments
MCC Zhongyuan Construction Investment Co., Ltd.	China	Zhengzhou	Engineering contracting	100.00	–	Established through investments
MCC Integrated Pipe Network Technology & Development Co., Ltd.	China	Baoding	Engineering 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

## 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 (Yunnan) Engineering Investment and Construction Co., Ltd.	China	Yunnan	Engineering contracting	60.00	-	Established through investments
MCC Ecological Environmental Protection Group Co., Ltd.	China	Beijing	Water resource management	100.00	-	Established through investments
MCC (Shanghai) Steel Structure Technology Corp., Ltd.	China	Shanghai	Engineering contracting	42.56	54.84	Invested by shareholders
MCC Road&Bridge Construction Co., Ltd.	China	Inner Mongolia	Engineering contracting	100.00	-	Established through investments
MCC Fujian Investment and Construction Co., Ltd.	China	Fujian	Engineering contracting	60.00	-	Established through investments
Tianjin United Huitong Investment Partnership (Limited Partnership)	China	Tianjin	Investing with own funds	20.00	-	Established through investments
Tianjin United Huixin Investment Partnership (Limited Partnership)	China	Tianjin	Investing with own funds	20.00	-	Established through investments
Tianjin Hongxin Investment Partnership (Limited Partnership)	China	Tianjin	Investing with own funds	20.00	-	Established through investments

*Note:*

- (i) China Second Metallurgical Group Corporation Limited, one of the Company's subsidiary, issued perpetual bonds in 2020. The amounts received after deducting relative transaction costs are recognized in other equity instruments and presented under the headline of minority interests in the consolidated financial statements. At 30 June 2021, the closing balance of this minority interest is RMB800,000,000.
- (ii) At 30 June 2021, except for the Company and MCC Holding (Hong Kong) Corporation Limited (the "MCC Hong Kong"), other subsidiaries have not issued any bond. None of the subsidiaries of the Company have issued share capital.
- (iii) MCC Hong Kong, one of the Company's subsidiary, issued overseas perpetual bonds in 2020 and 2021. 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 30 June 2021, the closing balance of this minority interest is RMB9,690,150,000.

# Financial Statements

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (1) The constitution of the Group (Continued)

- (a) There is no difference between proportion of ownership interest and proportion of voting power in subsidiaries in the current period.
- (b) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights, and the grounds for not controlling the investees of which the Group is holding more than half of the voting rights.
- (i) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights

Name of investee	The proportion of voting power (%)	The reason for forming part of consolidation scope
Qingdao JinZe HuaDi Real Estate Development Co., Ltd.	50.00	According to the agreement among shareholders, the Group can control the investee.
Beijing Jinwei Soldering Material Co., Ltd.	45.00	According to the rules as agreed in the articles of association, the Group can control the investee.
Shenzhen Qianhai Public Safety Science Research Institute Co., Ltd	45.00	According to the rules as agreed in the articles of association, the Group can control the investee.
Jingjinji MCC Minxin Infrastructure Construction Co., Ltd.	30.00	According to the agreement among shareholders, the Group can control the investee.
Wuhan Zhongyi Communication Construction Co., Ltd.	25.10	According to the agreement of shareholding entrustment, the Group can control the investee.
Tianjin United Huixin Investment Partnership (Limited Partnership)	20.00	According to the partnership agreement, the Group can control the investee.
Tianjin United Huitong Investment Partnership (Limited Partnership)	20.00	According to the partnership agreement, the Group can control the investee.
Tianjin Hongxin Investment Partnership (Limited Partnership)	20.00	According to the partnership agreement, the Group can control the investee.

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (1) The constitution of the Group (Continued)

(b) (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 an associate
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
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

# Financial Statements

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (1) The constitution of the Group (Continued)

(b) (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 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.	67.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Anshan MCC Jiantou Xinggang Development Co., Ltd.	65.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Anshan MCC Jiantou Gangcheng Development Co., Ltd.	65.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Yinchuan Binhe New Area Water Center Management Co., Ltd.	60.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Beijing New Century Restaurant Co., Ltd.	60.00	Each shareholder has one vote of veto, accounted for as a joint venture
MCC real estate group Xianghe Mingxin Real Estate Development Co., Ltd.	60.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Xing Long County MCC Minglu Real Estate Development Co., Ltd.	60.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (1) The constitution of the Group (Continued)

(b) (Continued)

(ii) The grounds for not controlling the investees in which the Group holds more than half of the voting rights (Continued)

Name of investee	The proportion of voting power (%)	The reason for forming part of consolidation scope
Guizhou Ziwang Highway Construction Co., Ltd.	59.96	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture (Note IX 2 (1))
Guizhou Sanli Highway Construction Co., Ltd.	59.95	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture (Note IX 2 (1))
Guizhou Sanshi Highway Construction Co., Ltd.	59.90	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture (Note IX 2 (1))
Sanya MCC Minglan Development Co., Ltd.	55.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Zhuhai MCC Jianxin Investment Management Partnership (LP)	51.01	Other shareholders can control the investee's activities, accounted for as an associate (Note IX 2 (1))
MCC Rong Xing Building Materials (Chengdu) Co., Ltd.	51.00	The other shareholder can decide the related activities of name of investee, accounted for as an associate
MCC 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



# Financial Statements

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (1) The constitution of the Group (Continued)

(b) (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
Zhuhai Hengqin Headquarters Building Development Co., Ltd.	51.00	Other shareholders can control the investee's activities, accounted for as a joint venture (Note IX 2 (1))
Nanjing MCC Zhenghuai Real Estate Co., Ltd.	51.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
MCC LAND (CANBERRA) PTE LTD	51.00	Other shareholders can control the investee's activities, accounted for as an associate
MCC LAND (TMK) PTE LTD	51.00	Other shareholders can control the investee's activities, accounted for as an associate

# Financial Statements

## 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 period	Declaration of cash dividends to non-controlling interests in the current period	Non-controlling interests at the end of the period
WISDRI Engineering & Research Incorporation Limited	16.92	110,809	–	2,017,548
China MCC 20 Group Co., Ltd.	31.00	76,116	3,906	1,442,501
China First Metallurgical Group Co., Ltd.	1.74	8,807	–	935,260
China MCC 17 Group Co., Ltd.	27.61	147,647	–	1,551,600
MCC Capital Engineering & Research Incorporation Limited	11.11	33,489	3,509	531,782

- (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.

# Financial Statements

## 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	30 June 2021						31 December 2020					
	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	22,394,188	4,937,983	27,332,171	19,193,737	279,210	19,472,947	17,279,965	5,541,073	22,821,038	15,178,469	278,248	15,456,717
China MCC 20 Group Co., Ltd.	27,633,245	3,375,718	31,008,963	25,109,357	499,439	25,608,796	25,239,936	3,325,561	28,565,497	22,433,606	1,001,624	23,435,230
China First Metallurgical Group Co., Ltd.	22,930,960	4,064,074	26,995,034	18,580,146	2,772,590	21,352,736	20,612,907	3,929,607	24,542,514	16,386,628	2,974,731	19,361,359
China MCC 17 Group Co., Ltd.	20,015,283	3,439,029	23,454,312	17,657,807	188,638	17,846,445	17,927,390	3,229,301	21,156,691	15,881,380	196,232	16,077,612
MCC Capital Engineering & Research Incorporation Limited	15,861,328	2,767,067	18,628,395	13,778,210	264,234	14,042,444	15,793,416	2,714,104	18,507,520	13,926,434	257,352	14,183,786

All amounts in RMB'000

Name of subsidiary	Amount for the current period				Amount for the prior period			
	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	10,075,089	451,999	422,585	149,607	7,818,264	311,166	314,375	1,107,714
China MCC 20 Group Co., Ltd.	21,994,082	286,107	273,806	480,921	15,589,644	295,063	294,119	88,490
China First Metallurgical Group Co., Ltd.	18,157,137	466,172	461,143	812,837	12,564,113	312,105	310,074	(279,790)
China MCC 17 Group Co., Ltd.	21,017,812	534,659	528,788	(96,725)	15,995,366	474,676	470,442	(144,195)
MCC Capital Engineering & Research Incorporation Limited	8,476,644	275,767	265,728	347,066	6,977,873	159,637	160,390	437,354

# Financial Statements

## 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 (%)		
				Direct	Indirect	Accounting method
Guizhou Sanli Highway Construction Co., Ltd.	China	Qiannan Buyei and Miao Autonomous Prefecture	Highway investment and development	59.95	-	Equity method
Guizhou Ziwang Highway Construction Co., Ltd.	China	Anshun	Highway investment and development	59.96	-	Equity method
Guizhou Sanshi Highway Construction Co., Ltd.	China	Qiandongnan Miao and Dong Autonomous Prefecture	Highway investment and development	59.90	-	Equity method
Zuhai Hengqin Headquarters Building Development Co., Ltd.	China	Zuhai	Property investment and development	51.00	-	Equity method
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd.	China	Yinchuan	Construction and operation of comprehensive pipe network	70.00	-	Equity method
Zuhai MCC Jianxin Investment Management Partnership (LP)	China	Zuhai	Investment management	51.01	-	Equity method
Beijing City Vice-Center Investment Fund Partnership (LP)	China	Beijing	Investment management	13.88	-	Equity method
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	China	Yingkou	Special steel production and equipment manufacturing	48.96	-	Equity method
Yunnan Mangliang Expressway Investment and Development Co., Ltd.	China	Mangshi in Dehong Prefecture	Highway investment and development	40.00	-	Equity method
Yunnan Luqiu Guangfu Expressway Investment Development Co., Ltd.	China	Wenshan Zhuang and Miao Autonomous Prefecture	Highway investment and development	38.00	-	Equity method

The Group has no significant interests in any single joint venture or associate above.

- (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.

