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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in METALLURGICAL CORPORATION OF CHINA LTD.\*, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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# METALLURGICAL CORPORATION OF CHINA LTD. \*

## 中國冶金科工股份有限公司

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

(Stock Code: 1618)

**PROPOSED APPROVAL OF THE PROPOSAL OF THE REPORT ON FINAL ACCOUNTS OF  
THE COMPANY FOR THE YEAR 2021**  
**PROPOSED APPROVAL OF THE PROPOSAL OF PROFIT DISTRIBUTION PLAN OF  
THE COMPANY FOR THE YEAR 2021**  
**PROPOSED APPROVAL OF THE PROPOSAL OF THE EMOLUMENTS OF DIRECTORS AND  
SUPERVISORS OF THE COMPANY FOR THE YEAR 2021**  
**PROPOSED APPROVAL OF THE PROPOSAL OF THE PLAN OF GUARANTEES TO BE PROVIDED BY  
THE COMPANY FOR THE YEAR 2022**  
**PROPOSED APPROVAL OF THE PROPOSAL OF THE PLAN OF REGISTRATION AND ISSUANCE OF  
DOMESTIC BONDS OF THE COMPANY FOR THE YEAR 2022**  
**PROPOSED APPROVAL OF THE PROPOSALS OF THE ENTERING INTO OF THE FINANCIAL  
SERVICES AGREEMENT BETWEEN THE COMPANY AND MINMETALS FINANCE COMPANY AND  
THE ANNUAL CAPS FOR THE THREE YEARS ENDING 31 DECEMBER 2024**  
**PROPOSED APPROVAL OF THE PROPOSAL OF THE COMPANY IN RELATION TO THE REVISION  
AND SETTING OF ANNUAL CAPS FOR THE ROUTINE CONNECTED TRANSACTIONS/CONTINUING  
CONNECTED TRANSACTIONS FOR THE YEARS OF 2022 AND 2023**  
**(1) PROPOSED APPROVAL OF THE PROPOSAL OF THE REVISION OF ANNUAL CAPS FOR 2022  
FOR TRANSACTIONS UNDER THE FRAMEWORK AGREEMENT**  
**(2) PROPOSED APPROVAL OF THE PROPOSALS OF THE ENTERING INTO OF  
THE NEW FRAMEWORK AGREEMENT BETWEEN THE COMPANY AND CHINA MINMETALS AND  
ANNUAL CAPS FOR 2023**  
**AND**  
**PROPOSED APPROVAL OF THE PROPOSAL OF GRANT OF GENERAL MANDATE TO  
THE BOARD OF DIRECTORS TO ISSUE SHARES**

**Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders**



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A letter from the Board of Directors of the Company is set out on pages 1 to 32 of this circular.

A notice convening the AGM (as defined in this circular) to be held at MCC Tower, No. 28 Shuguang Xili, Chaoyang District, Beijing, 100028, the PRC, on Thursday, 30 June 2022 at 10:00 a.m., is set out on pages 110 to 113 of this circular. If you intend to appoint a proxy to attend the AGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares), not less than 24 hours before the time fixed for the holding of the AGM or any adjourned meeting thereof (excluding any public holiday). Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or at any adjourned meeting thereof should you so wish.

If you intend to attend the AGM in person or by proxy, you are required to complete and return the accompanying reply slip to Computershare Hong Kong Investor Services Limited (for holders of H Shares) on or before Monday, 27 June 2022.

31 May 2022

\* For identification purposes only

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> .....	ii
<b>LETTER FROM THE BOARD</b> .....	1
<b>APPENDIX I – LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	33
<b>APPENDIX II – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> .....	35
<b>APPENDIX III – PERFORMANCE REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS</b> .....	68
<b>APPENDIX IV – WORK REPORT OF THE BOARD</b> .....	81
<b>APPENDIX V – WORK REPORT OF THE SUPERVISORY COMMITTEE</b> .....	101
<b>APPENDIX VI – GENERAL INFORMATION</b> .....	106
<b>NOTICE OF THE 2021 ANNUAL GENERAL MEETING</b> .....	110

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the following expressions have the following meanings.*

“A Shares”	domestic shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB;
“AGM”	the 2021 annual general meeting of the Company to be convened and held at MCC Tower, No. 28 Shuguang Xili, Chaoyang District, Beijing, 100028, the PRC, on Thursday, 30 June 2022 at 10:00 a.m.;
“Articles of Association”	the articles of association of the Company;
“associates”	has the meaning ascribed to it under the Listing Rules;
“Board” or “Board of Directors”	the board of directors of the Company;
“China Minmetals”	China Minmetals Corporation* (中國五礦集團有限公司), a state wholly-owned enterprise established in the PRC under the direct control of the State-owned Assets Supervision and Administration Commission of the State Council, and the indirect controlling Shareholder of the Company;
“China Minmetals Group”	China Minmetals and its subsidiaries and associates, including CMGC and its subsidiaries, but not including the Group;
“CMGC”	China Metallurgical Group Corporation* (中國冶金科工集團有限公司), a state wholly-owned enterprise established in the PRC, the direct controlling Shareholder of the Company, and a wholly-owned subsidiary of China Minmetals;
“Company” or “MCC”	Metallurgical Corporation of China Ltd.* (中國冶金科工股份有限公司), a joint stock company with limited liability incorporated under the laws of the PRC on 1 December 2008, and (unless the context requires otherwise) all of its subsidiaries;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules;

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## DEFINITIONS

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“Director(s)”	the director(s) of the Company, including all executive, non-executive and independent non-executive Directors;
“EPC”	Engineering, procurement and construction;
“Financial Services Agreement”	the financial services agreement entered into between the Company and Minmetals Finance Company on 25 May 2022 for the provision of relevant financial services to the Group;
“Framework Agreement”	the Mutual Supply of Comprehensive Raw Materials, Products and Services Agreement entered into between the Company and China Minmetals on 28 April 2019;
“Group”	the Company and all of its subsidiaries;
“H Shares”	overseas listed foreign shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and are listed on the Hong Kong Stock Exchange;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Independent Board Committee”	the independent board committee of the Company formed to consider the continuing connected transactions described in this circular, comprising all independent non-executive Directors, namely, Mr. Zhou Jichang, Mr. Liu Li and Mr. Ng, Kar Ling Johnny;
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the new annual caps for the transactions under the Framework Agreement in relation to the sale and purchase of materials (income and expenditure), credit extension services and deposit services under the Financial Services Agreement (including relevant annual caps), and the transactions under the New Framework Agreement in relation to the sale and purchase of materials (income and expenditure) and engineering construction (income) (including relevant annual caps);

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## DEFINITIONS

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“Independent Shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Latest Practicable Date”	27 May 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
“Minmetals Finance Company”	CMC Finance Co., Ltd., a company established in the PRC and a non wholly-owned subsidiary of China Minmetals;
“New Framework Agreement”	the Mutual Supply of Comprehensive Raw Materials, Products and Services Agreement entered into between the Company and China Minmetals on 25 May 2022;
“Notice”	the notice convening the AGM;
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC;
“PRC”	the People’s Republic of China, but for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholders”	shareholders of the Company;
“Shares”	share(s) of the Company with a nominal value of RMB1.00 each, which refer(s) to both A Shares and H Shares;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“Supervisors”	the supervisors of the Company;
“Supervisory Committee”	the supervisory committee of the Company; and
“Two Funds”	the accounts receivables and inventories.

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## LETTER FROM THE BOARD

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### METALLURGICAL CORPORATION OF CHINA LTD. \*

### 中國冶金科工股份有限公司

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

(Stock Code: 1618)

*Directors:*

Mr. Chen Jianguang (*Executive Director*)

Mr. Zhang Mengxing (*Executive Director*)

Mr. Lang Jia (*Non-executive Director*)

Mr. Yan Aizhong (*Non-executive Director*)

Mr. Zhou Jichang (*Independent Non-executive Director*)

Mr. Liu Li (*Independent Non-executive Director*)

Mr. Ng, Kar Ling Johnny (*Independent Non-executive Director*)

*Registered Office/Principal place of business in the PRC:*

MCC Tower

No. 28 Shuguang Xili

Chaoyang District

Beijing, 100028

*Principal Place of Business in Hong Kong:*

Room 3205, 32/F

Office Tower Convention Plaza

1 Harbour Road, Wanchai

Hong Kong

31 May 2022

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED APPROVAL OF THE PROPOSAL OF THE REPORT ON FINAL ACCOUNTS OF THE COMPANY FOR THE YEAR 2021**  
**PROPOSED APPROVAL OF THE PROPOSAL OF PROFIT DISTRIBUTION PLAN OF THE COMPANY FOR THE YEAR 2021**  
**PROPOSED APPROVAL OF THE PROPOSAL OF THE EMOLUMENTS OF DIRECTORS AND SUPERVISORS OF THE COMPANY FOR THE YEAR 2021**  
**PROPOSED APPROVAL OF THE PROPOSAL OF THE PLAN OF GUARANTEES TO BE PROVIDED BY THE COMPANY FOR THE YEAR 2022**  
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**PROPOSED APPROVAL OF THE PROPOSALS OF THE ENTERING INTO OF THE FINANCIAL SERVICES AGREEMENT BETWEEN THE COMPANY AND MINMETALS FINANCE COMPANY AND THE ANNUAL CAPS FOR THE THREE YEARS ENDING 31 DECEMBER 2024**  
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**(1) PROPOSED APPROVAL OF THE PROPOSAL OF THE REVISION OF ANNUAL CAPS FOR 2022 FOR TRANSACTIONS UNDER THE FRAMEWORK AGREEMENT**  
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**AND**  
**PROPOSED APPROVAL OF THE PROPOSAL OF GRANT OF GENERAL MANDATE TO THE BOARD OF DIRECTORS TO ISSUE SHARES**

\* For identification purposes only

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## LETTER FROM THE BOARD

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The AGM will be held at MCC Tower, No. 28 Shuguang Xili, Chaoyang District, Beijing, 100028, the PRC, on Thursday, 30 June 2022 at 10:00 a.m.. The Notice set out in this circular contains details of the resolutions to be proposed at the AGM. The proxy form and reply slip for the AGM are enclosed with this circular.

### **1. PROPOSED APPROVAL OF THE PROPOSAL OF THE REPORT ON FINAL ACCOUNTS OF THE COMPANY FOR THE YEAR 2021**

According to the relevant requirements of the Ministry of Finance of the PRC, the State-owned Assets Supervision and Administration Commission of the State Council, the China Securities Regulatory Commission, the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the Company has completed the preparation work for the financial report of MCC for the year 2021, which was audited by WUYIGE Certified Public Accountants LLP (Special General Partnership) (hereinafter referred to as “WUYIGE”), and a standard unqualified audit report was issued.

The key indicators of the Company’s financial final accounts for the year 2021 are set out below:

#### **(1) Revenue and profit**

In 2021, the operating revenue increased by RMB100.5 billion to RMB500.6 billion, representing a year-on-year increase of 25.1%. Total profit increased by RMB2.09 billion to RMB14.01 billion, representing a year-on-year increase of 17.6%. Net profit increased by RMB2.23 billion to RMB11.61 billion, representing a year-on-year increase of 23.7%. Net profit attributable to the parent company increased by RMB0.51 billion to RMB8.37 billion, representing a year-on-year increase of 6.5%.

#### **(2) Cash flows**

In 2021, net cash inflow generated from operating activities amounted to RMB17.6 billion, representing a year-on-year decrease of inflow of RMB10.4 billion. In 2021, net cash outflow generated from investing activities amounted to RMB12.6 billion, representing a year-on-year increase of outflow of RMB0.3 billion. In 2021, net cash outflow generated from financing activities amounted to RMB16.2 billion, representing a year-on-year increase of outflow of RMB10.9 billion.

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## LETTER FROM THE BOARD

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### (3) Assets and liabilities

As of the end of 2021, total assets of the Company increased by RMB37.1 billion to RMB543.5 billion, representing an increase of 7.3% over the end of previous year. Total liabilities increased by RMB26.0 billion to RMB392.1 billion, representing an increase of 7.1% over the end of previous year. Net assets increased by RMB11.0 billion to RMB151.4 billion, representing an increase of 7.9% over the end of previous year. Gearing ratio was 72.1%, representing a decrease of 0.1 percentage point over the end of previous year.