# Financial Statements

## 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)

(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
Erlan Haote Xinye Yixin Infrastructure Construction and Operation Co., Ltd.	19.68	Representative is appointed on the board of directors of the investee
Tianjin MCC Heyuan Real Estate Co., Ltd.	19.00	Representative is appointed on the board of directors of the investee
Tianjin Yuanda Xingchen Residential Industry Co., Ltd.	18.89	Representative is appointed on the board of directors of the investee
Meizhou Pingye Highway Construction Co., Ltd.	18.00	Representative is appointed on the board of directors of the investee
Gansu Gonghanglv Historic District Construction and Investment Co., Ltd.	17.29	Representative is appointed on the board of directors of the investee
Lanzhou Lianhuo Qingzhong Section expressway Construction and Development Co., LTD	17.00	Representative is appointed on the board of directors of the investee
Tangshan Station West Construction and Development Co.,Ltd.	16.00	Representative is appointed on the board of directors of the investee
Changsha Happy Ocean Park Co., Ltd.	16.00	Representative is appointed on the board of directors of the investee
Huixian Yushi Infrastructure Investment Co., Ltd.	16.00	Representative is appointed on the board of directors of the investee
Tongren Jingjiang Cultural Tourism Co., Ltd.	15.10	Representative is appointed on the board of directors of the investee
Kunming Chunsheng Urban Construction Co., Ltd.	15.00	Representative is appointed on the board of directors of the investee
Jiangxi Shangli Jiasheng City Construction Development Co., Ltd.	15.00	Representative is appointed on the board of directors of the investee
Qingyang Longjie sponge city construction management and Operation Co., Ltd.	15.00	Representative is appointed on the board of directors of the investee
Anyang Pu'an Highway Engineering Co., Ltd	15.00	Representative is appointed on the board of directors of the investee
Fujian Minluo Construction Co., LTD	15.00	Representative is appointed on the board of directors of the investee
Shanghai Jinmin Real Estate Co., LTD	15.00	Representative is appointed on the board of directors of the investee
Gansu Jingli Expressway Longnan Management Co., Ltd.	14.93	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
Beijing City Vice-Center Investment Fund Partnership (Limited Partnership)	13.88	Representative is appointed on the board of directors of the investee
Changchun Runde Construction Project Management Co., Ltd.	13.54	Representative is appointed on the board of directors of the investee

## 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)

(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
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
Yidu Riqing Ecological Management Co., Ltd.	11.11	Representative is appointed on the board of directors of the investee
Jiayang Chuanye Xiongzhou City Development Co., Ltd.	11.00	Representative is appointed on the board of directors of the investee
Leshan City Legao Urban Construction Engineering Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Ansteel Engineering Technology Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Xi'an Jingang Dingsheng Real Estate Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Chuzhou Kangjian Sports Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Nanchong Shunjian Urban Construction Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Luxi Huarui Construction Engineering Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Cangnan Zhonggong Construction and Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Nanjing Pu'ou Construction and Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Nanchong Shunye Investment and Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Ruili MCC Infrastructure Investment and Construction Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Bijie Xinye Municipal Engineering Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Jiayang MCC 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

# Financial Statements

## 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)

(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
Zhangpu Chengye Construction Investment Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Nanjing Laoshan Shijiu Infrastructure Construction Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Mianyang MCC Three Highway Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Xingtai Runhe Project Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Ya'an Tianshun Kunye Project Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Renqiu MCC Infrastructure Construction Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Jianyang Tianshun Traffic Investment Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Lanzhou Zhenghao Pipe Network Project Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Nanjing Pukou Xingbao Construction Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Nanjing MCC Zepu Construction Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Zhaotong Pipe Gallery Construction and Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Meizhou City Meixian MCC Pipe Network Construction Investment and Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Yiyang MCC Science and Industry Infrastructure Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Quanzhou City Quangang MCC Tianfeng Project Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Xiangxi Zhongyi Tengda Project Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Chongqing Xiema East& West Main Line Construction Engineering Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Dangtu Qingyuan Engineering Construction Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Jiujiang Three Gorges Phase II Water Environment Comprehensive Treatment Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee

# Financial Statements

## 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)

(ii) The grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence

Name of investee	The proportion of voting power	Reason for not having significant influence
Tangshan Stainless steel Co., Ltd.	23.89	The Company did not assign director into the board of directors of the investee, nor involved in the financial and operating decisions or normal operating activities of the investee in any other forms.
Shanghai Clear Environmental Protection Science & Technology Co., Ltd.	22.86	
BERIS Engineering and Research Corporation	20.00	
Jiangsu Heavy Industry Co., Ltd.	20.00	
Shanxi Sanjin Mining Holdings Co., Ltd.	20.00	

#### (2) Summarized financial information of material joint ventures and associates

All amounts in RMB'000

	30 June 2021/ Amount recognized in the current period	31 December 2020/ Amount recognized in the prior period
Joint ventures:		
Total carrying amount	6,992,142	7,048,272
The Group's share of the following items		
– Net profit	(9,946)	(84,782)
– Other comprehensive income	–	–
– Total comprehensive income	(9,946)	(84,782)
Associates:		
Total carrying amount	20,413,596	18,628,683
The Group's share of the following items		
– Net profit	133,084	37,701
– Other comprehensive income	(969)	165
– Total comprehensive income	132,115	37,866

(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

## 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 30 June 2021 and 31 December 2020 are as follows:

*All amounts in RMB'000*

Items	30 June 2021	31 December 2020
Total borrowings:		
Short-term borrowings (Note VII 26)	44,434,000	29,252,171
Long-term borrowings (inclusive of those due within one year) (Note VII 37)	40,581,251	36,428,995
Bonds payable (inclusive of those due within one year) (Note VII 38)	810,972	1,699,559
Lease liabilities (inclusive of those due within one year) (Note VII 39)	434,827	426,623
Less: Cash and cash equivalents (Note VII 69(2))	40,847,944	42,165,302
Net debt	45,413,106	25,642,046
Shareholders' equity	144,350,438	140,355,306
Total capital	189,763,544	165,997,352
The gearing ratio	23.93%	15.45%

### 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.

## X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 2. Financial instruments and risk management (Continued)

#### (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 30 June 2021 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 30 June 2021, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, the profit after tax of the Group would have been approximately RMB517,285,000 lower/higher (as at 31 December 2020: RMB650,153,000 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 30 June 2021, short-term borrowings of the Group were amounting to RMB44,434,000,000 (as at 31 December 2020: RMB29,252,171,000); Long-term interest bearing debts at floating rates due within one year were amounting to RMB4,225,503,000 (as at 31 December 2020: RMB4,131,426,000); long-term interest bearing debts at floating rates due over one year were amounting to RMB13,977,648,000 (as at 31 December 2020: RMB12,283,100,000); Long-term interest bearing debts at fixed rates due within one year were amounting to RMB9,816,908,000 (as at 31 December 2020: RMB7,765,642,000); long-term interest bearing debts at fixed rates due over one year were amounting to RMB13,806,991,000 (as at 31 December 2020: RMB14,375,009,000) (Notes VII 26, 35, 37, 38, 39, 40).

# Financial Statements

## 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. For the current reporting period ended 30 June 2021 and prior reporting period, the Group was not involved in any interest rate swap arrangements.

During the current period, 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 RMB106,448,000 lower/higher (for the period ended 30 June 2020: approximately RMB103,836,000).

During the current period, 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 RMB35,305,000 lower/higher (for the period ended 30 June 2020: approximately RMB24,286,000).

#### (2) Credit risk

As at 30 June 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from: the carrying amount of the respective recognized bank deposits, bills receivable and accounts receivable, contract assets, other receivables and long-term receivables in the balance sheet of the Group.

To reduce credit risk, the Group has policies in place to ensure that services are rendered and products are sold to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers according to their financial conditions, the likelihood of obtaining guarantee from the third party, credit history and others such as the current market conditions. The Group regularly monitors its customers' credit history, and for customers with bad credit history, the Group shall issue reminder notices, shorten or cancel the credit period to make sure that the Group's overall credit risk is under control.

The credit risk on the bank deposits of the Group are limited because they are deposited with national banks and other large and medium listing banks.

In addition, external guarantees incurred by the Group may also result in financial losses. As at 30 June 2021, the Group's external guarantee refers to Note XIII 2(1) (b).

## X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 2. Financial instruments and risk management (Continued)

#### (2) Credit risk (Continued)

The Group adopts the provision matrix based on portfolio to assess the credit losses of trade receivables, except for trade receivables that are individually significant and credit-impaired. The Group's trade receivables involve a large number of customers. Aging information may reflect these customers' solvency in regard of such trade receivables. According to the credit risk characteristics of different types of customers, trade receivables are divided into several group. The Group calculates the historical actual loss rate of different aging periods based on historical data, taking into consideration of the forward-looking information like growth rate of GDP and CPI, and makes adjustments to estimate the provision rate. For contract assets and long-term receivables, the Group comprehensively considers billing period, contractual payment period, the debtor's financial position and economic situation of the debtor's industry, takes into account the above forward-looking information and makes adjustments, and works out reasonable assessment on ECL. For other financial assets, the Group calculates ECL through default exposure and the expected credit loss rate for the next 12 months or the full lifetime.

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 30 June 2021, 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

## 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 30 June 2021 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	51,338,332	-	-	-	51,338,332
Derivative financial assets	83,850	-	-	-	83,850
Bills receivable	6,619,870	-	-	-	6,619,870
Accounts receivable	90,982,849	-	-	-	90,982,849
Receivables at FVTOCI	15,323,857	-	-	-	15,323,857
Other receivables	80,700,482	-	-	-	80,700,482
Non-current assets due within one year	2,061,406	-	-	-	2,061,406
Long-term receivables	-	20,558,478	12,794,697	2,861,204	36,214,379
<b>Total</b>	<b>247,110,646</b>	<b>20,558,478</b>	<b>12,794,697</b>	<b>2,861,204</b>	<b>283,325,025</b>
Financial liabilities-					
Short-term borrowings	45,204,775	-	-	-	45,204,775
Derivative financial liabilities	1,036	-	-	-	1,036
Bills payable	38,013,617	-	-	-	38,013,617
Accounts payable	158,867,841	-	-	-	158,867,841
Other payables	31,390,943	-	-	-	31,390,943
Non-current liabilities due within one year	14,635,891	-	-	-	14,635,891
Long-term borrowings	1,215,436	11,082,388	11,369,765	5,533,109	29,200,698
Bonds payable	39,399	808,482	-	-	847,881
Lease liabilities	161,721	117,825	139,900	88,561	508,007
Long-term payables	-	1,197	450,608	435,916	887,721
<b>Total</b>	<b>289,530,659</b>	<b>12,009,892</b>	<b>11,960,273</b>	<b>6,057,586</b>	<b>319,558,410</b>

#### (4) Transfer of financial assets

Details are set out in Note VII 4(3), Note VII 5(5) and Note VII 6(3).

# Financial Statements

## 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 period

All amounts in RMB'000

Items	Fair value as at 30 June 2021			Total
	Level 1 of the fair value hierarchy	Level 2 of the fair value hierarchy	Level 3 of the fair value hierarchy	
<b>I. Measured at fair value on a recurring basis</b>				
(I) Financial assets at fair value through profit or loss	801,258	4,532,102	10,462	5,343,822
1. Financial assets held for trading	801,258	–	–	801,258
(1) Monetary fund	800,197	–	–	800,197
(2) Investment in equity instruments	1,061	–	–	1,061
2. Other non-current financial assets	–	4,448,252	10,462	4,458,714
(1) Investment in equity instruments	–	–	10,462	10,462
(2) Investment in unquoted fund product	–	4,448,252	–	4,448,252
3. Derivative financial assets	–	83,850	–	83,850
(II) Receivables at FVTOCI	–	15,121,128	–	15,121,128
(III) Investments in other equity instruments	341,174	–	1,713,464	2,054,638
<b>Total assets that are measured at fair value on a recurring basis</b>	<b>1,142,432</b>	<b>19,653,230</b>	<b>1,723,926</b>	<b>22,519,588</b>
(IV) Derivative financial liabilities	–	1,036	–	1,036
<b>Total liabilities that are measured at fair value on a recurring basis</b>	<b>–</b>	<b>1,036</b>	<b>–</b>	<b>1,036</b>

2. The basis of market prices determined on level 1 of the fair value hierarchy

Fair values of held-for-trading financial assets and non-tradable equity instruments of listed companies regarded as investments in other equity instruments are based on their closing prices of publicly traded market on the last trading day of the reporting period.