For detailed financial data of the Company for the year ended 31 December 2021, please refer to the section headed “Financial Statements” in the 2021 annual report of the Company.

The proposal has been considered and approved at the 37th meeting of the third session of the Board, which is now proposed for consideration and approval at the 2021 AGM.

## 2. PROPOSED APPROVAL OF THE PROPOSAL OF PROFIT DISTRIBUTION PLAN OF THE COMPANY FOR THE YEAR 2021

According to the 2021 audited annual financial report of the Company, the net profit attributable to the Shareholders of the listed company in the consolidated statements of MCC for the year 2021 amounted to RMB8,374.9696 million, and the undistributed profit of the head office of MCC amounted to RMB5,846.2486 million. Based on the total number of 20,723,619,170 Shares in the total Share capital, the Board proposed to distribute a cash dividend of RMB0.78 per 10 Shares (tax inclusive) that added up to a total amount of RMB1,616.44 million, representing 27.65% of the distributable profit and 19.30% of the net profit attributable to the Shareholders of listed company in the consolidated statements, by adopting the way of cash dividend distribution. Upon distribution, the remaining distributable profit amounted to RMB4,229.81 million.

The proposal has been considered and approved at the 37th meeting of the third session of the Board, which is now proposed for consideration and approval at the 2021 AGM.



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## LETTER FROM THE BOARD

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### 3. PROPOSED APPROVAL OF THE PROPOSAL OF THE EMOLUMENTS OF DIRECTORS AND SUPERVISORS OF THE COMPANY FOR THE YEAR 2021

According to the relevant requirements of the Articles of Association, the emoluments of the Directors and the Supervisors in office as of 31 December 2021 for the year 2021 are set out below:

#### Directors' and Supervisors' Emoluments

*Unit: RMB*

Name	Basic salaries, housing allowances and other allowances, in total	Pension scheme contributions (pension insurance borne by the Company)	Performance remuneration	Total annual remuneration
Guo Wenqing	–	–	–	–
Zhang Mengxing	1,114,326.00	52,302.72	911,275.00	2,077,903.72
Zhou Jichang	283,000.00	–	–	283,000.00
Yu Hailong	266,000.00	–	–	266,000.00
Ren Xudong	–	–	–	–
Ng, Kar Ling Johnny	268,000.00	–	–	268,000.00
Yan Aizhong	1,006,926.00	52,302.72	732,800.00	1,792,028.72
<b>Sub-total of Directors</b>	<b>2,938,252.00</b>	<b>104,605.44</b>	<b>1,644,075.00</b>	<b>4,686,932.44</b>
Yin Sisong	899,526.00	52,302.72	201,000.00	1,152,828.72
Zhang Yandi	420,351.71	52,302.72	627,574.00	1,100,228.43
Chu Zhiqi	383,406.00	52,302.72	536,920.00	972,628.72
<b>Sub-total of Supervisors</b>	<b>1,703,283.71</b>	<b>156,908.16</b>	<b>1,365,494.00</b>	<b>3,225,685.87</b>

The proposal has been considered and approved at the 37th meeting of the third session of the Board, which is now proposed for consideration and approval at the AGM.

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## LETTER FROM THE BOARD

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#### **4. APPROVAL OF THE PROPOSAL OF THE PLAN OF GUARANTEES TO BE PROVIDED BY THE COMPANY FOR THE YEAR 2022**

The Board proposed that the Company and its subsidiaries provide guarantees of up to RMB17.65 billion (or its equivalent in foreign currency, same as below) in 2022 for the purposes of satisfying the guarantee financing requirements of the Company and its subsidiaries and ensuring their normal production, operation and basic construction.

##### **A. The guarantee plan to be provided by the head office of the Company and its subsidiaries for the year 2022**

The Company and its subsidiaries plan to provide guarantees of up to RMB17,650 million for the year 2022, representing 16.4% of the audited net assets of the Company attributable to the Shareholders of the listed company as at the end of 2021, which specifically include:

- (a) the guarantees intended to be provided by the head office of MCC for its subsidiaries amounting to not more than RMB15,830 million;
- (b) the guarantees to be provided by subsidiaries of MCC for the entities units which fall within the scope of consolidated statements of MCC amounting to not more than RMB1,820 million.

Guarantees under the above guarantee plan is security as stipulated in the Security Law of the People's Republic of China in the form of loan, letter of guarantee, bills and letter of credit, etc., and the period of such guarantees will be subject to the financing needs of the guaranteed parties and the guarantee contracts to be entered into.

A total of 24 guaranteed companies are involved in this guarantee plan, including 5 second-tier subsidiaries and 19 third-tier or below subsidiaries.

##### **B. Term of the Guarantee Plan**

The above guarantee plan shall have a term from the date on which it is approved at the AGM to the convening date of the 2022 annual general meeting.

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## LETTER FROM THE BOARD

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### **C. AUTHORIZATION TO APPROVE SPECIFIC GUARANTEE BUSINESS UNDER THE GUARANTEE PLAN**

The Board agreed that within the scope of 2022 annual guarantee plan, with the guarantor being unchanged, the guarantee amount may be shared between wholly-owned subsidiaries and between controlling subsidiaries with a gearing ratio of more than (or equal to) 70%; the guarantee amount may be shared between wholly-owned subsidiaries and between controlling subsidiaries with a gearing ratio of less than 70%.

The proposal has been considered and approved at the 37th meeting of the third session of the Board, which is now submitted to the AGM for consideration and approval.

Details of the above proposal are set out in the overseas regulatory announcement in relation to the guarantee plan of the Company published on the Hong Kong Stock Exchange's and the Company's websites on 29 March 2022.

### **5. PROPOSED APPROVAL OF THE PROPOSAL OF THE PLAN OF REGISTRATION AND ISSUANCE OF DOMESTIC BONDS OF THE COMPANY FOR THE YEAR 2022**

To lower the financing interest rate and optimize the capital structure, the Board proposes to consider and approve the plan of registration and issuance of domestic bonds of the Company for the year 2022 by way of special resolution at the AGM. The details are set out below:

1. The Company plans to make an application to the National Association of Financial Market Institutional Investors for the registration of debt financing instruments (TDFI) of non-financial enterprises, which will be issued by tranches within the validity period of the acceptance notice.
2. The Company plans to make an application to the China Securities Regulatory Commission through the Shanghai Stock Exchange for the "shelf offering" of corporate bonds of not exceeding RMB15 billion (inclusive). It will be issued by tranches within the validity period.
3. The Company plans to file with the National Development and Reform Commission for the registration and issuance of overseas bonds of not exceeding RMB1.5 billion.

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## LETTER FROM THE BOARD

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4. It is proposed to the general meeting to authorize the Board and to allow the Board to further authorize the president's office of the Company to deal with the matters in relation to the above-mentioned plan of registration and issuance of bonds, including but not limited to issuance plan, issuance documents, establishment of special accounts, post-issuance management, etc. in accordance with the resolution of the general meeting and the authorization from the Board. The authorizations above shall be effective from the date of approval at the general meeting till the date of completion of the aforesaid authorized matters.

The proposal has been considered and approved at the 37th meeting of the third session of the Board, which is now submitted to the AGM for consideration and approval.

### **6. PROPOSED APPROVAL OF THE PROPOSALS OF THE ENTERING INTO OF THE FINANCIAL SERVICES AGREEMENT BETWEEN THE COMPANY AND MINMETALS FINANCE COMPANY AND THE ANNUAL CAPS FOR THE THREE YEARS ENDING 31 DECEMBER 2024**

#### **BACKGROUND**

References are made to the announcements of the Company dated 29 March 2022, 5 May 2022 and 25 May 2022 in relation to, among other things, the entering into of the Financial Services Agreement.

On 29 March 2022, the Board approved the Company to enter into the Financial Services Agreement with Minmetals Finance Company, a subsidiary of China Minmetals, pursuant to which Minmetals Finance Company will provide deposit services, credit extension services and other financial services to the Group for a term from the signing date of the Financial Services Agreement to 31 December 2024.

In accordance with the Guidelines for Project Financing Business (《項目融資業務指引》), and Interim Measures for the Administration of Fixed Assets Loans (《固定資產貸款管理暫行辦法》), Minmetals Finance Company may require borrowers, i.e., the Group, to provide assets, such as real estate, construction in progress, machinery and equipment, land use rights, and franchise rights, as collaterals, with respect to the credit extension services to be provided by Minmetals Finance Company to the Group. Other financial services to be provided by Minmetals Finance Company to the Group include but are not limited to the provision of financial and financing advisory, credit verification and related advisory and agency services; provision of insurance agency services; provision of entrusted loans and entrusted investment services; assistance in the receipt and payment of transaction proceeds; provision of internal funds transfer and settlement services; underwriting of corporate bonds; and other services permitted to be conducted under the financial licence.

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## LETTER FROM THE BOARD

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On 25 May 2022, the Company and Minmetals Finance Company entered into the Financial Services Agreement.

### **LISTING RULES IMPLICATIONS**

Minmetals Finance Company, a subsidiary of China Minmetals, is a connected person of the Company. As such, the transactions contemplated under the Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps for the credit extension services under the Financial Services Agreement exceed 5%, such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

With respect to the deposit services under the Financial Services Agreement, as one or more of the applicable percentage ratios of the maximum daily balance of deposits (including accrued interest) exceed 5% but are lower than 25%, the transactions of relevant deposit services under the Financial Services Agreement are therefore subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The transactions of relevant deposit services under the Financial Services Agreement also constitute disclosable transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

### **FINANCIAL SERVICES AGREEMENT**

The main terms of the credit extension services and deposit services under the Financial Services Agreement are summarized as follows:

***Parties:***

- (1) The Company; and
- (2) Minmetals Finance Company

***Transaction types:***

Pursuant to the Financial Services Agreement, Minmetals Finance Company agreed to provide financial services including credit extension services and deposit services to the Group.

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## LETTER FROM THE BOARD

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***Term:***

The Financial Services Agreement will be valid from the date of the approval by the Independent Shareholders at the AGM to 31 December 2024. The Financial Services Agreement can be extended or renewable for a term of three years if there is no disagreement from both parties, subject to compliance with all applicable laws and regulations and all applicable requirements under the Listing Rules.

***Pricing policies regarding the credit extension services and deposit services:***

Pursuant to the credit extension services under the Financial Services Agreement, the interest rate on the loans provided by Minmetals Finance Company to the Group shall be determined in accordance with the Loan Prime Rate (LPR) published by the PBOC, which shall not be higher than the interest rate on the loans of the same type provided by Minmetals Finance Company to other members of China Minmetals, and shall be determined on normal commercial terms.

Pursuant to the deposit services under the Financial Services Agreement, the interest rate on the deposit services provided by Minmetals Finance Company to the Group shall not be lower than the benchmark deposits interest rate on deposits of the same type with the same maturity published by the PBOC and the interest rate on deposits provided by Minmetals Finance Company to other member units of China Minmetals under the same conditions, and shall be determined on normal commercial terms.

***ANNUAL CAPS AND BASIS OF DETERMINATION:***

*Unit: RMB0'000*

	<b>Proposed annual caps</b>		
	<b>For</b>	<b>For</b>	<b>For</b>
	<b>the year ending</b>	<b>the year ending</b>	<b>the year ending</b>
	<b>31 December 2022</b>	<b>31 December 2023</b>	<b>31 December 2024</b>
Maximum daily balance of composite credit facilities granted to the Group by Minmetals Finance Company <sup>(Note 1)</sup>	3,000,000 <sup>(Note 3)</sup>	3,000,000 <sup>(Note 3)</sup>	3,000,000 <sup>(Note 3)</sup>
Maximum daily balance of the Group's deposits with Minmetals Finance Company <sup>(Note 2)</sup>	1,200,000 <sup>(Note 3)</sup>	1,200,000 <sup>(Note 3)</sup>	1,200,000 <sup>(Note 3)</sup>

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## LETTER FROM THE BOARD

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*Notes:*

- (1) Represented the maximum balance of composite credit facilities granted to the Group by Minmetals Finance Company at any particular date during the years ending 31 December 2022, 2023 and 2024. Including but not limited to loans, acceptance and discounting of bills, guarantees, letters of guarantee, opening of letters of credit, etc., including accrued interests incurred.
- (2) Represented the maximum balance of the Group's deposits with Minmetals Finance Company at any particular date during the years ending 31 December 2022, 2023 and 2024. Including accrued interests incurred.
- (3) For the purposes of risk management, the amount of composite credit facilities to granted to be the Group set under the Financial services Agreement is higher than the maximum deposits to be placed by the Group.