# Financial Statements

## XI. FAIR VALUE DISCLOSURES (CONTINUED)

### 3. Qualitative and quantitative information of valuation techniques and key inputs on level 2 of the fair value hierarchy

Items	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

### 4. Qualitative and quantitative information of valuation techniques and key inputs on level 3 of the fair value hierarchy

Items	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*

Items	31 December 2020	Additions for the period	Fair value changes for the current period	Disposal for the period	30 June 2021
Other equity instrument investments- Investment in unquoted fund product	1,698,181	6,170	27,497	(18,384)	1,713,464
Other non-current financial assets- Investment in equity instruments	10,463	–	(1)	–	10,462

# Financial Statements

## XI. FAIR VALUE DISCLOSURES (CONTINUED)

6. There was no transfer between any levels of the fair value hierarchy in the reporting period.
7. There was no change in the valuation techniques in the reporting period.
8. Fair value of financial assets and financial liabilities that are measured at fair value on a non-recurring basis

Bills receivables, accounts receivables, other receivables, long-term receivables, non-current assets due within one year, short-term borrowings, bills payables, accounts payables, other payables, long-term borrowings, bonds payable, long-term payables and partial non-current liabilities due within one year included in the financial assets/liabilities are measured at fair value on a non-recurring basis.

Except for the items listed in the table below, the Group considers that the fair value of the financial assets and liabilities measured at amortized cost method are approximate to their carrying amounts.

*All amounts in RMB'000*

Items	Carrying amount as at 30 June 2021	Fair value as at 30 June 2021			Total
		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:	<b>13,508,044</b>	–	<b>14,545,896</b>	–	<b>14,545,896</b>
1. Long-term borrowings at fixed interest rate	<b>12,718,044</b>	–	<b>13,736,317</b>	–	<b>13,736,317</b>
2. Bonds payable at fixed interest rate	<b>790,000</b>	–	<b>809,579</b>	–	<b>809,579</b>

*All amounts in RMB'000*

Items	Carrying amount as at 31 December 2020	Fair value as at 31 December 2020			Total
		Level 1 of the fair value hierarchy	Level 2 of the fair value hierarchy	Level 3 of the fair value hierarchy	
Financial liabilities measured at amortized cost:	14,137,967	–	15,176,248	–	15,176,248
1. Long-term borrowings at fixed interest rate	13,347,967	–	14,347,727	–	14,347,727
2. Bonds payable at fixed interest rate	790,000	–	828,521	–	828,521



# Financial Statements

## XI. FAIR VALUE DISCLOSURES (CONTINUED)

### 8. Fair value of financial assets and financial liabilities that are measured at fair value on a non-recurring basis (Continued)

Quantitative information determined in accordance with the level 2:

Items	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

## XII. RELATED PARTIES AND TRANSACTIONS

### 1. Details of the parent company of the Company

*All amounts in RMB'000*

Name of company	Place of registration	Principal activities	Registered capital	Percentage of ownership interest in the Company (%)	Percentage of voting rights in the Company (%)
China Metallurgical Group Corporation	Beijing	Engineering contracting, property development, equipment manufacture, resource development and others	10,338,556	49.18	49.18

As stated in Note III, CMC together with its other subsidiaries other than the Company are the Group's related party.

Related party transactions between the Company and CMC together with its other subsidiaries other than the Company also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

SASAC is the ultimate controlling party of the Group.

### 2. Subsidiaries of the Company

Details of the subsidiaries of the Company are set out in Note IX 1.

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 3. Joint ventures and associates of the Group

Details of the principal joint ventures and associates of the Group are set out in Note IX 2.

Joint ventures and associates entered into transactions with the Group during the period, or during the prior period with remaining closing balance were as follows:

Name of joint ventures and associates	Relationship with the Group
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Joint venture
Zhuhai Hengqin Headquarters Building Development Co., Ltd.	Joint venture
Beijing MCC Mingying Real Estate Development Co., Ltd.	Joint venture
Beijing MCC Mingding Real Estate Development Co., Ltd.	Joint venture
Suzhou Zhongyuanrui Real Estate Development Co., Ltd.	Joint venture
Guangzhou MCC Mingjie Real Estate Co., Ltd.	Joint venture
Guangzhou MCC Minghui Real Estate Co., Ltd.	Joint venture
Shijiazhuang MCC Mingguan Real Estate Development Co., Ltd.	Joint venture
Nanjing MCC Zhenghuai Real Estate Co., Ltd.	Joint venture
Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	Joint venture
Xi'an MCC Mingzhu Real Estate Development Co., Ltd.	Joint venture
Tianjin MCC Mingrui Real Estate Co., Ltd.	Joint venture
Zhuozhou MCC Mingcheng Real Estate Development Co., Ltd.	Joint venture
MCC Baotou Mingyang Real Estate Development Co., Ltd.	Joint venture
Tianjin Mingjin MCC Real Estate Co., Ltd.	Joint venture
Xuzhou MCC Chengdong Express Way Co., Ltd.	Joint venture
Guizhou Ziwang Highway Construction Co., Ltd.	Joint venture
Sichuan Guotai High-tech Tube Gallery Industrial Investment Co., Ltd.	Joint venture
Chongqing Xiema East& West Main Line Construction Engineering Management Co., Ltd.	Joint venture
Tangshan Fengrun Runfeng Municipal Infrastructure Development and Construction Co., Ltd.	Joint venture
Lanzhou New Area MCC Infrastructure Construction Co. Ltd.	Joint venture
Ma'an Shan MCC Huaxin Water Environment Treatment Co., Ltd.	Joint venture
Xichang Hesheng Urban Construction Project Investment Co. Ltd.	Joint venture
First Metallurgical Construction Engineering Xuzhou Co., Ltd.	Joint venture
China 22 MCC Corporation Industrial Technology Service Co., Ltd.	Associate
Shanghai Libo Labor Service Co., Ltd.	Associate
Mcc (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Associate
Chengdu Yexing Runda New Building Materials Co.,Ltd.	Associate

# Financial Statements

## 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
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	Associate
Yunnan Yongmeng Expressway Construction and Development Co., Ltd.	Associate
Yunnan Mangliang Expressway Investment and Development Co., Ltd.	Associate
Lanzhou Olympic Sports Center Construction and Development Co.,Ltd.	Associate
Chongqing Yunkai Expressway Co., Ltd.	Associate
Zigong Yejian Construction Engineering Co., Ltd.	Associate
Lankao Zhongpu Investment Management Co., Ltd.	Associate
Baoding Mingbao Real Estate Development Co., Ltd.	Associate
Zhongshan MCC Cuicheng Street Integrated Pipe Network Co.,Ltd.	Associate
Quzhou Baoye Sports Construction and Operation Co., Ltd.	Associate
Xi'an MCC Pipe Network Construction and Management Co., Ltd.	Associate
Anyang Baoye Sports center Project Management Co., Ltd.	Associate
Gansu Gonghang Lujiujia Expressway Management Co., Ltd.	Associate
Handan Jinxin Xinghua Pipe Gallery Construction Co., Ltd.	Associate
Yuhuan Tianshang Construction and Development Co., Ltd.	Associate
Zhejiang MCC Investment Management Co., Ltd.	Associate
Tangshan MCC Fangzhou Real Estate Development Co., Ltd.	Associate
Sichuan Hangye Industrial Co., Ltd.	Associate
Jiangsu Rongyu Construction Development Co., Ltd.	Associate
Ningguo Baoye Urban Construction Co., Ltd.	Associate
Huaining Huaiye Construction Development Co., Ltd.	Associate
Yinchuan Mancheng Street Underground Comprehensive Pipe Network Construction and Management Co., Ltd.	Associate
Foshan Jianxin Infrastructure Construction Co., Ltd.	Associate
Nanchong 17 MCC Jiangdongbiaomei Construction Investment Management Co., Ltd.	Associate
Nanjing Xiexian Construction Development Co., Ltd.	Associate
Yancheng Hexuan Real Estate Co. Ltd.	Associate
Cangnan Zhonggong Construction and Development Co., Ltd.	Associate
Suining Kaihong Construction Development Co., Ltd.	Associate
Shanghai Yuepu South Concrete Co., Ltd.	Associate
Nanjing Zhongkang Construction Development Co., Ltd.	Associate
Chongqing Beimeng Project Management Limited Liability Company	Associate
Nanjing MCC Zecheng Construction Development Co., Ltd.	Associate
Hohhot Xintianjing Construction Co., Ltd.	Associate
Xichang Anmin City Construction Investment Co., Ltd.	Associate

# Financial Statements

## 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
Shanxi MCC Kechuang Comprehensive Pipe Gallery Construction Management Co., Ltd.	Associate
Hangzhou Baoye Urban Construction Development Co., Ltd.	Associate
Nanjing Pukou Xingbao Construction Development Co., Ltd.	Associate
Dancheng Zhongyi Ecological Environment Management Co., Ltd.	Associate
Guizhou MCC Infrastructure Investment Co. Ltd.	Associate
Baotou MCC Real Estate Co., Ltd.	Associate
Liuzhou Guoye Luqiao Investment and Development Co., Ltd.	Associate
Changsha MCC Kaixin Project Management Co., Ltd.	Associate
Leshan LEGO Urban Construction Engineering Co., Ltd.	Associate
Qiqihar North MCC Real Estate Co., Ltd.	Associate
Wuzhou Guoye Investment Development Co., Ltd.	Associate
Tianjin MCC Heyuan Real Estate Co., Ltd.	Associate
MCC HUAFA Public Utility Tunnel Co., Ltd.	Associate
Zhangpu Chengye Construction investment Co., Ltd.	Associate
Hohhot Jinye Construction Co., Ltd.	Associate
MCC Jixin Health Industry Co., Ltd.	Associate
Luxi Zhonggong Road Network Construction Management Co., Ltd.	Associate
Huangshi Metallurgical Infrastructure Construction Co., Ltd.	Associate
Wuhan Zhongyi Investment and Construction Co., Ltd.	Associate
Hohhot Xinlian Project Management Co., Ltd.	Associate
Shanghai United Automobile Avenue Development and Construction Co., LTD	Associate
Shanghai MCC Xiangqi Investment Co., Ltd.	Associate
Nanjing Jiufengshan Pastoral Complex Construction and Development Co., Ltd.	Associate
MCC DANGA BAY SDN BHD	Associate

# Financial Statements

## 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:	Relationship with the Group
Minmetals Steel Chengdu 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 (Wuhan) Limited Company	Under common control of China Minmetals Corporation
Minmetals Steel Lanzhou Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Nonferrous Metals Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Steel Beijing Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Trading Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Steel Guangzhou Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Steel Chongqing 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
Minmetals Steel Qingdao Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Steel Hangzhou Co., Ltd.	Under common control of China Minmetals Corporation
Nordic Metals And Minerals Co. Ltd.	Under common control of China Minmetals Corporation
Aibang Trading Co., Ltd.	Under common control of China Minmetals Corporation
Minmei Real Estate Nanjing Co., Ltd.	Under common control of China Minmetals Corporation
Chengdu Shengkuang Real Estate Co., Ltd.	Under common control of China Minmetals Corporation
Anshan Minmetals Chentaigou Mining Co., Ltd.	Under common control of China Minmetals Corporation
Shanghai MCC Hospital	Under common control of China Minmetals Corporation
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Under common control of China Minmetals Corporation
China National Foreign Trade Financial & Leasing Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Steel Xi'an Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Development Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Securities Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals International Engineering Technology Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals International Trust Co. Ltd.	Under common control of China Minmetals Corporation
Huangshaping Lead-zinc mine, Hunan province	Under common control of China Minmetals Corporation
Zhuzhou Zhuye non-ferrous Industrial Co. Ltd.	Under common control of China Minmetals Corporation
Beijing Xinyuan Yelong Investment Management Co., Ltd.	Under common control of China Minmetals Corporation
Gold Shine Energy Material Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals International Nonferrous Metals Trading Company	Under common control of China Minmetals Corporation

# Financial Statements

## 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 period	Amount for the prior period
Transactions of companies under common control by CMC (Note):		16,599	–
China Metallurgical Group Corporation	Receipt of services	16,599	–
Transactions of companies under control by Minmetals Corporation (Note):		6,442,114	3,238,131
Minmetals Steel Chengdu Co., Ltd.	Purchase of goods	1,702,140	973,259
Minmetals Steel Shanghai Co., Ltd.	Purchase of goods	1,486,688	585,628
Minmetals Steel Tianjin Co., Ltd.	Purchase of goods and receipt of services	533,371	237,748
Minmetals Steel (Wuhan) Limited Company	Purchase of goods	470,790	144,507
Minmetals Steel Lanzhou Co., Ltd.	Purchase of goods	453,421	326,062
Minmetals Nonferrous Metals Co., Ltd.	Purchase of goods	414,081	222,614
Minmetals Steel Beijing Co., Ltd.	Purchase of goods	301,089	215,478
Minmetals Trading Co., Ltd.	Purchase of goods	192,632	20,326
Minmetals Steel Guangzhou Co., Ltd.	Purchase of goods	189,001	202,960
Minmetals Steel Chongqing Co., Ltd.	Purchase of goods	178,243	23,039
The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	Receipt of services	104,064	–
Minmetals Steel Qingdao Co., Ltd.	Purchase of goods	91,081	16,467
Minmetals Steel Hangzhou Co., Ltd.	Purchase of goods	77,151	10,554
Others	Purchase of goods and receipt of services	248,362	259,489
Transactions with joint ventures and associates:		355,803	343,860
China 22 MCC Corporation Industrial Technology Service Co., Ltd.	Receipt of services	98,978	25,677
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Receipt of services	49,942	151,569
Shanghai Libo Labor Service Co., Ltd.	Receipt of services	46,540	2,000
MCC Capital (Xiangtan) Heavy Industry Equipment Co., Ltd.	Receipt of services	45,546	3,998
Chengdu Yexing Runda New Building Materials Co.,Ltd.	Purchase of goods	39,245	–
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	Purchase of goods and receipt of services	27,780	31,476
Others	Purchase of goods and receipt of services	47,772	129,140

Note: These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

# Financial Statements

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (1) Purchase or sales of goods, provision or receipt of services (Continued)

##### (b) Sales of goods and provision of services

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current period	Amount for the prior period
Transactions with companies under common control of CMC (Note):		<b>685,968</b>	201,112
MCC Ruimu Amperex Technology Limited	Sales of goods and provision of services	<b>685,968</b>	201,112
Transactions of companies under control by Minmetals Corporation (Note):		<b>685,485</b>	1,226,290
Minmetals Nonferrous Metals Co., Ltd.	Sales of goods	<b>183,405</b>	702,633
Nordic Metals And Minerals Co. Ltd.	Sales of goods	<b>132,659</b>	–
Aibang Trading Co., Ltd.	Sales of goods	<b>65,268</b>	–
Minmei Real Estate Nanjing Co., Ltd.	Provision of services	<b>56,562</b>	–
Chengdu Shengkuang Real Estate Co., Ltd.	Provision of services	<b>51,786</b>	–
Others	Sales of goods and provision of services	<b>195,805</b>	523,657
Transactions with joint ventures and associates:		<b>22,687,957</b>	20,977,135
Yunnan Yongmeng Expressway Construction and Development Co., Ltd.	Provision of services	<b>1,363,544</b>	–
Yunnan Mangliang Expressway Investment and Development Co., Ltd.	Provision of services	<b>1,032,029</b>	225,470
Lanzhou Olympic Sports Center Construction and Development Co., Ltd.	Provision of services	<b>856,270</b>	217,959
Chongqing Yunkai Expressway Co., Ltd.	Provision of services	<b>747,109</b>	21,979
Zigong Yejian Construction Engineering Co., Ltd.	Provision of services	<b>673,025</b>	639,812
Lankao Zhongpu Investment Management Co., Ltd.	Provision of services	<b>599,483</b>	226,114
Xinghua Yuehai Water Co., Ltd.	Provision of services	<b>571,299</b>	–
Baoding Mingbao Real Estate Development Co., Ltd.	Provision of services	<b>505,892</b>	–
First Metallurgical Construction Engineering Xuzhou Co., Ltd.	Provision of services	<b>484,706</b>	–
Zhongshan MCC Cuicheng Street Integrated Pipe Network Co., Ltd.	Provision of services	<b>439,661</b>	285,228
Quzhou Baoye Sports Construction and Operation Co., Ltd.	Provision of services	<b>426,831</b>	209,281
Liuzhou Guoye Luqiao Investment and Development Co., Ltd.	Provision of services	<b>422,971</b>	–
Changsha MCC Kaixin Project Management Co., Ltd.	Provision of services	<b>420,095</b>	270,250
Xi'an MCC Pipe Network Construction and Management Co., Ltd.	Provision of services	<b>375,049</b>	287,484
Anyang Baoye Sports center Project Management Co., Ltd.	Provision of services	<b>360,644</b>	195,684
Gansu Gonghanglv Historic District Construction and Investment Co., Ltd.	Provision of services	<b>358,843</b>	–
Handan Jinxin Xinghua Pipe Corridor Construction Co., Ltd.	Provision of services	<b>352,178</b>	146,934
Yuhuan Tianshang Construction and Development Co., Ltd.	Provision of services	<b>319,993</b>	252,109
Other	Sales of goods and provision of services	<b>12,378,335</b>	17,998,831

Note: These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

# Financial Statements

## 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 period	Leasing income recognized for the prior period
Anshan Minmetals Chentaigou Mining Co., Ltd.	Buildings, structures	377	–
Shanghai MCC Hospital	Buildings, structures	131	226
Total		508	226

##### (b) As lessee

All amounts in RMB'000

Name of lessor	Type of leased assets	Lease liabilities at 30 June 2021	Increase of historical cost of right-of-use assets for the current period	Leasing expense recognized for the prior period
China Metallurgical Group Corporation (Note)	Buildings, structures	23,449	–	28,373
Beijing Dongxing Metallurgical New Technology Development Co., Ltd. (Note)	Buildings, structures	5,012	–	2,357
Total		28,461	–	30,730

Note: These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.



# Financial Statements

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (3) Guarantee

##### (a) Grant guarantee

All amounts in RMB'000

Guarantor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed at 30 June 2021
Zhuhai Hengqin Headquarters Building Development Co., Ltd.	350,624	2019-09-04	2024-09-04	No
Zhuhai Hengqin Headquarters Building Development Co., Ltd.	543,467	2019-09-04	2024-09-04	No

##### (b) Guarantees be granted

All amounts in RMB'000

Guarantor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed at 30 June 2021
China Metallurgical Group Corporation	1,938,030	2019-11-01	2022-10-31	No
China Metallurgical Group Corporation	1,248,702	2020-05-05	2023-05-05	No
China Metallurgical Group Corporation	316,545	2021-06-02	2022-06-01	No

# Financial Statements

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (4) Loans from/to related parties

All amounts in RMB'000

Related party	Amount	Inception date	Expiration date	Notes
Lending				
Beijing MCC Mingying Real Estate Development Co., Ltd.	4,981,900	2021-06-11	No fixed maturity date	General borrowings
Beijing MCC Mingding Real Estate Development Co., Ltd.	2,363,140	2021-06-18	No fixed maturity date	General borrowings
Suzhou MCC Zhongyuanrui Real Estate Development Co., Ltd.	1,237,881	2021-05-24	No fixed maturity date	General borrowings
Guangzhou MCC Mingjie Real Estate Co., Ltd.	1,200,000	2021-01-04	No fixed maturity date	General borrowings
Guangzhou MCC Minghui Real Estate Co., Ltd.	1,200,000	2021-03-23	No fixed maturity date	General borrowings
Shijiazhuang MCC Mingguan Real Estate Development Co., Ltd.	1,139,000	2021-03-25	No fixed maturity date	General borrowings
Nanjing MCC Zhenghuai Real Estate Co., Ltd.	1,000,000	2021-01-01	No fixed maturity date	General borrowings
Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	800,000	2021-04-20	No fixed maturity date	General borrowings
Xi'an MCC Mingzhu Real Estate Development Co., Ltd.	690,801	2021-04-02	2021-04-09	General borrowings
Tianjin MCC Mingrui Real Estate Co., Ltd.	400,000	2021-01-12	No fixed maturity date	General borrowings
Zhuozhou MCC Mingcheng Real Estate Development Co., Ltd.	146,300	2021-01-04	No fixed maturity date	General borrowings
MCC DANGA BAY SDN BHD	108,878	2021-01-01	No fixed maturity date	General borrowings
MCC Baotou Mingyang Real Estate Development Co., Ltd.	107,750	2021-02-02	No fixed maturity date	General borrowings
Zhejiang MCC Investment Management Co., Ltd.	103,979	2021-01-26	2021-7-26	General borrowings
Others	207,735	/	/	/
Total	15,687,364	/	/	/

Certain of the loans from/to related parties mentioned above are interest bearing. The interest rates ranged from 4.65% to 10.00%.