The proposed annual caps for service fees on the composite credit facilities services and other financial services to be provided by Minmetals Finance Group to the Group for each of the year ending 31 December 2022, 2023 and 2024 are RMB50 million, RMB70 million and RMB70 million, respectively. For further details. Please refer to announcements of the Company dated 29 March 2022 and 25 May 2022.

Minmetals Finance Company will replace MCC Finance Corporation Ltd. (“**MCC Finance**”), a subsidiary of the Company which is expected to be liquidated, to provide credit extension services to the Group. The proposed annual caps for service fees on the provision of credit extension services were determined after arm's length negotiations with reference to fees charged by other financial institutions in the PRC for the provision of similar services. The proposed annual caps for the composite credit facilities take into account (i) the actual average daily credit facilities granted to the Group by MCC Finance in 2021 of RMB18.2 billion; (ii) the expected increase of approximately RMB10 billion in the demand for credit extension services (other than loans business) of the subsidiaries, due to the expansion of its business scale; and (iii) the Loan Prime Rate of 3.7%.

Minmetals Finance Group will not charge service fees to the Group for the provision of deposit services and shall pay interest arising from the deposits. The interest arising from the deposit on the provision of deposit services for each of the year ending 31 December 2022, 2023 and 2024 is approximately RMB0.2 billion, which is included in the maximum daily balance of the Group's deposits with Minmetals Finance Group of RMB12.0 billion.

The proposed annual caps for service fees on the provision of deposit services were determined with reference to the financial risk control procedures of the selected deposit service provider and the cash flow of the Group taking into account (i) the actual average daily credit facilities granted to the Group by MCC Finance in 2021 of RMB18.2 billion; (ii) the estimated interest rate of 1.65%; (iii) the interest income that could otherwise be obtained by placing comparable amount of deposits with other financial institutions in the PRC; and (iv) the future business development plan and financial status of the Group during the term of the Financial Services Agreement.

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## LETTER FROM THE BOARD

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As the maximum ratio of the Group's deposit balance with the group finance company to its bank deposits should not exceed the ratio of the loans obtained by the Group from the group finance company to the total loans of the Group in the previous year, the Group estimated the maximum amount of deposits (including interest) deposited by the Group with Minmetals Finance Corporation to be RMB12.0 billion, which is based on the amount of deposits placed by the Group with MCC Finance in 2021. In view of the above factors, the Directors (including the independent non-executive Directors) consider that the proposed annual caps are fair and reasonable.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCIAL SERVICES AGREEMENT**

The main reasons for the Company to choose Minmetals Finance Company to provide credit extension services and deposit services are as follows:

- (1) Minmetals Finance Company is a non-banking financial institution recognized by the China Banking Regulatory Commission to provide financial services for member units of enterprises and can provide relevant financial services to the Company, which is conducive to optimising the Company's financial management and improving the efficiency of capital utilisation, thereby reducing financing costs.
- (2) Minmetals Finance Company is familiar with the Group's business, which is capable to provide more flexible and convenient services. By depositing funds with Minmetals Finance Company, the Group may withdraw funds at any time, in a timely manner and without restrictions to meet its flexible needs for funds. At the same time, the Group is entitled to choose to withdraw its deposits from Minmetals Finance Company in full or in part from time to time. The Group has full discretion to place its deposits with Minmetals Finance Company or with independent commercial banks without any restrictions.
- (3) Minmetals Finance Company, which serves as a specialized funds management platform, is generally capable to offer the Group more favourable terms and rates than other major financial institutions, after comprehensive consideration by the Group in terms of its lending, credit and deposit business as a whole.

The Directors (including the independent non-executive Directors) are of the view that the entering into of the Financial Services Agreement does not have disadvantages to the Company.



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## LETTER FROM THE BOARD

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### **RISK MANAGEMENT AND INTERNAL CONTROL MEASURES RELATED TO THE FINANCIAL SERVICES AGREEMENT**

- (1) The Company will designate a dedicated department to co-ordinate and manage the business of the Group operated within Minmetals Finance Company, monitor relevant business information on a regular basis and monitor market price levels on a real-time basis, thereby ensuring that the transaction amount of the Group's related business in Minmetals Finance Company does not exceed the caps and that the pricing principles on connected transactions are strictly enforced.
- (2) Minmetals Finance Company will assist in monitoring the implementation of the financial services of the Group to ensure that the relevant amounts do not exceed the annual caps for connected transactions. The capital operation system of the Company will be connected to the system of Minmetals Finance Company to allow real-time monitoring of the balance of the transactions with Minmetals Finance Company. If the fees for services provided by Minmetals Finance Company is approaching the then annual cap, the Group will suspend such services with Minmetals Finance Company for the remainder of the year unless otherwise approved by the Board or at the general meeting, as applicable.
- (3) The Group is entitled to inspect whether Minmetals Finance Company has a valid financial permit and a valid business licence prior to entering into connected transactions with Minmetals Finance Company, and if the relevant licences are not available or have expired, the Group shall not conduct the corresponding business with Minmetals Finance Company.
- (4) The Group has ready, timely and unrestricted access to funds to meet its flexible funding requirements. The Group may withdraw its deposits from Minmetals Finance Company in full or in part from time to time to examine and ensure the safety and liquidity of relevant deposits.
- (5) The Company has formulated the "Risk Disposal Plan for Financial Business with CMC Finance Co., Ltd.", and will review the operating and financial conditions of Minmetals Finance Company on a regular basis. If there is any event that may pose potential safety risks to the funds of the Group deposited with Minmetals Finance Company, the Company will decisively conduct on risk disposal work in accordance with the "Risk Disposal Plan" and urge the relevant departments and member units of the Company to take timely measures against those risks such as full or partial withdrawal of deposits from Minmetals Finance Company, suspension of deposits with Minmetals Finance Company and requests to Minmetals Finance Company for rectification within a certain period of time. These measures can ensure the safety of the deposits of the Group with Minmetals Finance Company. In the event of losses of funds deposited by the Group from the fault committed by Minmetals Finance Company, Minmetals Finance Company shall compensate the Group for the loss to the extent of its scope of liability.

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## LETTER FROM THE BOARD

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- (6) Minmetals Finance Company guarantees that it will keep the Group informed in a timely manner of any circumstances that may compromise the safety of the deposits the Group or any other events that may pose safety risks to the funds of the Group on deposit.
- (7) During the annual audit for the Company, the external auditor will, upon review, issue an opinion on the connected transactions of the Group and Minmetals Finance Company, and the Company will fulfill its information disclosure obligations in a timely manner as required by the listing rules of the place where it is listed. Minmetals Finance Company shall cooperate as necessary.

The above internal control and risk management measures are designed to minimise the potential financial risks against the Company and safeguard the interests of the Group and the Shareholders. The Directors of the Company consider that the above internal control and risk management measures are reasonably effective in all material respects to assist the Company in monitoring the related transactions.

The Directors (including the independent non-executive Directors) consider that the deposit services and credit extension services transactions under the Financial Services Agreement are entered into on normal commercial terms during the usual and ordinary course of business of the Group, are fair and reasonable, and in the interests of the Company and the Shareholders as a whole, and that the annual caps for the transactions under the Financial Services Agreement are fair and reasonable.

Mr. Chen Jianguang, Mr. Zhang Mengxing and Mr. Yan Aizhong hold positions in China Minmetals and/or CMGC, and they had abstained from voting on the resolution of the Board to approve the transactions under the Financial Services Agreement.

### **7. PROPOSED APPROVAL OF THE PROPOSAL OF THE COMPANY IN RELATION TO THE REVISION AND SETTING OF ANNUAL CAPS FOR THE ROUTINE CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS FOR THE YEARS OF 2022 AND 2023**

References are made to the announcement of the Company dated 28 April 2019 and the circular of the Company dated 11 June 2019 in relation to the Framework Agreement entered into between the Company and China Minmetals on six types of connected transactions conducted in the ordinary and usual course of business, as well as the announcement of the Company dated 29 March 2021 in relation to the revision of annual caps for material sale and purchase (income and expenditure) transactions under the Framework Agreement for the years ending 31 December 2021 and 31 December 2022 and the announcements of the Company dated 29 March 2022 and 25 May 2022 in relation to, among other things, the entering into of the New Framework Agreement with China Minmetals.

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## LETTER FROM THE BOARD

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**(1) Proposed approval of the proposal of the revision of annual caps for 2022 for transactions under the Framework Agreement**

***BACKGROUND***

In order to expand its business, the Group will expand its trading scale with China Minmetals Group in 2022. As a result, the annual caps for transactions under the Framework Agreement for the year ending 31 December 2022 could not meet the business needs of the Group. Accordingly, the Company plans to increase the annual caps for material sale and purchase (income), material sale and purchase (expenditure), metallurgical and management services (expenditure) and property leasing (expenditure) transactions for the year ending 31 December 2022.

As at the Latest Practicable Date, the cumulative transaction amount of all types of connected transaction under the Framework Agreement has not exceeded the existing annual cap for the year ending 31 December 2022.

Except for the transaction types announced to be revised in this circular and the announcement of the Company dated 29 March 2022, the annual caps for other transaction types under the Framework Agreement for the year ending 31 December 2022 remain unchanged.

***LISTING RULES IMPLICATIONS***

China Minmetals, an indirect controlling Shareholder of the Company, is a connected person of the Company. As such, all transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios of the revision to the annual caps for the material sale and purchase (income and expenditure) under the Listing Rules exceed 5%, these transactions are subject to the requirements of reporting, announcement, annual review and independent Shareholders' approval under Chapter 14A of the Listing Rules.

***OVERVIEW OF MATERIAL SALE AND PURCHASE (INCOME) TRANSACTIONS AND MATERIAL SALE AND PURCHASE (EXPENDITURE) TRANSACTIONS***

Pursuant to the Framework Agreement entered into between the Company and China Minmetals on 28 April 2019, the Group and China Minmetals Group engage in six types of transactions, including sale and purchase of materials, engineering construction, asset

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## LETTER FROM THE BOARD

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financing services, production and maintenance services, metallurgical and management services and property leasing. The signing of the Framework Agreement will not prejudice the rights of either party to select transaction counterparties or conduct similar transactions with third parties.

Material sale and purchase (income) transactions under the Framework Agreement mainly involve the Group, as a supplier, selling bulk materials (i.e. metal resource products including nickel, cobalt, lead, zinc and copper, etc.) to China Minmetals Group. The Group will also supply China Minmetals Group the equipment necessary for general construction contracting and production operation, and will provide relevant logistics services in relation to the materials supplied, including storage, freight forwarding, shipping and land transportation and other services. The material sale and purchase (expenditure) transactions mainly involve the sale of steel, cement and other materials required for project construction by China Minmetals Group, as a supplier, to the Group. China Minmetals Group will also provide the Group with the equipment necessary for general construction contracting and production operation, and will provide relevant logistics services in relation to the materials supply, including storage, freight forwarding, shipping and land transportation and other services.