# Financial Statements

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (5) Compensation of key management personnel

All amounts in RMB'000

Compensation of key management personnel	Amount for the current period	Amount for the prior period
Total	4,594	4,488

#### (6) Other related party transactions

All amounts in RMB'000

Related party transactions	Related parties	Amount for the current period	Amount for the prior period
Interest income	Tianjin MCC Mingrui Real Estate Co., Ltd.	81,378	63,532
Interest income	Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	78,520	41,989
Interest income	Guangzhou MCC Minghui Real Estate Co., Ltd.	55,588	31,683
Interest income	MCC Baotou Mingyang Real Estate Development Co., Ltd.	53,022	–
Interest income	Guangzhou MCC Mingjie Real Estate Co., Ltd.	51,444	64,883
Interest income	Nanjing MCC Zhenghuai Real Estate Co., Ltd.	39,952	–
Interest income	Beijing MCC Mingying Real Estate Development Co., Ltd.	35,848	–
Interest income	Zhuozhou MCC Mingcheng Real Estate Development Co., Ltd.	20,695	–
Interest income	Shijiazhuang MCC Mingguan Real Estate Development Co. Ltd.	15,960	–
Interest income	Tangshan MCC Fangfang Real Estate Development Co. Ltd.	14,815	2,958
Interest income	Beijing MCC Mingding Real Estate Development Co., Ltd.	14,718	–
Interest income	Sichuan Hangye Industrial Co., Ltd.	13,343	13,696
Interest income	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	13,203	13,276
Interest income	Tianjin Mingjin MCC Real Estate Co., Ltd.	11,194	10,700
Interest income	Other	60,424	309,714
Total		560,104	552,431
Interest expense	China National Foreign Trade Financial & Leasing Co., Ltd.	7,091	11,972
Interest expense	China Metallurgical Group Corporation	753	34,343
Interest expense	Others	–	50,879
Total		7,844	97,194

# Financial Statements

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 6. Amounts due from/due to related parties

#### (1) Receivables

All amounts in RMB'000

Items	Related parties	30 June 2021		31 December 2020	
		Book value	Provisions for credit losses	Book value	Provisions for credit losses
Accounts receivable	BERIS Engineering and Research Corporation Jiangsu Heavy Industry Co., Ltd.	438,498	438,498	572,959	572,959
Accounts receivable	Jiangsu Rongyu Construction Development Co., Ltd.	329,726	2,902	25,997	419
Accounts receivable	Wuhan Zhong Yi Investment Construction Company Ltd.	318,962	–	169,696	–
Accounts receivable	Dancheng Zhongyi Ecological Environment Management Co., Ltd.	314,319	–	371,705	–
Accounts receivable	Ningguo Baoye Urban Construction Co., Ltd.	311,070	6,850	–	–
Accounts receivable	Guizhou MCC Infrastructure Investment Co. Ltd.	259,427	6,499	9,861	1,158
Accounts receivable	Huaining Metallurgical Construction and Development Co., Ltd.	215,963	–	47,189	–
Accounts receivable	Yinchuan Mancheng Street Underground Comprehensive Pipe Network Construction and Management Co., Ltd.	196,641	–	213,628	–
Accounts receivable	Huangshi Metallurgical Infrastructure Construction Co., Ltd.	187,294	12,137	–	–
Accounts receivable	Foshan Jianxin Infrastructure Construction Co., Ltd.	180,859	13,114	162,490	9,703
Accounts receivable	Nanchong 17 MCC Jiangdongbiaomei Construction Investment Management Co., Ltd.	163,702	–	176,652	–
Accounts receivable	Nanjing Xiexuan Construction and Development Co., Ltd.	161,697	–	16,025	–
Accounts receivable	Baotou MCC Real Estate Co., Ltd.	149,117	122,397	149,117	117,091
Accounts receivable	MCC Oriental Steel Energy Heavy Industry (Zhuhai) Co., Ltd.	148,118	148,118	13,657	13,657
Accounts receivable	Luxi County Zhonggong Traffic Network Construction and Management Co., Ltd.	147,716	3,870	144,716	4,211
Accounts receivable	Yancheng Hexuan Real Estate Co. Ltd.	147,526	–	–	–
Accounts receivable	Zhuhai Hengqin Headquarters Building Development Co., Ltd.	145,332	4,999	149,316	5,136
Accounts receivable	Hohhot Jinye Construction Co. Ltd.	125,000	3,750	–	–
Accounts receivable	Nanjing Hexi New City District State-owned Assets Operating and Holding (Group) Co., Ltd.	120,850	–	–	–
Accounts receivable	Hohhot Xinlian Project Management Co., Ltd.	117,748	3,085	–	–
Accounts receivable	Cangnan Zhonggong Construction and Development Co., Ltd.	111,541	2,922	25,046	729
Accounts receivable	Zhangpu Chengye Construction Investment Co., Ltd.	105,263	12,774	105,263	9,632
Accounts receivable	Others	4,475,865	101,381	4,315,794	97,510
Total		8,872,234	883,296	6,669,111	832,205

# Financial Statements

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 6. Amounts due from/due to related parties (Continued)

#### (1) Receivables (Continued)

Items	Related parties	30 June 2021		31 December 2020	
		Book value	Provisions for credit losses	Book value	Provisions for credit losses
Other receivables	Beijing MCC Mingying Real Estate Development Co., Ltd.	5,019,899	–	–	–
Other receivables	Tianjin MCC Mingrui Real Estate Co., Ltd.	2,988,725	–	3,528,278	–
Other receivables	Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	2,575,173	965	2,533,778	–
Other receivables	Beijing MCC Mingding Real Estate Development Co., Ltd.	2,365,149	–	–	–
Other receivables	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	1,919,615	516,810	1,915,839	513,049
Other receivables	MCC Baotou Mingyang Real Estate Development Co., Ltd.	1,877,568	–	1,702,330	–
Other receivables	Guangzhou MCC Minghui Real Estate Co., Ltd.	1,778,565	–	1,951,993	–
Other receivables	Guangzhou MCC Mingjie Real Estate Co., Ltd.	1,668,477	–	2,775,371	–
Other receivables	Nanjing MCC Zhenghuai Real Estate Co., Ltd.	1,317,714	–	1,275,309	–
Other receivables	Suzhou Zhongyuanrui Real Estate Development Co., Ltd.	1,294,551	–	–	–
Other receivables	Qiqihar North MCC Real Estate Co., Ltd.	1,210,029	423,510	1,235,517	–
Other receivables	Shijiazhuang MCC Mingguan Real Estate Development Co., Ltd.	1,138,567	–	–	–
Other receivables	Wuhan Zhongyi Communication Construction Co., Ltd.	1,121,815	–	1,121,815	–
Other receivables	MCC Baoding Development and Construction Co., Ltd.	1,000,000	7,020	–	–
Other receivables	Others	11,526,119	1,880,731	16,977,472	1,779,850
Total		38,801,966	2,829,036	35,017,702	2,292,899

# Financial Statements

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 6. Amounts due from/due to related parties (Continued)

#### (1) Receivables (Continued)

Items	Related parties	30 June 2021		31 December 2020	
		Book value	Provisions for credit losses	Book value	Provisions for credit losses
Prepayments	Minmetals Steel Chongqing Co., Ltd.	38,165	–	38,311	–
Prepayments	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	31,840	–	21,022	–
Prepayments	China 22 MCC Corporation Industrial Technology Service Co., Ltd.	11,497	–	7,035	–
Prepayments	Jinchi Energy and Material Co., Ltd.	9,452	–	9,452	–
Prepayments	Minmetals Steel Shanghai Co., Ltd.	8,614	–	67,684	–
Prepayments	Minmetals Steel Beijing Co., Ltd.	7,366	–	7,866	–
Prepayments	Others	26,385	–	233,870	–
Total		133,319	–	385,240	–
Long-term receivables	Suining Kaihong Construction Development Co., Ltd.	438,921	–	401,503	–
Long-term receivables	Xuzhou MCC Chengdong Express Way Co., Ltd.	174,010	–	143,187	–
Long-term receivables	MCC Ruimu Ampere Technology Limited	129,385	1,396	250,084	3,556
Long-term receivables	Nanjing Hexi New City District State-owned Assets Operating and Holding (Group) Co., Ltd.	72,497	–	–	–
Long-term receivables	Guizhou Ziwang Highway Construction Co., Ltd.	62,881	–	–	–
Long-term receivables	Others	38,101	880	466,159	3,231
Total		915,795	2,276	1,260,933	6,787

# Financial Statements

## 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	30 June 2021	31 December 2020
Accounts payable	Minmetals Steel Chengdu Co., Ltd.	325,425	94,445
Accounts payable	Minmetals Steel Shanghai Co., Ltd.	289,409	46,227
Accounts payable	Minmetals Steel Lanzhou Co., Ltd.	245,063	96,844
Accounts payable	Minmetals Steel Beijing Co., Ltd.	190,457	26,579
Accounts payable	Minmetals Trading Co. LTD	171,878	41,365
Accounts payable	Minmetals Steel (Wuhan) Limited Company	165,711	48,279
Accounts payable	The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	115,953	90,005
Accounts payable	Minmetals Steel Guangzhou Co., Ltd.	70,637	51,295
Accounts payable	Chengdu Yexing Runda New Building Materials Co.,Ltd.	66,834	45,628
Accounts payable	Minmetals Steel Tianjin Co., Ltd.	59,601	17,381
Accounts payable	Minmetals Steel Qingdao Co., Ltd.	54,875	16,715
Accounts payable	Sichuan Guotai High-tech Tube Gallery Industrial Investment Co., Ltd.	47,718	41,729
Accounts payable	Minmetals Steel Xi'an Co., Ltd.	47,569	74,949
Accounts payable	Minmetals Nonferrous Metals Trade Co., Ltd.	42,579	42,916
Accounts payable	Shanghai Yuepu South Concrete Co., Ltd.	40,937	34,735
Accounts payable	Others	247,406	261,366
Total		2,182,052	1,030,458

# Financial Statements

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 6. Amounts due from/due to related parties (Continued)

#### (2) Payables (Continued)

Items	Related parties	30 June 2021	31 December 2020
Other payables	Nanjing Xiaguan Riverside Project	2,171,253	–
Other payables	Zhuhai Hengqin Headquarters Building Development Co., Ltd.	920,596	114,353
Other payables	China Metallurgical Group Corporation	786,556	163,586
Other payables	Nanjing Zhongkang Construction Development Co., Ltd.	161,734	–
Other payables	Zhuzhou Smelter Nonferrous Metals Industrial Co., Ltd.	150,043	151,548
Other payables	Minmetals Development Co., Ltd.	150,000	80,000
Other payables	Chongqing Beimeng Project Management Limited Liability Company	133,353	–
Other payables	MCC HUAFA Public Utility Tunnel Co., Ltd.	95,459	–
Other payables	Minmetals International Engineering Technology Co., Ltd.	85,909	106,735
Other payables	Baotou MCC Real Estate Co., Ltd.	77,827	77,827
Other payables	MCC Ruimu Ampere Technology Limited	75,273	178,508
Other payables	Nanjing MCC Zecheng Construction and Development Co., Ltd.	74,874	–
Other payables	Tianjin MCC Heyuan Real Estate Co., Ltd.	68,469	68,469
Other payables	Hunan Huangshaping Lead-Zinc Mine	66,204	66,868
Other payables	Wuzhou Guoye Investment and Development Co., Ltd.	52,080	52,080
Other payables	Hohhot Xintianjing Construction Co., Ltd.	41,530	–
Other payables	Minmetals International Trust Co. Ltd.	32,184	–
Other payables	Chongqing Xiema East& West Main Line Construction Engineering Management Co., Ltd.	30,000	30,000
Other payables	Shanghai MCC Xiangqi Investment Co., Ltd.	24,483	24,483
Other payables	Shanghai Union Automobile Avenue Development and Construction Co., Ltd.	24,000	24,000
Other payables	Nanjing Jiufengshan Pastoral Complex Construction and Development Co., Ltd.	20,000	–
Other payables	Beijing Xinyuan Yelong Investment Management Co., Ltd.	17,714	17,714
Other payables	Others	97,810	137,305
Total		5,357,351	1,293,476



# Financial Statements

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 6. Amounts due from/due to related parties (Continued)

#### (2) Payables (Continued)

Items	Related parties	30 June 2021	31 December 2020
Contract liabilities	Xichang Anmin City Construction Investment Co., Ltd.	426,144	431,719
Contract liabilities	Tangshan Fengrun District Runfeng Municipal Infrastructure Development and Construction Co., Ltd.	352,112	42,723
Contract liabilities	Leshan City Legao Urban Construction Engineering Co., Ltd.	336,748	400,150
Contract liabilities	Xichang Hesheng Urban Construction Project Investment Co. Ltd.	312,212	1,835
Contract liabilities	Quzhou Baoye Sports Construction and Operation Co., Ltd.	192,910	252,715
Contract liabilities	Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	176,991	176,991
Contract liabilities	Lanzhou New Area MCC Infrastructure Construction Co. Ltd.	148,568	–
Contract liabilities	MCC Jixin Health Industry Co., Ltd.	142,324	–
Contract liabilities	Maanshan MCC Huaxin Water Environment Treatment Co., Ltd.	139,502	–
Contract liabilities	Shanxi MCC Kechuang comprehensive pipe Gallery Construction management Co., Ltd.	136,758	–
Contract liabilities	Hangzhou Baoye Urban Construction and Development Co., Ltd.	135,768	3,032
Contract liabilities	Nanjing Pukou Xingbao Construction Development Co., Ltd.	109,566	64,487
Contract liabilities	Others	1,083,393	1,457,233
Total		3,692,996	2,830,885
Non-current liabilities due within one year	China National Foreign Trade Financial & Leasing Co., Ltd.	109,617	216,049
Non-current liabilities due within one year	Minmetals Securities Co., Ltd.	–	30,754
Total		109,617	246,803
Long-term borrowings	Minmetals Securities Co., Ltd.	–	579,500
Long-term borrowings	China National Foreign Trade Financial & Leasing Co., Ltd.	110,888	110,888
Total		110,888	690,388
Long-term payables	China Metallurgical Group Corporation	444,550	444,550
Total		444,550	444,550

## XIII. COMMITMENTS AND CONTINGENCIES

### 1. Significant Commitments

#### (1) Capital commitments

As at the balance sheet date, the Group had capital commitments contracted but not recognized in the balance sheet were as follows:

*All amounts in RMB'000*

Items	30 June 2021	31 December 2020
Buildings, structures and equipment	24,180,522	24,219,698
Intangible assets	4,287,019	4,287,019
Total	28,467,541	28,506,717

### 2. Contingencies

#### (1) Significant contingencies at the balance sheet date

##### (a) Pending litigation or arbitration

As at 30 June 2021, objects of pending litigation or arbitration in which the Group acted as defendant were amounting to RMB5,836,140,000 (as at 31 December 2020: RMB4,555,905,000).

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 30 June 2021, management has made provision for pending lawsuits of RMB125,140,000 details of which are set out in Note VII 42.

##### (b) Financial guarantees given to banks

##### (i) Mortgage guarantees

*All amounts in RMB'000*

Guarantor	Guaranteed amount
Mortgage guarantees (Note)	10,348,465

*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.

# Financial Statements

## XIII. COMMITMENTS AND CONTINGENCIES (CONTINUED)

### 2. Contingencies (Continued)

#### (1) Significant contingencies at the balance sheet date (Continued)

##### (b) Financial guarantees given to banks (Continued)

##### (ii) Loan Guarantees

All amounts in RMB'000

Guarantor	Warrantee	Guaranteed amount
China MCC 20 Group Co., Ltd.	Zhuhai Hengqin Headquarters Building Development Co., Ltd.	350,624
MCC Real Estate Group Co., Ltd.	Zhuhai Hengqin Headquarters Building Development Co., Ltd.	543,467

*Note:* China Twenty Metallurgical Group Co., Ltd. provided guarantee for the loan of Zhuhai Hengqin Headquarters Building Development Co., Ltd. The actual guarantee amount was RMB350,624,000 the maximum guaranteed amount was RMB600,000,000, and the guarantee date was from 4 September 2019 to 4 September 2024; MCC Real Estate Group Co., Ltd. provided guarantee for the loan of Zhuhai Hengqin Headquarters Building Development Co., Ltd. The guarantee amount was RMB543,467,000, and the maximum guaranteed amount was RMB930,000,000. The guarantee date was 4 September 2019 to 4 September 2024; Zhuhai Hengqin Headquarters Building Development Co., Ltd. is in good financial condition, and the management expects that there is no major debt default risk.

##### (c) Others

In 2012, due to extreme adverse weather condition, including typhoon, the progress of the Sino Iron Project was behind the original planned schedule giving rise to the substantial project cost overrun. The management is of the view that the Group has implemented appropriate procedures to control project costs, shorten project delay and minimize the loss resulted from the project schedule delay. In respect of the compensation clause set out in the construction contract entered into between the Group and the customer regarding the loss to customer resulted from the project delay due to the contractor own reason, the Group has sufficient communications with CITIC Group who is the customer of the Sino Iron Project. Both the Group and CITIC Group believe that the project delay is due to various reasons. A consensus has been reached between the Group and CITIC Group that the second main process production line of the Sino Iron Project should be completed and available for trial run by 15 April 2013. Due to the technical issue of cyclo electric motors, the trial run of the second main process production line of the Sino Iron Project was further delayed. The cyclo electric motors were purchased by a subsidiary of CITIC Group from an overseas supplier. The Group is of the view that the Group has appropriately performed its duty and fulfilled its responsibility in constructing the second main process production line according to the consensus reached with CITIC Group before. The reason for the delay in trial run of the second main process production line of the Sino Iron Project is principally due to quality issue of cyclo electronic motors which were not purchased by the Group.

As of the date of approving these financial statements, the customer has not lodged any compensation claims against the Group in respect of the project delay. The Group has already taken measures in shortening the project delay and has sufficient communications with the customer of this project. The Group is of the view that the risk of being claimed by the customer of this project is remote. Therefore, no provision for loss is recognized in these financial statements.

## XIV. EVENTS AFTER THE BALANCE SHEET DATE

As of the approval date of this financial report, the Group has not had any major post-balance sheet events.

## 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.

# Financial Statements

## XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

### 1. Segment information (Continued)

#### (2) Summarized financial information of reporting segment

(a) Segment information for the six months period ended 30 June 2021 and as at 30 June 2021

All amounts in RMB'000

Items	Engineering contracting	Property development	Equipment manufacture	Resource development	Others	Unallocated amounts	Elimination between segments	Total
Operating revenue	231,256,834	11,326,380	6,065,257	3,477,786	3,128,092	-	(4,251,162)	251,003,187
Including: Revenue from external customers	229,349,512	10,839,626	5,943,832	3,469,446	1,400,771	-	-	251,003,187
Revenue between segments	1,907,322	486,754	121,425	8,340	1,727,321	-	(4,251,162)	-
Operating costs	211,909,292	8,977,852	5,226,656	2,002,779	2,554,634	-	(4,114,193)	226,557,020
Including: External costs	209,479,577	8,874,738	5,223,577	1,945,390	1,033,738	-	-	226,557,020
Costs between segments	2,429,715	103,114	3,079	57,389	1,520,896	-	(4,114,193)	-
Operating profit/(loss)	5,327,444	1,290,255	174,787	1,063,555	244,978	(78,828)	(133,008)	7,889,183
Including: Interest income	639,384	593,627	2,708	5,835	29,110	-	(316,582)	954,082
Interest expenses	641,180	791,569	56,319	122,725	162,322	-	(316,582)	1,457,533
Gains/(losses) on investments in associates and joint ventures	6,994	120,624	380	-	(4,860)	-	-	123,138
Non-operating income	141,790	5,172	22,042	958	489	-	-	170,451
Non-operating expenses	20,765	4,826	2,801	159	251	-	-	28,802
Total profit/(loss)	5,448,469	1,290,601	194,028	1,064,354	245,216	(78,828)	(133,008)	8,030,832
Income tax expense	974,931	317,076	45,590	4,650	97,678	-	-	1,439,925
Net profit/(net loss)	4,473,538	973,525	148,438	1,059,704	147,538	(78,828)	(133,008)	6,590,907
Assets	421,426,877	132,866,992	23,659,151	18,954,269	79,253,925	5,886,998	(124,458,874)	557,589,338
Including: Long-term equity investments in associates and joint ventures	22,373,798	4,998,110	-	65	33,765	-	-	27,405,738
Non-current assets	63,406,357	6,610,263	1,534,788	8,434,018	21,396,906	-	(20,246,660)	81,135,672
Liabilities	368,760,166	104,678,131	17,272,936	14,836,918	38,393,308	68,587	(130,771,146)	413,238,900
Depreciation and amortization expenses	1,309,692	38,984	77,937	306,237	52,043	-	-	1,784,893
Impairment losses of assets and impairment of credit losses	(2,052,931)	(3,457)	(33,094)	(20,433)	(467)	-	-	(2,110,382)
Increase in other non-current assets other than long-term equity investments	2,400,423	13,277	59,912	53,858	79,071	-	-	2,606,541

# Financial Statements

## XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

### 1. Segment information (Continued)

#### (2) Summarized financial information of reporting segment (Continued)

(b) Segment information for the six months period ended 30 June 2020 and as at 31 December 2020

All amounts in RMB'000

Items	Engineering contracting	Property development	Equipment manufacture	Resource development	Others	Unallocated amounts	Elimination between segments	Total
Operating revenue	163,537,270	13,110,589	4,794,479	1,479,442	1,634,707	-	(3,991,294)	180,565,193
Including: Revenue from external customers	160,653,210	12,814,886	4,657,080	1,476,981	963,036	-	-	180,565,193
Revenue between segments	2,884,060	295,703	137,399	2,461	671,671	-	(3,991,294)	-
Operating costs	147,847,781	10,439,747	4,085,989	1,171,729	1,372,622	-	(3,763,081)	161,154,787
Including: External costs	145,127,197	10,202,338	3,948,653	1,159,410	717,189	-	-	161,154,787
Costs between segments	2,720,584	237,409	137,336	12,319	655,433	-	(3,763,081)	-
Operating profit/(loss)	3,617,603	1,848,100	217,016	(219,976)	158,950	(70,803)	(228,212)	5,322,678
Including: Interest income	861,127	512,462	15,694	9,394	226,457	-	(658,004)	967,130
Interest expenses	1,651,815	406,285	90,554	193,908	247,639	-	(658,004)	1,932,197
Gains/(losses) on investments in associates and joint ventures	(126,802)	79,915	-	-	(194)	-	-	(47,081)
Non-operating income	195,207	25,145	7,000	2,197	7,510	-	-	237,059
Non-operating expenses	46,226	6,923	2,580	23	600	-	-	56,352
Total profit/(loss)	3,766,584	1,866,322	221,436	(217,802)	165,860	(70,803)	(228,212)	5,503,385
Income tax expense	561,958	568,494	46,289	327	49,751	-	-	1,226,819
Net profit/(net loss)	3,204,626	1,297,828	175,147	(218,129)	116,109	(70,803)	(228,212)	4,276,566
Assets	386,798,200	117,595,745	19,019,747	16,794,091	78,035,494	5,637,114	(117,487,428)	506,392,963
Including: Long-term equity investments in associates and joint ventures	20,628,156	4,991,282	-	65	57,452	-	-	25,676,955
Non-current assets	64,402,189	6,819,194	1,615,990	8,796,372	36,853,858	-	(38,945,161)	79,542,442
Liabilities	322,468,532	90,383,382	15,976,893	16,605,464	36,631,912	61,235	(116,089,762)	366,037,656
Depreciation and amortization expenses	945,436	71,060	125,280	413,405	75,024	-	-	1,630,205
Impairment losses of assets and impairment of credit losses	(2,336,877)	(10,527)	21,339	(30,379)	5,507	-	-	(2,350,937)
Increase in other non-current assets other than long-term equity investments	1,466,384	910,734	278,970	134,688	182,838	-	-	2,973,614