### ***HISTORICAL TRANSACTION AMOUNTS AND EXISTING ANNUAL CAPS AND REVISED ANNUAL CAPS FOR THE YEAR 2022***

In respect of the material sale and purchase (income) transactions with China Minmetals Group for the two years ended 31 December 2020 and 2021, the amounts paid by China Minmetals Group to the Group were RMB1,638.59 million and RMB2,731.83 million, respectively. As at 30 April 2022, the cumulative amount of material sale and purchase (income) transactions for the year ending 31 December 2022 amounted to approximately 12.0% of the existing annual cap. However, due to the reasons and benefits disclosed below, the Company expected that the existing annual caps for the year ending 31 December 2022 could not meet the business needs of the Group. As a result, the Board passed a resolution on 29 March 2022 to revise the relevant annual caps as follows:

*Unit: RMB0'000*

	<b>Existing annual cap for the year ending 31 December 2022</b>	<b>Revised annual cap for the year ending 31 December 2022</b>
Material sale and purchase (income) transactions	551,000	810,453

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## LETTER FROM THE BOARD

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In respect of the material sale and purchase (expenditure) transactions of the Group with China Minmetals Group for the two years ended 31 December 2020 and 2021, the amounts paid by the Group to China Minmetals Group were RMB8,737.57 million and RMB12,721.30 million, respectively. As at 30 April 2022, the cumulative amount of material sale and purchase (expenditure) transactions for the year ending 31 December 2022 amounted to approximately 13.6% of the existing annual cap. However, due to the reasons and benefits disclosed below, the Company expected that the existing annual cap for the year ending 31 December 2022 could not meet the business needs of the Group. As a result, the Board passed a resolution on 29 March 2022 to revise the relevant annual cap as follows:

*Unit: RMB0'000*

	<b>Existing annual cap for the year ending 31 December 2022</b>	<b>Revised annual cap for the year ending 31 December 2022</b>
Material sale and purchase (expenditure) transactions	1,939,400	2,434,029

The annual caps of other transactions types under the Framework Agreement for the year ending 31 December 2022 remain unchanged.

The basis for determining the annual caps for the year 2022 is derived from the annual business requirements reported by each subsidiary. In 2022, the subsidiaries reported the estimated total demand of RMB7,367.75 million for material sale and purchase (income), mainly for the sale of nickel and cobalt processed products and non-ferrous metal resources, such as copper, zinc and lead. In 2022, the subsidiaries reported the estimated total demand of RMB22,127.53 million for material sale and purchase (expenditure), mainly for the purchase of steel, cement and other engineering materials from related parties. The annual business requirements reported by subsidiaries mainly derived from the following aspects:

1. The estimated future cooperation is based on the cooperation with related parties in the past years (such as historical contract amount, transaction volume), combined with the currently signed agreements, the cooperation intention under negotiation and the production capacity of the subsidiary.
2. Based on the signed contracts in hand, the notifications of award of bids for the projects, the potential projects being tracked and explored, and the engineering materials that need to be purchased from related parties in accordance with the scale of the projects.

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## LETTER FROM THE BOARD

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3. The estimated amount of business that can be conducted with related parties based on the Group's business development goals (annual operating indicators, etc.) and the amount of business demand that can be released to the Group by related parties. Since the beginning of 2022, affected by the international environment, market supply and demand and other factors, the prices of bulk commodities, especially non-ferrous metals and steel, have fluctuated sharply, which may lead to deviations between the Company's actual transactions volume and the initial estimated amount. Meanwhile, considering other unanticipated business requirements, the Company has increased the annual limit of material procurement transactions by 10% on the basis of reporting by subsidiaries.

### ***REASONS FOR AND BENEFITS OF THE REVISION OF ANNUAL CAPS***

With the significant increase in the Company's new projects and the expansion of its operating scale, China Minmetals Group's regional and price competitiveness is highlighted in certain business sectors, and some subsidiaries expect that the scale for connected transactions with China Minmetals Group will continue to expand, so it is expected that the transaction amount of connected transactions for 2022 may exceed the existing limit.

China Minmetals is a comprehensive conglomerate focusing on metal and mineral products business, and possesses trade-based, resource-backed, industry- and trading-integrated and vertically-extended capabilities. Steel trading is one of the traditional businesses of China Minmetals Group. China Minmetals Group not only possesses an advantageous position in the domestic market, but is also supported with a sound network of international trading channels, which can provide the Group with a stable supply of steel and relevant materials. In addition, China Minmetals Group is able to offer steady and quality sales channels for metal resources and products manufactured by the Company's subsidiaries that engage in resource business. Since China Minmetals Group and the Group possess different capabilities in equipment manufacturing, the mutual supply of equipment can create complementary advantages, hence satisfying the specific needs for engineering construction and production operation.

The connected transactions between the Company and China Minmetals are arranged based on the business characteristics and business development needs of the Company, which can make full use of the resources and advantages of China Minmetals Group, realize complementary advantages and rational allocation of resources, hence achieving win-win cooperation. In addition, the arrangements have positive significance to the development of the Company and are beneficial to the interests of Shareholders as a whole.

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## LETTER FROM THE BOARD

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The Directors (including the independent non-executive Directors) are of the view that the transactions under the Framework Agreement are entered into on normal commercial terms during the usual and ordinary course of business of the Group, are fair and reasonable, and in the interests of the Company and the Shareholders as a whole, and the revised annual caps for the transaction types are fair and reasonable.

Mr. Chen Jianguang, Mr. Zhang Mengxing and Mr. Yan Aizhong hold positions in China Minmetals and/or CMGC, and they had abstained from voting on the resolutions of the Board in relation to the revised annual caps for the transactions under the Framework Agreement.

(2) **PROPOSED APPROVAL OF THE PROPOSAL OF THE NEW FRAMEWORK AGREEMENT ENTERED INTO BETWEEN THE COMPANY AND CHINA MINMETALS AND THE ANNUAL CAPS FOR 2023**

***Background***

Given that the annual caps for various types of transactions under the Framework Agreement will expire on 31 December 2022, on 25 May 2022, the Company and China Minmetals entered into the New Framework Agreement so as to continue to carry out various types of transactions with China Minmetals Group. Subject to the approval of the Independent Shareholders at the AGM, the New Framework Agreement will take effect from 1 January 2023 and will be valid for one year. Upon the New Framework Agreement becoming effective, the Financial Services Agreement will be governed by the New Framework Agreement.

***LISTING RULES IMPLICATIONS***

China Minmetals, an indirect controlling Shareholder of the Company, is a connected person of the Company. As such, all transactions contemplated under the New Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the annual caps for the material sale and purchase (income and expenditure) and engineering construction (income) under the New Framework Agreement under the Listing Rules exceed 5%, these transactions are subject to the requirements of reporting, announcement, annual review and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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### *The major terms*

#### *Parties:*

- (1) The Company; and
- (2) China Minmetals

#### *Transaction types:*

Pursuant to the New Framework Agreement, the Company and China Minmetals Group intend to conduct various types of transactions on an ongoing basis, including sale and purchase of materials, engineering construction, asset financing services, production and maintenance services, metallurgical and management services, property leasing and financial services (i.e. the types of transactions to which the Financial Services Agreement relates). The signing of the New Framework Agreement will not prejudice the rights of either party to select transaction counterparties or conduct similar transactions with third parties.

Details of the transactions relating to the sale and purchase of materials and engineering construction under the New Framework Agreement are as follows:

- (1) Sale and purchase of materials

The Company will, as a purchaser, purchase steel from China Minmetals Group and will, as a supplier, sell bulk materials (i.e. metal resource products including nickel, cobalt, lead, zinc and copper, etc.) to China Minmetals Group. The Group will also sell to and purchase from China Minmetals Group the equipment necessary for general construction contracting and production operation. The abovementioned material suppliers will also provide relevant logistics services in relation to the materials supplied, including storage, freight forwarding, shipping and land transportation and other services.



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## LETTER FROM THE BOARD

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(2) Engineering construction

The Company will, as a contractor, provide engineering construction services to China Minmetals Group, including engineering services of engineering, procurement and construction (EPC) and public-private partnership (PPP) projects. In addition, given the regional advantages of the specialized companies of China Minmetals in certain areas, and their professional construction qualifications and unique technological advantages in nonferrous mining and smelting engineering construction fields, the Company will subcontract part of the construction work secured in such areas and fields to the specialized companies of China Minmetals.

*Pricing of various types of transactions for the sale and purchase of materials (income and expenditure) and engineering construction (income)*

Pursuant to the New Framework Agreement, with respect to the materials and services provided to the Group by China Minmetals Group, China Minmetals has undertaken that it will not and will procure its subsidiaries not to provide relevant materials and services to the Group on terms which are less favourable than those offered to third parties. Details of the pricing principles for the sale and purchase of materials (income and expenditure) and engineering construction (income) transactions under the New Framework Agreement are as follows:

(1) Sale and purchase of materials

The suppliers and prices of steel and equipment will be determined by the open tender process of the purchaser and the result of successful bid will be publicly announced on the website of the purchase platform operated by the purchaser. Upon winning the bid, the parties will enter into a specific purchase contract, in which the payment arrangement on the purchase price, generally including prepayments, payments upon goods delivery and completion of inspection and acceptance and quality guarantee deposits, will be specified.

The selling price of bulk materials (i.e. metal resource products including nickel, cobalt, lead, zinc and copper, etc.) offered by the Group to China Minmetals Group will be determined by the parties through negotiation with reference to the average monthly price of relevant bulk raw materials announced by The London Metal Exchange and SMM ([www.smm.cn](http://www.smm.cn)). The parties will specify the payment arrangement, as well as the standards relating to logistics transportation and product testing, in the specific purchase contract.

## LETTER FROM THE BOARD

### (2) Engineering construction

The price of engineering construction projects will be determined through open tender. Pursuant to the relevant laws and regulations for public bidding and tendering in China, the public bidding and tendering results and prices of state-owned projects, state-owned investment projects and those construction projects related to the national economy and the people's livelihood will be announced on the website of the platform of public bidding and tendering of government projects. Upon winning the bid, the parties will enter into a specific construction contract, in which the payment arrangement on the construction price (which will be generally paid according to the progress of a particular project or the completion ratio calculated on a monthly basis) will be specified.

#### *Term*

The New Framework Agreement will be effective for a term of one year from 1 January 2023, subject to the approval by the Independent Shareholders at the AGM.

#### *Historical data*

The historical amounts of the sale and purchase of materials (income and expenditure) and engineering construction (income) transactions between the Group and China Minmetals Group (including CMGC) as described above for the two years ended 31 December 2021 and the period from 1 January 2022 to 30 April 2022 are as follows:

Transaction type	For the year ended 31 December				<i>Unit: RMB0'000</i>	
	2020 Annual Cap	2020 Amount incurred	2021 Annual Cap	2021 Amount incurred	2022 Annual Cap	For the period from 1 January 2022 to 30 April 2022 Amount incurred
<b>Sale and purchase of materials</b>						
Income	267,700	163,859	532,200	273,183	551,000	65,826
Expenditure	1,318,700	873,757	1,675,300	1,272,130	1,939,400	262,833
<b>Engineering construction</b>						
Income	1,796,200	100,583	1,842,000	94,314	1,885,000	49,923

#### *Annual caps*

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## LETTER FROM THE BOARD

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The Company estimates that the annual caps for the sale and purchase of materials (income and expenditure) and engineering construction (income) transactions under the New Framework Agreement for the year ending 31 December 2023 are as follows:

*Unit: RMB0'000*

<b>Transaction type</b>	<b>For the year ending 31 December 2023</b>
<b>Sale and purchase of materials</b>	
Income	627,478
Expenditure	2,530,713
<b>Engineering construction</b>	
Income	1,192,337

The annual caps for the year ending 31 December 2023 are higher than the historical data, which is mainly due to the fact that suppliers in most of the transactions between the Group and China Minmetals Group, in particular those in relation to sale and purchase of materials and engineering construction, will be selected through the public tender process. The Company is unable to predict whether the Group (if the Group is a bidder) or China Minmetals Group (if China Minmetals Group is a bidder) will win the bid for any particular project, therefore, in estimating the annual caps for the year ending 31 December 2023, the Company has made reference to the existing and expected bidding projects of the Group and China Minmetals Group, assumed that the Group will win the bid in all bidding projects of China Minmetals Group, or China Minmetals Group will win the bid in all bidding projects of the Group, and taken into consideration the estimated amount of the bidding projects as the basis for determining the annual caps. In addition, certain projects of the Group and China Minmetals Group were not carried out in previous years as originally scheduled and are expected to be postponed to proceed in the future. As such, in estimating the annual caps for the year ending 31 December 2023, the Company has also taken these projects into consideration.