# Financial Statements

## 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 period	Amount for the prior period
China	240,580,770	171,509,982
Other countries/regions	10,422,417	9,055,211
Total	251,003,187	180,565,193

All amounts in RMB'000

Items	30 June 2021	31 December 2020
China	70,887,340	68,823,388
Other countries/regions	10,248,332	10,719,054
Total	81,135,672	79,542,442

- (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

	30 June 2021	31 December 2020
Current assets	430,832,698	389,253,555
Less: Current liabilities	377,844,403	331,791,251
Net current assets	52,988,295	57,462,304

#### (2) Total assets less current liabilities

All amounts in RMB'000

	30 June 2021	31 December 2020
Total Assets	557,589,338	506,392,963
Less: Current liabilities	377,844,403	331,791,251
Total assets less current liabilities	179,744,935	174,601,712

# Financial Statements

## XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

### 3. Earnings per share

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

*All amounts in RMB'000*

	Amount for the current period	Amount for the prior period
Net profit for the current period attributable to shareholders of the Company	4,937,420	3,591,925
Including: Net profit from continuing operations	4,937,420	3,591,925
Less: Net profit belonging to the perpetual bond holders	505,436	597,855
Net profit for the current period attributable to ordinary shareholders	4,431,984	2,994,070

(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 period	Amount for the prior period
Number of ordinary shares outstanding at the beginning of the period	20,723,619	20,723,619
Add: Weighted average number of ordinary shares issued during the period	-	-
Less: Weighted average number of ordinary shares repurchased during the period	-	-
Number of ordinary shares outstanding at the end of the period	20,723,619	20,723,619



# Financial Statements

## XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

### 3. Earnings per share (Continued)

#### (3) Earnings per share

All amounts in RMB'000

	Amount for the current period	Amount for the prior period
Calculated based on net profit attributable to ordinary shareholders:		
Basic earnings per share	0.21	0.14
Diluted earnings per share	N/A	N/A
Calculated based on net profit from continuing operations attributable to ordinary shareholders:		
Basic earnings per share	0.21	0.14
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. Accounts receivable

#### (1) Aging analysis of accounts receivable

All amounts in RMB'000

Aging	30 June 2021	31 December 2020
Within 1 year	73,765	209,894
1 to 2 years	-	-
2 to 3 years	-	-
3 to 4 years	-	-
4 to 5 years	-	-
Over 5 years	71,546	71,546
Total book value	145,311	281,440
Less: provisions for credit losses	53,252	53,252
Carrying amount	92,059	228,188

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.

# Financial Statements

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 1. Accounts receivable (Continued)

#### (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 2020	–	53,252	53,252
Reversal for the current period	–	–	–
Provisions for credit losses at 30 June 2021	–	53,252	53,252
Book value of accounts receivable at 30 June 2021	92,059	53,252	145,311

#### (3) The top 5 largest accounts receivable collected by arrears at the end of the period

All amounts in RMB'000

Name of entity	Relationship with the Company	30 June 2021	As a percentage of total accounts receivable (%)
Party 1	Third party	46,454	31.97
Party 2	Third party	43,563	29.98
Party 3	Third party	30,201	20.78
Party 4	Subsidiary	18,294	12.59
Party 5	Third party	6,799	4.68
Total	/	145,311	100.00

(4) As at 30 June 2021, 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 2020: nil).

# Financial Statements

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 2. Other receivables

#### (1) Presentation of other receivables

All amounts in RMB'000

Items	30 June 2021	31 December 2020
Interest receivables	5,727,850	4,846,876
Dividends receivable	2,555,507	2,503,938
Other receivables	48,159,657	36,185,459
Total	56,443,014	43,536,273

#### (2) Interest receivables

All amounts in RMB'000

Items	30 June 2021	31 December 2020
Subsidiaries of the Company	6,052,423	5,173,452
Less: Provisions for credit losses	324,573	326,576
Total	5,727,850	4,846,876

#### (3) Dividends receivable

##### (a) Presentation of dividends receivable

All amounts in RMB'000

Items	30 June 2021	31 December 2020
Subsidiaries of the Company	2,555,507	2,503,938
Total	2,555,507	2,503,938

(b) At 30 June 2021, the closing balance of dividends receivable aged more than one year is RMB1,954,464,000 (as at 31 December 2020: RMB1,852,949,000).

# Financial Statements

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 2. Other receivables (Continued)

#### (4) Other receivables

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

All amounts in RMB'000

Aging	30 June 2021	31 December 2020
Within 1 year	11,162,745	3,214,110
1 to 2 years	6,975,375	5,410,257
2 to 3 years	9,523,003	10,722,838
3 to 4 years	11,399,590	3,691,146
4 to 5 years	1,143,154	3,745,931
Over 5 years	14,170,781	15,638,512
Total book value	54,374,648	42,422,794
Less: Provisions for credit losses	6,214,991	6,237,335
Carrying amount	48,159,657	36,185,459

##### (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 2020	–	–	6,237,335	6,237,335
Other changes	–	–	(22,344)	(22,344)
Provision for credit losses at 30 June 2021	–	–	6,214,991	6,214,991
Book value of other receivables at 30 June 2021	44,810,145	–	9,564,503	54,374,648

# Financial Statements

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 2. Other receivables (Continued)

#### (4) Other receivables (Continued)

(c) Other receivables classified by nature

All amounts in RMB'000

Nature of other receivables	30 June 2021	31 December 2020
Subsidiaries of the Company	53,743,973	41,867,326
Guarantees and deposits	443,922	444,188
Others	186,753	111,280
Total	54,374,648	42,422,794

(d) The top 5 largest other receivables at the end of the period

All amounts in RMB'000

Name of entity	Relationship with the Company	Nature of other receivables	30 June 2021	Aging	As a percentage of total other receivables (%)
Party 1	Subsidiary	Advances/ internal loan	36,136,251	Within 7 years	66.46
Party 2	Subsidiary	Advances/ internal loan	6,773,557	Within 9 years	12.46
Party 3	Subsidiary	Advances/ internal loan	2,444,041	Within 10 years	4.49
Party 4	Subsidiary	Advances/ internal loan	1,087,053	Within 3 years	2.00
Party 5	Subsidiary	Advances/ internal loan	1,082,200	Within 6 years	1.99
Total	/	/	47,523,102	/	87.40

(e) As at 30 June 2021, the Company had no derecognized other receivables due to the transfer of substantially all the risks and rewards of ownership of the other receivables to the transferees whereas whose continuing involvement into transferred financial assets (as at 31 December 2020: nil).

# Financial Statements

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 3. Long-term receivables

#### (1) Long-term receivables

All amounts in RMB'000

Items	30 June 2021	31 December 2020
Subsidiaries of the Company	2,130,214	2,232,679
Others	2,037	2,037
Total book value	2,132,251	2,234,716
Less: Provisions for credit losses of long-term receivables	145,584	150,489
Total net book value	1,986,667	2,084,227
Including: Long term receivables due within one year, net	2,037	2,037
Long term receivables due after one year, net	1,984,630	2,082,190

#### (2) Provision for credit losses of long-term receivables

All amounts in RMB'000

Items	Phase 1	Phase 2	Phase 3	Total
	Future 12-month expected credit losses	Lifetime expected credit losses (Non-credit-impaired)	Lifetime expected credit losses (Credit-impaired)	
Provisions for credit losses at 31 December 2020	–	–	150,489	150,489
Other changes	–	–	(4,905)	(4,905)
Provisions for credit losses at 30 June 2021	–	–	145,584	145,584
Book value of long-term receivables at 30 June 2021	1,986,667	–	145,584	2,132,251

- (3) As at 30 June 2021, 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 2020: nil).

# Financial Statements

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 4. Long-term equity investments

All amounts in RMB'000

Items	30 June 2021			31 December 2020		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Subsidiaries	96,735,099	175,034	96,560,065	94,347,445	175,034	94,172,411
Joint ventures and associates	477,142	113,146	363,996	473,446	113,146	360,300
Total	97,212,241	288,180	96,924,061	94,820,891	288,180	94,532,711

#### (1) Subsidiaries

All amounts in RMB'000

Name of investee	31 December 2020	Increase	Decrease	30 June 2021	Provision for impairment losses for the current period	Impairment provision at 30 June 2021	Carrying amount at 30 June 2021
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	1,898,546	-	-	1,898,546	-	-	1,898,546
Northern Engineering & Technology Corporation, MCC	826,271	-	-	826,271	-	-	826,271
China MCC 3 Group Co., Ltd.	1,219,670	-	-	1,219,670	-	-	1,219,670
Shen Kan Engineering & Technology Corporation, MCC	344,972	-	-	344,972	-	-	344,972
MCC Overseas Ltd.	475,644	-	-	475,644	-	-	475,644
MCC Communication Construction Group Co., Ltd.	9,056,533	-	-	9,056,533	-	-	9,056,533
MCC International Incorporation Ltd.	110,804	-	-	110,804	-	-	110,804
Ramu NiCo Management (MCC) Ltd.	3	-	-	3	-	-	3
MCC Finance Corporation Ltd.	1,583,970	-	-	1,583,970	-	-	1,583,970
MCC Tongsin Resources Ltd.	3,520,017	38,244	-	3,558,261	-	-	3,558,261
MCC-JJJ Mining Development Company Limited	2,849,805	-	-	2,849,805	-	-	2,849,805
MCC Capital Engineering & Research Incorporation Limited	7,170,194	-	-	7,170,194	-	-	7,170,194
MCC Real Estate Group Co., Ltd.	5,814,517	-	-	5,814,517	-	-	5,814,517
China 13th Metallurgical Construction Corporation	372,399	-	-	372,399	-	-	372,399
MCC TianGong Group Corporation Limited.	2,261,984	-	-	2,261,984	-	-	2,261,984
China 22MCC Group Co., Ltd.	3,487,199	-	-	3,487,199	-	-	3,487,199
China Non-ferrous Engineering Co., Ltd.	4,310,884	46,730	-	4,357,614	-	-	4,357,614
China Second Metallurgical Group Corporation Limited	1,262,835	-	-	1,262,835	-	-	1,262,835

# Financial Statements

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 4. Long-term equity investments (Continued)

#### (1) Subsidiaries (Continued)

Name of investee	31 December 2020	Increase	Decrease	30 June 2021	Provision for impairment losses for the current period	Impairment provision at 30 June 2021	Carrying amount at 30 June 2021
Central Research Institute of Building and Construction Co., Ltd.	3,059,049	-	-	3,059,049	-	-	3,059,049
China Huaye Group Co., Ltd.	2,412,037	-	-	2,412,037	-	-	2,412,037
Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	777,923	11,670	-	789,593	-	-	789,593
CISDI Group Co., Ltd.	4,368,886	-	-	4,368,886	-	-	4,368,886
China MCC 5 Group Co., Ltd.	3,050,967	1,971,600	-	5,022,567	-	-	5,022,567
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	60,080	-	5,453,492	-	-	5,453,492
China First Metallurgical Group Co., Ltd.	1,845,761	199,330	-	2,045,091	-	-	2,045,091
MCC Changtian 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	-



# Financial Statements

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 4. Long-term equity investments (Continued)

#### (1) Subsidiaries (Continued)

Name of investee	31 December 2020	Increase	Decrease	30 June 2021	Provision for impairment losses for the current period	Impairment provision at 30 June 2021	Carrying amount at 30 June 2021
MCC Holding (Hong Kong) Corporation Limited	6,485	-	-	6,485	-	-	6,485
MCC Financial Leasing Co., Ltd.	127,500	-	-	127,500	-	-	127,500
MCC Inner Mongolia Construction Investment Co., Ltd.	20,000	-	-	20,000	-	-	20,000
MCC South China Construction Investment Co., Ltd.	51,000	-	-	51,000	-	-	51,000
MCC Rail Transit Co., Ltd.	91,490	-	-	91,490	-	-	91,490
MCC Zhongyuan Construction Investment Co., Ltd.	20,000	-	-	20,000	-	-	20,000
MCC Integrated Pipe Network Technology & Development Co., Ltd.	50,000	-	-	50,000	-	-	50,000
MCC Urban Investment Holding Co., Ltd.	150,000	-	-	150,000	-	-	150,000
China Metallurgical (Hainan) Investment Development Co., Ltd.	24,000	-	-	24,000	-	-	24,000
MCC Road&Bridge Construction Co., Ltd.	286,887	-	-	286,887	-	-	286,887
MCC Ecological Environmental Protection Group Co., Ltd.	50,000	-	-	50,000	-	-	50,000
MCC (Yunnan) Engineering Investment and Construction Co., Ltd.	60,000	-	-	60,000	-	-	60,000
Tianjin United Huixin Investment Partnership (Limited Partnership)	1,000,000	-	-	1,000,000	-	-	1,000,000
Tianjin United Huitong Investment Partnership (Limited Partnership)	1,500,000	-	-	1,500,000	-	-	1,500,000
Tianjin Hongxin Investment Partnership (Limited Partnership)	1,500,000	-	-	1,500,000	-	-	1,500,000
MCC Fujian Investment and Construction Co., Ltd.	-	60,000	-	60,000	-	-	60,000
MCC (Shanghai) Steel Structure Technology Corp., Ltd.	180,401	-	-	180,401	-	-	180,401
Indirect holding subsidiaries	720,000	-	-	720,000	-	-	720,000
<b>Total</b>	<b>94,347,445</b>	<b>2,387,654</b>	<b>-</b>	<b>96,735,099</b>	<b>-</b>	<b>175,034</b>	<b>96,560,065</b>

# Financial Statements

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 4. 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 2020	Movements during the current period							Provision for impairment for the current period	Carrying amount at 30 June 2021	Provision for impairment at 30 June 2021
		Increasing investments	Decreasing investments	Share of (losses)/profits	Other comprehensive income	Other equity movements	Declaration of cash dividends	Others			
Beijing Jingxi Travel Industry Investment Fund (limited partnership)	101,877	-	-	1,258	(112)	-	-	-	-	103,023	-
MCC-Huafu Integrated Pipe Network Co., Ltd.	101,799	-	-	396	-	-	-	-	-	102,195	-
MCC Jianxin Investment Fund Management Co., Ltd.	64,259	-	-	2,043	-	-	-	-	-	66,302	-
Shenzhen MCC Utility Tunnel Construction and Investment Co., Ltd.	11,117	-	-	111	-	-	-	-	-	11,228	-
Yingtian MCC Xinyin industry development partnership (limited partnership)	81,248	-	-	2,967	-	-	2,967	-	-	81,248	-
MCC Xiangxi Mining Industry Co., Ltd.	-	-	-	-	-	-	-	-	-	-	113,146
<b>Total</b>	<b>360,300</b>	<b>-</b>	<b>-</b>	<b>6,775</b>	<b>(112)</b>	<b>-</b>	<b>2,967</b>	<b>-</b>	<b>-</b>	<b>363,996</b>	<b>113,146</b>

In the reporting period, there are no significant restrictions on withdrawing the above long-term equity investments.

### 5. Short-term borrowings

#### (1) Categories of short-term borrowings

All amounts in RMB'000

Items	30 June 2021	31 December 2020
Credit loans:		
RMB	30,222,606	20,932,888
USD	26,520,908	16,660,404
Others	3,605,433	4,097,637
	96,265	174,847
<b>Total</b>	<b>30,222,606</b>	<b>20,932,888</b>

# Financial Statements

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 5. Short-term borrowings (Continued)

(2) As at 30 June 2021, there were no significant short-term borrowings overdue but not yet paid (as at 31 December 2020: nil).

(3) For the current period, the weighted average interest rate of short-term borrowings was 2.91% per annum (as at 31 December 2020: 3.31% per annum).

### 6. Other payables

*All amounts in RMB'000*

Items	30 June 2021	31 December 2020
Amounts due to subsidiaries	15,645,353	17,706,374
Amounts due to MCC	600,000	–
External dividends payable	805,484	401,733
MCC dividends payable	764,322	–
Others	296,479	377,325
Total	18,111,638	18,485,432

### 7. Non-current liabilities due within one year

*All amounts in RMB'000*

Items	30 June 2021	31 December 2020
Long-term borrowings due within one year (Note XVI 7)	3,433,955	1,934,483
Long-term employee benefits payable due within one year	3,754	3,754
Long-term payables due within one year	237,991	283,348
Bonds payable due within one year	20,971	909,559
Lease liabilities due within one year	11,127	21,378
Total	3,707,798	3,152,522

### 8. Long-term borrowings

*All amounts in RMB'000*

Items	30 June 2021	31 December 2020
Credit loans:		
RMB	3,433,955	3,934,483
Total	3,433,955	3,934,483
Less: Long-term borrowings due within one year (Note XVI 7):	3,433,955	1,934,483
Long-term borrowings due over one year	–	2,000,000

For the current period, the weighted average interest rate of long-term borrowings was 4.12% per annum (for the period ended 30 June 2020: 4.24% per annum).

# Financial Statements

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 9. Presentation of operating revenue and operating costs

#### (1) Operating revenue and operating costs

All amounts in RMB'000

Items	Amount for the current period		Amount for the prior period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Principal business	2,237,606	2,234,518	1,131,817	1,129,935
Other business	29,698	243	15,819	243
Total	2,267,304	2,234,761	1,147,636	1,130,178

#### (2) Breakdown of operating revenue

##### (a) Classified by industries:

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Engineering contracting	2,237,606	1,128,273
Others	—	3,544
Total	2,237,606	1,131,817

##### (b) Classified by geographic locations:

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
China	—	3,544
Other countries/regions	2,237,606	1,128,273
Total	2,237,606	1,131,817

# Financial Statements

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 9. 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	1,298,763	57.28
Party 2	Third party	491,042	21.66
Total	/	1,789,805	78.94

(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 30 June 2021, 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.

### 10. Investment income

*All amounts in RMB'000*

Items	Amount for the current period	Amount for the prior period
Investment incomes under cost method	2,164,109	–
Investment (losses) incomes under equity method	6,775	17,814
Total	2,170,884	17,814

There is no major restriction of investment income repatriation to the Company.

# Financial Statements

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 11. Impairment losses of credit

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Credit losses	29,252	(2,636)
Including: Credit losses of other receivables	24,347	(3,194)
Credit losses of long-term receivables	4,905	558
Total	29,252	(2,636)

### 12. 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 period	Amount for the prior period
1.Reconciliation of net profit to cash flows from operating activities:		
Net profit	2,194,943	(13,574)
Add: Credit loss provision	(29,252)	2,636
Depreciation of fixed assets and right-of-use assets	11,351	11,899
Amortization of intangible assets	884	908
Losses (gains) from disposal of fixed assets, intangible assets and other long-term assets	–	–
Losses on written-off of fixed assets	59	(402)
Losses on changes of fair value	(45,327)	–
Financial expenses	40,912	823,242
Investments losses	(2,170,884)	–
Decrease in inventories	30	(24,357)
Increase in contract assets	311,202	11,429
Decrease in receivables from operating activities	(1,396,850)	(7,284,339)
(Decrease) increase in payables from operating activities	711,457	6,258,803
Net cash flows from operating activities	(371,475)	(213,755)
2.Net changes in cash and cash equivalents:		
30 June 2021 of cash	2,294,377	2,471,895
Less: 31 December 2020 of cash	9,606,574	2,456,387
Net decrease in cash and cash equivalents	(7,312,197)	15,508

# Financial Statements

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 12. Supplementary information to the cash flow statement (Continued)

#### (2) Cash and cash equivalents

All amounts in RMB'000

Items	30 June 2021	31 December 2020
I. Cash	2,294,377	9,606,574
Including: Cash on hand	5,531	1,371
Bank deposits without restriction	2,288,846	9,605,203
Other cash and bank balances without restriction	—	—
II. Cash equivalents	—	—
Including: Investments in debt securities due within three months	—	—
III. Cash and cash equivalents on 31 December 2020	2,294,377	9,606,574

## XVII. SUPPLEMENTARY INFORMATION

### 1. Breakdown of non-recurring profit or loss

All amounts in RMB'000

Items	Amount for the current period
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.)	299,017
Other non-operating income or expenses other than the above items	66,536
Profit or loss on disposal of non-current assets	427,710
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	62,328
Profit or loss on disposal of long-term equity investments	5,261
Impact on income tax	(83,061)
Impact on non-controlling interests	(99,650)
Total	678,141

# Financial Statements

## 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 asset (%)	EPS (RMB)	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	5.56	0.21	N/A
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	4.71	0.18	N/A



## 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
	The original audit report sealed with the corporate seal of the accounting firm and signed and sealed by the certified public accountant
	Originals of all documents and announcements of the Company publicly disclosed in the newspapers designated by the CSRC during the Reporting Period



Tel : + 86-10-5986 8666  
Fax : + 86-10-5986 8999  
Postal Code: 100028  
E-mail : [ir@mccchina.com](mailto:ir@mccchina.com)  
Website : [www.mccchina.com](http://www.mccchina.com)  
Address : MCC Tower, No. 28 Shuguang Xili,  
Chaoyang District, Beijing, China