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## LETTER FROM THE BOARD

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### *Basis of determination of annual caps*

In determining the annual caps for the transactions of sale and purchase of materials, the Company has mainly made reference to the sale and purchase plan of the Group for each type of materials for the next one year, particularly the demand of construction projects (such as EPC and PPP projects) for steel and equipment, as well as the latest sale and purchase prices of relevant materials on the market. For the sale and purchase of materials by the Group, subsidiaries of the Company have reported to the Company about their annual estimated procurement amounts for steel and equipment in 2023. Such amounts have been estimated by the subsidiaries based on their demands for steel and equipment for their bid-winning EPC and PPP projects or the projects for which they intend to participate in the bidding process, and with reference to the recent market prices of such steel and equipment as well as the procurement volume of such steel and equipment in 2021. In determining the market price of steel, subsidiaries of the Company have made reference to the recent price and the price trend of different types of steel as published on the website of Mysteel ([www.mysteel.com](http://www.mysteel.com)); in determining the market price of equipment, subsidiaries of the Company have made reference to the historical transaction price of their procurement of similar equipment. For the sale of materials by the Group, the Company has taken into consideration the demand of China Minmetals Group for bulk materials and equipment, especially for nickel related products.

In determining the annual caps for the transactions of engineering construction, the Company has mainly made reference to the investment plan formulated under the strategic development plan of China Minmetals Group and the expected building cost of such engineering projects for which the Group intends to participate in the bidding process, and such building cost has been estimated with reference to the investment amount of similar projects within the same region.

### *Pricing and internal control procedures*

In order to ensure that the prices and terms of each type of the transactions under the New Framework Agreement will be no less favourable than those entered into between the Group and independent third parties and will not exceed the proposed annual cap under the New Framework Agreement, the Company has adopted the following measures and procedures:

For transactions under the New Framework Agreement of which the suppliers or service providers are determined through the public tender process, if the Group is the tenderer, the Group will invite no less than three entities to participate in the bidding. Relevant business departments of the Group, together with the tender and procurement management center, will establish a tender evaluation committee. The tender evaluation committee will select the suppliers or service providers and determine the transaction prices with reference

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## LETTER FROM THE BOARD

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to, among others, the previous performance results, bidding prices and service quality of the bidders. The result of successful bid will be submitted to the persons in charge of the relevant business departments of the Group for consideration and approval. If, after opening the bids, the quotations received from all bidders are higher than the budget of the Group and such quotations are regarded as reasonable prices after analysis, then such bids are still valid, and the Group will adjust and approve the budget according to the relevant policies and procedures. If the Group is a bidder, relevant business departments of the Group will determine the bidding price according to the requirements set forth in the tender documents with reference to the guiding price given by the local government and the market price. The guiding price given by the local government and the market price are updated and published regularly by the competent price bureau of the local government and the Group pays a fee to access such information. The bidding price will be submitted to the persons in charge of the relevant business departments of the Group for consideration and approval.

For transactions under the New Framework Agreement of which the prices are determined by the parties through negotiation (including the sale of bulk materials, such as metal resource products, by the Group to China Minmetals), relevant business departments of the Group will make reference to the prices of similar transactions between the Group and independent third parties, and normally obtain two or more reference prices from independent third parties, after which the relevant business departments will determine the prices for each type of transactions and submit the same to the persons in charge of the relevant business departments for consideration and approval.

In order to ensure that the amount of each type of the transaction will not exceed the annual caps set under the New Framework Agreement, the relevant business departments of the Group will carry out statistical analysis on the actual transaction amount on a monthly basis so as to monitor the progress of the continuing connected transactions of the Group. The legal affairs department of the Group will review the contracts in relation to connected transactions before execution of the contracts.

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## LETTER FROM THE BOARD

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### *Reasons for and benefits of the transactions under the New Framework Agreement*

#### *(1) Sale and purchase of materials*

China Minmetals is a comprehensive conglomerate focusing on metal and mineral products business, and possessing trade-based, resource-backed, industry- and trading-integrated and vertically-extended capabilities. Steel trading is one of the traditional businesses of China Minmetals Group that not only possesses advantageous position in the domestic market but is also supported with international trading channels, which can provide the Company with stable supply of steel and relevant materials. In addition, China Minmetals Group is able to offer steady and quality sales channels for metal resources and products manufactured by subsidiaries of the Company that engage in resource business. Since China Minmetals Group and the Company possess different capabilities in equipment manufacturing, the mutual supply of equipment can create complementary advantages, hence satisfying the needs for particular engineering construction and production and operation.

#### *(2) Engineering construction*

China Minmetals Group is a large-scale conglomerate that engages in global operation. By participating in the bidding process for the engineering construction projects of China Minmetals Group, the Company will be able to enlarge its market share, increase its operating revenue, enhance market competitiveness and boost brand awareness so as to facilitate the brand building of the Company.

### *General information*

The Group has strong construction capabilities in metallurgical engineering. It is a large conglomerate operating in various specialized fields, across different industries and in many countries, with engineering contracting, property development, equipment manufacturing and resources development as its principal businesses.

China Minmetals is a state wholly-owned enterprise established in the PRC. It is a comprehensive conglomerate focusing on metal and mineral products business, and possessing trade-based, resource-backed, industry- and trading-integrated and vertically-extended capabilities.

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## LETTER FROM THE BOARD

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Minmetals Finance Company is established in the PRC and owned as to 92.5% by China Minmetals Co., Ltd\*(中國五礦股份有限公司) and 7.5% by Minmetals Capital Holdings Co., Ltd (五礦資本控股有限公司). China Minmetals Co., Ltd is directly and indirectly held as to 88.4% by China Minmetals (which is ultimately owned by the State-owned Assets Supervision and Administration Commission of the State Council), 9.5% held by the Hunan Provincial State-owned Assets Supervision and Administration Commission indirectly, and 2.1% held by the State Council indirectly. Minmetals Capital Holdings Co., Ltd. is wholly owned by Minmetals Capital Co., Ltd., a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600390). Minmetals Finance Company is a company whose principal businesses are to provide financial services including financial and financing consulting, credit assurance and relevant consulting and agency business to member units of China Minmetals.

### ***The Independent Board Committee and the Independent Financial Adviser***

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the transactions of the new annual caps for the sale and purchase of materials (income and expenditure) under the Framework Agreement, the credit extension services and deposit services (including the relevant annual caps) under the Financial Services Agreement, the sale and purchase of materials (income and expenditure) and engineering construction (income) under the New Framework Agreement (including the relevant annual caps).

Gram Capital Limited, a corporation licensed to carry out business in Type 6 (advising on corporate finance) regulated activities under the SFO, has been appointed by the Company as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions of the new annual caps for the sale and purchase of materials (income and expenditure) under the Framework Agreement, the credit extension services and deposit services (including the relevant annual caps) under the Financial Services Agreement, the sale and purchase of materials (income and expenditure) and engineering construction (income) under the New Framework Agreement (including the relevant annual caps).

Accordingly, your attention is drawn to the letter from the Independent Board Committee set out on page 33 to page 34 of this circular and the letter from Gram Capital set out on page 35 to page 67 of this circular. Your attention is also drawn to the general information set out on page 106 to page 109 of this circular.

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## LETTER FROM THE BOARD

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The Company will seek approval from the Independent Shareholders at the AGM in respect of the transactions of the new annual caps for the sale and purchase of materials (income and expenditure) under the Framework Agreement, the credit extension services and deposit services (including the relevant annual caps) under the Financial Services Agreement, the sale and purchase of materials (income and expenditure) and engineering construction (income) under the New Framework Agreement (including the relevant annual caps). In view of China Minmetals' interests in the transactions, CMGC, an associate of China Minmetals, will abstain from voting at the AGM to approve the transactions in relation to the new annual caps for the sale and purchase of materials (income and expenditure) under the Framework Agreement, the credit extension services and deposit services (including the relevant annual caps) under the Financial Services Agreement, the sale and purchase of materials (income and expenditure) and engineering construction (income) under the New Framework Agreement (including the relevant annual caps).

### **8. ROPOSED APPROVAL OF THE PROPOSAL OF GRANT OF GENERAL MANDATE TO THE BOARD OF DIRECTORS TO ISSUE SHARES**

In order to satisfy the Company's business need for sustainable development, and flexibly and effectively leverage on the financing platforms of both Shanghai and Hong Kong, the Board shall, in accordance with the relevant laws and regulations of the PRC, the listing rules of the place where the securities of the Company are listed, and the Articles of Association, propose at the AGM by way of special resolution to approve the grant of general mandate to the Board to issue Shares.

In respect of such general mandate, the authorization is defined as:

A. Subject to the conditions set out in paragraphs (a), (b) and (c) below, the Board be and is hereby unconditionally granted all powers and authorities of the Company to separately or concurrently allot, issue or deal with additional A Shares or H Shares, and to make or grant offer recommendations, agreements, options or conversion rights in respect thereof:

(a) such mandate shall not extend beyond the Relevant Period save that the Board during the Relevant Period makes or grants offer recommendations, agreements, options or conversion rights which might require the exercise of such offer recommendations, agreements, options or conversion rights upon or after the end of the Relevant Period;

For the purposes of this resolution, "Relevant Period" means the period from the date of the passing of this resolution until the earliest of:

(1) the conclusion of the next annual general meeting of the Company following the passing of this resolution;



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## LETTER FROM THE BOARD

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- (2) the date of expiration of the 12-month period following the passing of this resolution;
    - (3) the date on which the authority granted to the Board by this resolution is revoked or varied by a special resolution of the Shareholders of the Company in any general meeting.
  - (b) the number of the A Shares or H Shares to be allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with by the Board shall not exceed 20% of the number of each of the A Shares or H Shares of the Company in issue as at the date of passing this resolution;
  - (c) the Board will only exercise its power under such mandate in accordance with the laws and regulations of the PRC, the listing rules of the place where the securities of the Company are listed and all applicable laws, regulations and rules of any other government or regulatory authorities (as amended from time to time) and only if all necessary approvals from the China Securities Regulatory Commission and other relevant PRC government authorities are obtained.
- B. Contingent on the Board resolving to allot, issue and deal with Shares pursuant to this resolution, the Board be and is hereby authorized to approve, execute and deal with or procure to be executed and dealt with, all such documents, deeds and matters as it may consider necessary in connection with the issuance of, allotment of and dealing with such Shares including, but not limited to, determining the size of the issue, the issue price, the use of proceeds from the issue, the target of the issue, the place and time of the issue, issuance arrangement by tranche, making all necessary applications to relevant authorities, entering into any agreements, and making all necessary registrations and filings with relevant regulatory authorities in the PRC and Hong Kong.
- C. The Board be and is hereby authorized to make such amendments to the Articles of Association as it thinks appropriate and necessary in due course so as to reflect the new share capital structure and registered capital of the Company by reference to the actual situations, such as the manner of the issuance, class and number of Shares the Company issued, as well as the share capital structure of the Company following such issuance; and to take any other necessary actions and to go through any necessary procedures (including but not limited to obtaining approvals from relevant regulatory authorities and completing registration and filing procedures with the department in charge of industrial and commercial administration) to give effect to the issuance of Shares under this resolution.

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## LETTER FROM THE BOARD

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- D. For the purpose of enhancing efficiency of the decision-making process, it is proposed to the general meeting that the Board shall, subject to the obtaining of the above mandate, delegate the Chairman such mandate to deal with and handle all matters in relation to the allotment and issuance of Shares.

In accordance with the relevant domestic laws and regulations of the PRC, the Board shall still be required to submit any specific matters in respect of the issuance of A Shares to all Shareholders at the general meeting for consideration and approval even if it has obtained the above general mandate.

The resolution has been considered and approved at the 38th meeting of the third session of the Board, and will be proposed for consideration and approval at the AGM.

### **9. PERFORMANCE REPORT BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS**

Pursuant to the Articles of Association, the independent non-executive Directors shall issue a performance report at the AGM. Such report will be submitted to the Shareholders for consideration but not for the Shareholders' approval. The performance report of the independent non-executive Directors of the Company is set out in Appendix III of this circular for the Shareholders' information.

### **THE AGM**

The AGM will be held for the purpose of, among other things, considering and approving the following resolutions by the Shareholders:

- (1) the proposal in relation to the "Work Report of the Board of MCC for the Year 2021" (see Appendix IV)
- (2) the proposal in relation to the "Work Report of the Supervisory Committee of MCC for the Year 2021" (see Appendix V)
- (3) the proposal in relation to the report on final accounts of the Company for the year 2021 (as set out in the 2021 annual report of the Company)
- (4) the proposal in relation to the profit distribution plan of the Company for the year 2021
- (5) the proposal in relation to the emoluments of Directors and Supervisors of the Company for the year 2021
- (6) the proposal in relation to the plan of guarantees to be provided by the Company for the year 2022

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## LETTER FROM THE BOARD

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- (7) the proposal in relation to the plan of registration and issuance of domestic bonds of the Company for the year 2022
- (8) the proposal in relation to the Financial Services Agreement entered into between the Company and Minmetals Finance Company and the annual caps for the three years ending 31 December 2024
- (9) the proposal in relation to the Company's revision and setting of the annual caps for the routine connected transactions/continuing connected transactions for the years of 2022 and 2023 (i) Proposed approval of the proposal of the revision of annual caps for 2022 for transactions under the Framework Agreement (ii) Proposed approval of the proposals of the entering into of the New Framework Agreement between the Company and China Minmetals and annual caps for 2023
- (10) the proposal in relation to the grant of general mandate to the Board to issue shares

### **CLOSURE OF H SHARES REGISTER OF MEMBERS**

In order to ascertain the Shareholders who will be qualified to attend and vote at the AGM, the H Shares register of members of the Company will be closed from Friday, 24 June 2022 to Thursday, 30 June 2022 (both days inclusive). All completed transfer documents together with the relevant share certificate(s) must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 23 June 2022 for registration. Details of the AGM are set out in the notice dated 31 May 2022.

A form of proxy and reply slip applicable for the AGM are enclosed with this circular. If you intend to appoint a proxy to attend the AGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon. In order to be valid, the form of proxy together with the power of attorney or other authorization document (if any) shall be deposited at the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the AGM (excluding any public holiday). Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM should you so wish.

For information purpose, holders of H Shares who intend to attend the AGM in person or by proxy shall return the reply slip to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, on or before Monday, 27 June 2022 by hand, by post or by fax (Fax: (852) 2865 0990).

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## LETTER FROM THE BOARD

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### VOTING BY WAY OF POLL

In accordance with the Articles of Association and the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. As such, the resolutions set out in the notice will be voted by way of poll. Voting results will be uploaded to the website of the Company ([www.mccchina.com](http://www.mccchina.com)) and the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) as soon as possible after the conclusion of the AGM.

### RECOMMENDATION

The Independent Board Committee has been established by the Company to advise the Independent Shareholders in respect of the transactions of the new annual caps for the sale and purchase of materials (income and expenditure) under the Framework Agreement, the credit extension services and deposit services (including the relevant annual caps) under the Financial Services Agreement, the sale and purchase of materials (income and expenditure) and engineering construction (income) under the New Framework Agreement (including the relevant annual caps).

Gram Capital Limited has been appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders on the same. The full text of the letter from the Independent Financial Advisor is set out on pages 35 to 67 of this Circular.

The Independent Board Committee, having taken into account and based on the recommendation of the Independent Financial Adviser as set out in this circular, considers that the transactions of (i) the new annual caps for the sale and purchase of materials (income and expenditure) under the Framework Agreement, (ii) the credit extension services and deposit services (including the relevant annual caps) under the Financial Services Agreement and (iii) the sale and purchase of materials (income and expenditure) and engineering construction (income) under the New Framework Agreement (including the relevant annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the AGM to approve the transactions relating to the revision of the annual caps for the sale and purchase of materials (income and expenditure) under the Framework Agreement, the credit extension services and deposit services (including the relevant annual caps) under the Financial Services Agreement, the sale and purchase of materials (income and expenditure) and engineering construction (income) under the New Framework Agreement (including the relevant annual caps).

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## LETTER FROM THE BOARD

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### GENERAL RECOMMENDATION

The Directors are of the opinion that the proposed resolutions set out in the notice are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of these proposed resolutions.

Yours faithfully

By order of the Board

**Metallurgical Corporation of China Ltd.\***

**Chen Jianguang**

*Chairman and Executive Director*

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

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

(Stock Code: 1618)

31 May 2022

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of the Company dated 31 May 2022 (the “Circular”), of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the transactions of (i) the new annual caps for sale and purchase of materials (income and expenditure) under the Framework Agreement; (ii) the credit extension services and deposit services (including the relevant annual caps) under the Financial Services Agreement and (iii) the sale and purchase of materials (income and expenditure) under the New Framework Agreement as well as (iv) the engineering construction (income) (including the relevant annual caps) are entered into on normal commercial terms during the usual and ordinary course of business of the Group, and in the interests of the Company and its Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions of the new annual caps for sale and purchase of materials (income and expenditure) under the Framework Agreement, the credit extension services and deposit services under the Financial Services Agreement (including the relevant annual caps) and the sale and purchase of materials (income and expenditure) and engineering construction (income) under the New Framework Agreement (including the relevant annual caps).

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**APPENDIX I            LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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We wish to draw your attention to the letter from the Board set out on page 1 to page 32 of this Circular and the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders set out on page 35 to page 67 of this Circular. The letter from Gram Capital contains the opinion of Gram Capital in respect of the transactions of the new annual caps for sale and purchase of materials (income and expenditure) under the Framework Agreement, the credit extension services and deposit services under the Financial Services Agreement (including the relevant annual caps) and the sale and purchase of materials (income and expenditure) and engineering construction (income) under the New Framework Agreement (including the relevant annual caps).

Having taken into account the advice of Gram Capital and its recommendation in relation thereto, we consider that the transactions of the new annual caps for sale and purchase of materials (income and expenditure) under the Framework Agreement, the credit extension services and deposit services under the Financial Services Agreement (including the relevant annual caps) and the sale and purchase of materials (income and expenditure) and engineering construction (income) under the New Framework Agreement (including the relevant annual caps) are entered into on normal commercial terms during the usual and ordinary course of business of the Group, and in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that you vote in favour of the ordinary resolutions to be proposed at the AGM to approve the transactions of the new annual caps for sale and purchase of materials (income and expenditure) under the Framework Agreement, the credit extension services and deposit services under the Financial Services Agreement (including the relevant annual caps) and the sale and purchase of materials (income and expenditure) and engineering construction (income) under the New Framework Agreement (including the relevant annual caps).

Yours faithfully

By order of the Board

**Metallurgical Corporation of China Ltd.\***

Independent Board Committee

**Zhou Jichang**

**Liu Li**

**Ng, Kar Ling Johnny**

\* *For identification purpose only*

*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in this circular.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong

31 May 2022

*To: The independent board committee and the independent shareholders  
of Metallurgical Corporation of China Ltd.\**

Dear Sir/Madam,

## **DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS**

### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the annual caps revisions for the transactions under the Framework Agreement in relation to the sale and purchase of materials (income and expenditure) (the “**Annual Caps Revision**”); (ii) credit extension services (the “**Credit Services**”) and deposit services (the “**Deposit Services**”) under the Financial Services Agreement (including relevant annual caps); and (iii) the transactions under the New Framework Agreement in relation to the sale and purchase of materials (income and expenditure) and engineering construction (income) (including relevant annual caps) ((i), (ii) and (iii) collectively, the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 31 May 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the Board Letter, in order to expand its business, the Group will expand its trading scale with China Minmetals Group in 2022. As a result, the existing annual caps for material sale and purchase (income) transactions and material sale and purchase (expenditure) transactions under the Framework Agreement for the year ending 31 December 2022 could not meet the business needs of the Group. The Company plans to increase the annual caps for material sale and purchase (income) transactions and for material sale and purchase (expenditure) transactions for the year ending 31 December 2022.



On 25 May 2022, the Company entered into the following agreements:

- (i) the Financial Services Agreement with Minmetals Finance Company, a subsidiary of China Minmetals, pursuant to which Minmetals Finance Company will provide, among other things, the Deposit Services and the Credit Services to the Group. The Financial Services Agreement will be valid from the date of the approval by the Independent Shareholders at the annual general meeting to 31 December 2024; and
- (ii) the New Framework Agreement with China Minmetals, so as to continue to conduct various types of transactions (including material sale and purchase (income and expenditure) transactions and engineering construction (income) transactions) with China Minmetals Group. The New Framework Agreement will take effect from 1 January 2023 and will be valid for one year.

With reference to the Board Letter, the Transactions constitute continuing connected transactions and discloseable transactions (as the case may be), and are subject to the requirements of reporting, announcement, annual review and Independent Shareholders' approval under Chapters 14 and 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Zhou Jichang, Mr. Liu Li and Mr. Ng, Kar Ling Johnny (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Transactions at the AGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

## **INDEPENDENCE**

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as an independent financial adviser in relation to the Company's continuing connected transactions, details of which are set out in the Company's circular dated 25 May 2021. Save for the aforesaid engagement, there was no other service provided by Gram Capital to the Company during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid past engagement, we were not aware of any relationship or interest between Gram Capital and the Company or any other parties during the two years immediately preceding the Latest Practicable Date that could be reasonably regarded as a hindrance to Gram Capital's independence under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Having considered the above and that none of the circumstances as set out under Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date, we are of the view that we are independent to act as the Independent Financial Adviser.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Transactions. We consider that we have taken sufficient and necessary steps (including review of the Group's financial information for the two years ended 31 December 2021, the Financial Service Agreement, New Framework Agreement, the revised annual caps and the proposed annual caps, independent research on market prices of certain minerals associated with the Transactions, and discussion with the Directors and relevant staffs) on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, China Minmetals, Minmetals Finance Company or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no

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**APPENDIX II LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

**PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

**Information on the Group**

With reference to the Board Letter, the Group has strong construction capabilities in metallurgical engineering. It is a large conglomerate operating in various specialized fields, across different industries and in many countries, with engineering contracting, property development, equipment manufacturing and resources development as its principal businesses.

Set out below are the audited consolidated financial information of the Group for the two years ended 31 December 2021 as extracted from the Company's annual report for the year ended 31 December 2021 (the "2021 Annual Report"):

	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2020</b>	<b>Year on year change</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
Total operating revenue	500,571,647	400,114,623	25.11
– Engineering contracting	458,550,611	359,072,735	27.70
– Property development	21,409,733	23,362,271	(8.36)
– Equipment manufacture	11,435,613	10,821,329	5.68
– Resource development	6,656,964	4,374,376	52.18
– Others	2,518,726	2,483,912	1.40
Net profit	11,607,194	9,382,357	23.71

The Group recorded total operating revenue of approximately RMB500.57 billion for the year ended 31 December 2021 (“**FY2021**”), representing an increase of approximately 25.11% as compared to that for the year ended 31 December 2020 (“**FY2020**”). The Group generated majority of its revenue from engineering contracting. Revenue from the engineering contracting segment was approximately RMB458.55 billion for FY2021 and RMB359.07 billion for FY2020, representing approximately 91.61% and 89.74% of the Group’s revenue for FY2021 and FY2020 respectively.

With reference to the the Company’s first quarterly report for the three months ended 31 March 2022 (the “**2022 First Quarterly Report**”), the Group’s cash and bank balances, total assets and net assets were approximately RMB54.36 billion, RMB583.64 billion and RMB154.49 billion, respectively.

### **Information on China Minmetals**

With reference to the Board Letter, China Minmetals is a state wholly-owned enterprise established in the PRC. It is a comprehensive conglomerate focusing on metal and mineral products business, and possessing trade-based, resource-backed, industry- and trading-integrated and vertically-extended capabilities. China Minmetals is an indirect controlling Shareholder of the Company and therefore is a connected person of the Company.

### **Information on Minmetals Finance Company**

With reference to the Board Letter, Minmetals Finance Company was established in the PRC and owned as to 92.5% by China Minmetals Co., Ltd\* (中國五礦股份有限公司) and 7.5% by Minmetals Capital Holdings Co., Ltd. (五礦資本控股有限公司). China Minmetals Co., Ltd is approximately 88.4% held by China Minmetals (which is ultimately owned by the State-owned Assets Supervision and Administration Commission of the State Council) directly and indirectly, approximately 9.5% held by the Hunan Provincial State-owned Assets Supervision and Administration Commission indirectly, and approximately 2.1% held by the State Council indirectly. Minmetals Capital Holdings Co., Ltd. is wholly owned by Minmetals Capital Co., Ltd., a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600390). Minmetals Finance Company is a company whose principal businesses are to provide financial services, including financial and financing advisory, credit appraisal and related advisory, and agency services for member units of China Minmetals.

As advised by the Directors, Minmetals Finance Company, as a non-bank financial institution approved and regulated by the PBOC and the China Banking and Insurance Regulatory Commission (the “**CBIRC**”), is required to comply with the Administrative Measures for the Finance Company of Enterprise Group\* (《企業集團財務公司管理辦法》, the “**Administrative Measures**”) and the Interim Measures for the Assessment of Risk Supervision Indicators of Finance Company of Enterprise Group\* (《企業集團財務公司風險監管指標考核暫行辦法》, the “**Assessment Measures**”) issued by the CBIRC and other regulations as promulgated by the PBOC and the CBIRC. We noted that the Administrative Measures and the Assessment Measures set out certain compliance and risk control requirements and measures, including maintaining certain financial ratios at all time.

With reference to the Board Letter, the Company has adopted certain risk management measures to ensure the security of the Group's funds placed with Minmetals Finance Company, including (i) the inspection of a valid financial permit and a valid business licence prior to entering into connected transactions with Minmetals Finance Company; and (ii) the review of the operating and financial conditions of Minmetals Finance Company on a regular basis, details of which are set out in the section headed "RISK MANAGEMENT AND INTERNAL CONTROL MEASURES RELATED TO THE FINANCIAL SERVICES AGREEMENT" of the Board Letter.

In addition, pursuant to the Administrative Measures, in the event that a group finance company faces any difficulty in making payment, its controlling shareholder(s) will increase such group finance company's capital accordingly based on the actual need. We noted from the articles of associations of Minmetals Finance Company that its shareholders should perform the obligations including but not limited to increase Minmetals Finance Company's capital in the event that Minmetals Finance Company experiences any urgent payment difficulties in order to solve such difficulties.

#### **Reasons for and benefits on the Transactions**

##### ***Transactions in relation to the sale and purchase of materials and engineering construction***

As mentioned in the section above, the engineering contracting segment, the property development segment, the equipment manufacture segment and resource development segment are the Group's major sources of revenue. The purchase of materials (such as steels and equipment which satisfies the Group's needs for engineering construction and production operation) and the sale of materials (such as metal resource products including nickel, cobalt, lead, zinc, copper, etc.) and equipment (under the equipment manufacture segment and resource development segment) are in the Group's ordinary and usual course of business.

With reference to the Board Letter, steel trading is one of the traditional businesses of China Minmetals Group that not only possesses advantageous position in the domestic market but is also supported with a sound network of international trading channels, which can provide the Company with stable supply of steel and relevant materials. In addition, China Minmetals Group is able to offer steady and quality sales channels for metal resources and products manufactured by subsidiaries of the Company that engage in resource business. Since China Minmetals Group and the Company possess different capabilities in equipment manufacturing, the mutual supply of equipment can create complementary advantages, hence satisfying the needs for particular engineering construction and production and operation.

Furthermore, as advised by the Directors, the transactions in relation to, among other things, the sale and purchase of materials (income and expenditure) and engineering construction (income) will be entered into in the ordinary and usual course of business of the Group and on a frequent basis. Therefore, the Directors consider that it would be less burdensome for the Company to enter into the Transactions than to make separate disclosure of each relevant transactions and to obtain the separate approvals from the Independent

Shareholders, as required by the Listing Rules. We noted from the Framework Agreement and the New Framework Agreement that the scope of the transactions contemplated thereunder are related to the Group's principal activities, and the prices and terms of each type of transactions (including material sale and purchase (income and expenditure) transactions and engineering construction (income) transaction) under the New Framework Agreement will be no less favourable than those entered into between the Group and independent third parties.

Having considered that (i) the purchase of materials (such as steels and equipment which satisfies the Group's needs for engineering construction and production operation) and the sale of materials (such as metal resource products including nickel, cobalt, lead, copper, etc.) and equipment (under the equipment manufacture segment and resource development segment) are in the Group's ordinary and usual course of business; (ii) according to the 2021 Annual Report, the business of the Company's resources development mainly focuses on mining, selection and refining of metal resources of nickel, cobalt, copper, zinc, lead and other metals; (iii) according to the 2021 Annual Report, revenue generated from the Group's engineering construction segment accounted for over 90% of the total operating revenue of the Group for FY2021 and revenue generated/to be generated from the engineering construction pursuant to the Framework Agreement and the New Framework Agreement will be recorded in this segment; and (iv) according to the 2021 Annual Report, the Company's engineering contracting, resource development and property development businesses require raw materials including, among other things, steel while the Company's equipment manufacture business requires steel and electronic parts, etc., where the Company will, as a purchaser, purchase steel from China Minmetals Group according to the Framework Agreement and New Framework Agreement, we concur with the Directors that the sale and purchase of materials (income and expenditure) and engineering construction (income) will be conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and Shareholders as a whole.

With reference to the Board Letter, China Minmetals Group is a large-scale conglomerate that engages in global operation. By participating in the bidding process for the engineering construction projects of China Minmetals Group, the Company will be able to enlarge its market share, increase its operating revenue, enhance market competitiveness and boost brand awareness so as to facilitate the brand building of the Company. As China Minmetals Group possesses regional advantages in certain regional markets, the subcontracting of partial engineering construction projects located at such regions by the Company to China Minmetals Group is conducive to the Company's reduction of engineering construction costs and acceleration of progress of engineering construction.

As further mentioned in the Board Letter, with the significant increase in the Company's new projects and the expansion of its operating scale, China Minmetals Group's regional and price competitiveness is highlighted in certain business sectors, and some subsidiaries expect that the scale for connected transactions with China Minmetals Group will continue to expand, so it is expected that the transaction amount of connected transactions for 2022 may exceed the existing limit. Please also refer to our analyses on the new annual caps of the sale and purchase of materials (income and expenditure) for the year ending 31 December 2022 in the section headed "Revised/proposed annual caps" below.

Having considered the above factors, we are of the view that (i) the transactions in relation to the sale and purchase of materials (income and expenditure) and engineering construction (income) are in the interests of the Company and Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (ii) the Annual Caps Revision is also in the interests of the Company and Shareholders as a whole.

***Deposit Services and Credit Services***

In respect of the Deposit Services and Credit Services, we understood from the Directors that the Group had been utilising the Deposit Services and Credit Services provided by MCC Finance, a subsidiary of the Company which is expected to be liquidated. As MCC Finance is expected to be liquidated, the provision of such services by Minmetals Finance Company to the Group facilitates the settlement of the Group with China Minmetals Group and shorten the time required for funds transfers. In addition, by placing funds with Minmetals Finance Company, the Group can have ready, timely and unrestricted access to funds to meet its flexible funding requirements. At the same time, the Group is entitled to choose to withdraw its deposits from Minmetals Finance Company in full or in part from time to time.

We obtained and reviewed the Financial Services Agreement and noted that, (i) the interest rate on the deposit services provided by Minmetals Finance Company to the Group shall not be lower than the benchmark deposits interest rate on deposits of the same type with the same maturity published by the PBOC and the interest rate on deposits provided by Minmetals Finance Company to other member units of China Minmetals under the same conditions, and shall be determined on normal commercial terms; and (ii) the interest rate on the loans provided by Minmetals Finance Company to the Group shall be determined in accordance with the Loan Prime Rate (LPR) published by the PBOC, shall not be higher than the interest rate on the loans of the same type provided by Minmetals Finance Company to other members of China Minmetals, and shall be determined on normal commercial terms.

Having considered the above (in particular, the pricing policy of the Deposit Services and Credit Services), we consider that the Deposit Services and the Credit Services are in the interests of the Company and the Shareholders as a whole and are in the ordinary and usual course of business of the Group.

**Principal terms of the Transactions****I.      CREDIT SERVICES AND DEPOSIT SERVICES**

Set out below are the key terms of the Financial Services Agreement, details of which are set out under the section headed “FINANCIAL SERVICES AGREEMENT” of the Board Letter:

**Date**

25 May 2022

**Parties**

- (1) the Company; and
- (2) Minmetal Finance Company

**Transaction types**

Pursuant to the Financial Services Agreement, Minmetals Finance Company agreed to provide financial services including credit extension services and deposit services to the Group.

**Term**

The Financial Services Agreement will be valid from the date of the approval by the Independent Shareholders at the AGM to 31 December 2024. The Financial Services Agreement can be extended or renewable for a term of three years if there is no disagreement from both parties, subject to compliance with all applicable laws and regulations and all applicable requirements under the Listing Rules.

**Pricing policies**

With reference to the Board Letter:

- (1) in respect of the Deposit Services, the interest rate on the deposit services provided by Minmetals Finance Company to the Group shall not be lower than the benchmark deposits interest rate on deposits of the same type with the same maturity published by the PBOC and the interest rate on deposits provided by Minmetals Finance Company to other member units of China Minmetals under the same conditions, and shall be determined on normal commercial terms; and



- (2) in respect of the Credit Services, the interest rate on the loans provided by Minmetals Finance Company to the Group shall be determined in accordance with the Loan Prime Rate (LPR) published by the PBOC, shall not be higher than the interest rate on the loans of the same type provided by Minmetals Finance Company to other member units of China Minmetals, and shall be determined on normal commercial terms.

With reference to the Board Letter, the Company has adopted certain internal control measures to ensure the Deposit Services and Credit Services are conducted in accordance with the pricing policies, details of which are set out in the section headed “RISK MANAGEMENT AND INTERNAL CONTROL MEASURES RELATED TO THE FINANCIAL SERVICES AGREEMENT” of the Board Letter. As, the Company will designate a dedicated department to co-ordinate and manage the business of the Group operated within Minmetals Finance Company, monitor relevant business information on a regular basis and monitor market price levels on a real-time basis, we consider the effective implementation of the internal control procedures will ensure the fair interest rate determination for the Deposit Services and the Credit Services.

We also discussed with staffs of The Capital Managerial Center (資金中心) of the Company and understood that the staffs were aware of the internal control measures and would comply with internal control measures when conducting transactions contemplated under the Financial Services Agreement. Having considered the aforesaid, we do not doubt the effectiveness of the implementation of the internal procedures for the Deposit Services and the Credit Services.

**Proposed annual caps**

Set out below are the proposed annual caps for the Credit Services and the Deposit Services for the three years ending 31 December 2024 as extracted from the Board Letter:

	<b>For the year ending 31 December 2022  (“FY2022”) RMB’000</b>	<b>For the year ending 31 December 2023  (“FY2023”) RMB’000</b>	<b>For the year ending 31 December 2024  (“FY2024”) RMB’000</b>
Maximum daily balance of composite credit facilities granted to the Group by Minmetals Finance Company (“ <b>Credit Cap(s)</b> ”) (Note 1)	30,000,000	30,000,000	30,000,000
Daily balance of the Group’s deposits with Minmetals Finance Company (“ <b>Deposit Cap(s)</b> ”) (Note 2)	12,000,000	12,000,000	12,000,000

*Notes:*

1. Represented the maximum balance of composite credit facilities granted to the Group by Minmetals Finance Company at any particular date during the years ending 31 December 2022, 2023 and 2024. Including but not limited to loans, acceptance and discounting of bills, guarantees, letters of guarantee, opening of letters of credit, etc., including accrued interests incurred.
2. Represented the maximum balance of the Group's deposits with Minmetals Finance Company at any particular date during the years ending 31 December 2022, 2023 and 2024. Including accrued interests incurred.

Bases for the determination of the Credit Caps and the Deposit Caps are set out under the sub-section headed "Annual caps and basis of determination" under the section headed "FINANCIAL SERVICES AGREEMENT" of the Board Letter.

We understood from the Directors that the Group had been utilising the Deposit Services and Credit Services provided by MCC Finance, a subsidiary of the Company which is expected to be liquidated.

***Credit Caps***

With reference to the Board Letter, the proposed Credit Caps were determined by the Group after taking into account (i) the actual average daily credit facilities granted by MCC Finance to the Group of RMB18.2 billion in 2021; (ii) the expected increase of approximately RMB10 billion in the Group's demand for credit extension services (other than loans business), due to the expansion of its business scale; and (iii) the Loan Prime Rate of 3.7%.

As noted from the 2021 Annual Report, the Group's credit loans (included in short-term and long-term borrowings) and bills payable were approximately RMB44.33 billion and RMB37.62 billion respectively, as at 31 December 2021. The summation of which is approximately RMB81.95 billion (the "**Sum**"), which is much larger than the Credit Caps and indicates that the Group's possible demand of Credit Services from both independent financial institutions and Minmetals Finance Company.

Having considered (i) one of the reasons for the Credit Services is to facilitate the settlement between the Group and China Minmetals Group; (ii) the Sum far exceeds the Credit Caps; and (iii) the expected increase of approximately RMB10 billion in the demand for credit extension services (other than loans business) of the subsidiaries (due to the expansion of its business scale) and the actual average daily credit facilities granted by MCC Finance to the Group in 2021, we are of the view that the Credit Caps for the three years ending 31 December 2024 to be fair and reasonable.

***Deposit Caps***

As noted from the 2022 First Quarterly Report, the Group's cash and cash equivalents were approximately RMB31.22 billion and RMB44.71 billion as at 31 December 2021 and 31 March 2022 respectively. As the cash and cash equivalents as at 31 December 2021 and 31 March 2022 was much larger than the Deposit Caps, it indicates the Group's possible demand of deposit services to be provided by commercial banks and the Minmetal Finance Company.

We also noted from the 2021 Annual Report that the Group recorded net cash inflows from operating activities of approximately RMB28.03 billion and RMB17.64 billion for the years ended 31 December 2020 and 2021 respectively.

With reference to the Board Letter, as the maximum ratio of the Group's deposit balance with the group finance company to its bank deposits should not exceed the ratio of the loans obtained by the Group from the group finance company to the total loans of the Group in the previous year, the Group estimated the maximum amount of deposits (including interest) deposited by the Group with Minmetals Finance Company to be RMB12.0 billion. The Directors advised us that such requirement on the maximum ratio of the Group's deposit balance is an internal requirement of the Group. We also obtained the calculation of the implied maximum deposit balance (i.e. the Group's monetary fund multiplies by the ratio of the Group's loans from MCC Finance to the Group's total loans) and noted that the implied maximum deposit balance is slightly higher than the Deposit Caps.

Having considered (i) the cash and cash equivalents as at 31 December 2021 and 31 March 2022 were much larger than the Deposit Caps which indicates the Group's possible demand of deposit services to be provided by commercial banks and the Minmetal Finance Company; (ii) the Group recorded net cash inflows from operating activities of approximately RMB28.03 billion and RMB17.64 billion for the years ended 31 December 2020 and 2021 respectively; and (iii) based on the Group's internal requirement on the deposit balance, the implied maximum deposit balance is slightly higher than the Deposit Caps, we are of the view that the Deposit Caps for the three years ending 31 December 2024 to be fair and reasonable.

Shareholders should note that as the Credit Caps and the Deposit Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of credit facilities or deposit amounts under the Credit Services or the Deposit Services. Consequently, we express no opinion as to how closely the actual credit facilities or deposit amount under the Credit Services or the Deposit Services will correspond with the Credit Caps or the Deposit Caps.

Having considered the principal terms of the Credit Services and the Deposit Services under the Financial Services Agreement as set out above, we are of the view that the terms of the Credit Services and the Deposit Services under the Financial Services Agreement (including the Credit Caps and the Deposit Caps) to be fair and reasonable.

**II. MATERIAL SALE AND PURCHASE (INCOME AND EXPENDITURE) TRANSACTIONS AND ENGINEERING CONSTRUCTION (INCOME) TRANSACTIONS**

With reference to the Board Letter, the Company plans to: (i) increase the annual caps for material sale and purchase (income) transactions for the years ending 31 December 2022 from RMB5,510.00 million to RMB8,104.53 million; and (ii) increase the annual caps for material sale and purchase (expenditure) transactions for the years ending 31 December 2022 from RMB19,934.00 million to RMB24,340.29 million. Furthermore, as the annual cap for each type of transactions under the Framework Agreement (including material sale and purchase (income and expenditure) transactions) will expire on 31 December 2022, the Board approved the Company to enter into the New Framework Agreement with China Minmetals for the continuation of, among other things, the material sale and purchase (income and expenditure) transactions and engineering construction (income) transactions with China Minmetals Group on 29 March 2022. The New Framework Agreement was entered into between the Company and China Minmetals on 25 May 2022.

Set out below are the principal terms of the sale and purchase of materials (income and expenditure) and engineering construction (income) contemplated under the New Framework Agreement, details of which are set out under the section headed “PROPOSED APPROVAL OF THE PROPOSAL OF THE NEW FRAMEWORK AGREEMENT ENTERED INTO BETWEEN THE COMPANY AND CHINA MINMETALS AND THE ANNUAL CAPS FOR 2023”:

**Date**

25 May 2022

**Parties**

- (1) The Company; and
- (2) China Minmetals

**Transaction types****(1)    *Sale and purchase of materials***

The Company will, as a purchaser, purchase steel from China Minmetals Group and will, as a supplier, sell bulk materials (i.e. metal resource products including nickel, cobalt, lead, zinc, copper, etc.) to China Minmetals Group. The Group will also sell to and purchase from China Minmetals Group the equipment necessary for general construction contracting and production operation. The abovementioned material suppliers will also provide relevant logistics services in relation to the materials supplied, including storage, freight forwarding, shipping and land transportation and other services.

**(2)    *Engineering construction***

The Company will, as a contractor, provide engineering construction services to China Minmetals Group, including engineering services of engineering, procurement and construction (EPC) and public-private partnership (PPP) projects. In addition, given the regional advantages of the specialized companies of China Minmetals in certain areas, and their professional construction qualifications and unique technological advantages in nonferrous mining and smelting engineering construction fields, the Company will subcontract part of the construction work secured in such areas and fields to the specialized companies of China Minmetals.

**Pricing of the transactions**

Pursuant to the New Framework Agreement, with respect to the materials and services provided to the Group by China Minmetals Group, China Minmetals has undertaken that it will not and will procure its subsidiaries not to provide relevant materials and services to the Group on terms which are less favourable than those offered to third parties.

**(1)    *Material sale and purchase (income and expenditure) transactions***

The suppliers and prices of steel and equipment will be determined by the open tender process of the purchaser and the result of successful bid will be publicly announced on the website of the purchase platform operated by the purchaser. Upon winning the bid, the parties will enter into a specific purchase contract, in which the payment arrangement on the purchase price, generally including prepayments, payments upon goods delivery and completion of inspection and acceptance and quality guarantee deposits, will be specified.

**(2)    *Engineering construction***

The price of engineering construction projects will be determined through open tender. Pursuant to the relevant laws and regulations for public bidding and tendering in China, the public bidding and tendering results and prices of state-owned projects, state-owned investment projects and those engineering construction projects related to the national economy and the people's livelihood will be announced on the website of public the platform of bidding and tendering of government projects. Upon winning the bid, the parties will enter into a specific construction contract, in which the payment arrangement on the construction price (which will be generally paid according to the progress of a particular project or the completion ratio calculated on a monthly basis) will be specified.

With reference to the Board Letter, in order to ensure that the prices and terms of each type of the transactions (including material sale and purchase (income and expenditure) transactions and engineering construction (income) transaction) under the Framework Agreement and the New Framework Agreement will be no less favourable than those entered into between the Group and independent third parties, the Company has adopted the certain measures and procedures, details of which are set out under the section headed "PRICING AND INTERNAL CONTROL PROCEDURES" of the Board Letter. Having considered (i) the internal control measures for the selection of suppliers or service providers through the open tender process (including the Group will invite no less than three entities to participate in the bidding; or if the Group is a bidder, relevant business departments of the Group will determine the bidding price according to the requirements set forth in the tender documents with reference to the guiding price given by the local government and the market price and such price will be approved by the persons in charge of the relevant business department of the Group); and (ii) the internal control measures for the transactions with prices being determined by the parties through negotiation (normally obtain two or more reference prices from independent third parties and such price will be approved by the persons in charge of the relevant business departments of the Group), we are of the view that the effective implementation of the internal control measures will ensures the fair pricing of the transactions (including material sale and purchase (income and expenditure) transactions and engineering construction (income) transaction) under the Framework Agreement and the New Framework Agreement.

To assess the effectiveness of the internal control measures, we conducted the following works:

- We obtained three sets of individual contracts regarding the material sale and purchase (income) transactions for each of the three years ending 31 December 2022 (nine sets of individual contracts in total), together with 3 sets of individual contracts entered into between the Group and independent third parties regarding the sale of material for each of the three years ending 31 December 2022 (9 sets of individual contracts in total). We noted that the pricing mechanism for the material sale and purchase (income) transactions were the same as those between the Group and independent third parties for the same material during the comparable period.
- We obtained three sets of individual contracts and tender related documents regarding each of (i) material sale and purchase (expenditure) transactions; and (ii) engineering construction (income) transactions, for each of the three years ending 31 December 2022 (18 sets of individual contracts and tender related documents in total). We noted that such individual contracts were all entered into through a bidding process with no less than four participants (including the Group or connected person (as the case may be)). As confirmed by the Directors, the key terms of individual contracts had been fixed based on the requirements of the tender process.
- With reference to the 2021 Annual Report, the Company’s independent non-executive directors have reviewed the continuing connected transactions (including the material sale and purchase (income and expenditure) transactions and engineering construction (income) transactions) and confirmed that these transactions have been entered into: (1) in the ordinary course of business of the Company; (2) either on normal commercial terms or on terms no less favourable to the Company than those available to or provided from (as appropriate) independent third parties as the Company is concerned; and (3) in accordance with the terms of the agreements governing them that are fair and reasonable and in the interests of the Company’s Shareholders as a whole (the **“INEDs’ Confirmation”**).
- In addition, the Company’s auditor was engaged to report on the continuing connected transactions (including the material sale and purchase (income and expenditure) transactions and engineering construction (income) transactions) of the Company in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor had issued their unqualified letter containing their conclusions in respect of the continuing connected transactions

(including the material sale and purchase (income and expenditure) transactions and engineering construction (income) transactions) in accordance with Rule 14A.56 of the Listing Rules, stating that, during FY2021: (1) nothing has come to the auditor's attention that causes the auditor to believe that the continuing connected transactions have not been approved by the Company's Board; (2) for transactions involving the provision of goods or services by the Company, nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company; (3) nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (4) nothing has come to the auditor's attention that causes the auditor to believe that the amount of such continuing connected transactions have exceeded the total annual caps set by the Company (the "**Auditor's Confirmation**").

- We also discussed with staffs of Company's relevant business departments of the Group and understood that the staffs of such departments were aware of the internal control measures and would comply with internal control measures when conducting to the sale and purchase of materials (income and expenditure) and engineering construction (income) under the Framework Agreement and the New Framework Agreement.

In light of our works as mentioned above, we do not doubt the effectiveness of the implementation of the internal control measures.



**Revised/proposed annual caps**

**(1) Material sale and purchase (income and expenditure) transactions**

Set out below is (i) the historical transaction amounts of material sale and purchase (income and expenditure) transactions for the two years ended 31 December 2021; (ii) the existing annual caps; and (iii) the revised/proposed annual caps for the two years ending 31 December 2023.

	For the year ended 31 December 2020 <i>RMB'000</i>	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ending 31 December 2022 <i>RMB'000</i>
Historical transaction amounts of material sale and purchase (income) transactions	1,638,592	2,731,835	658,260 <i>(Note)</i>
Existing/previous annual caps for material sale and purchase (income) transactions	2,677,000	5,322,000	5,510,000
Utilisation rate (%)	61.21	51.33	N/A
Historical transaction amounts of material sale and purchase (expenditure) transactions	8,737,569	12,721,297	2,628,330 <i>(Note)</i>
Existing/previous annual caps for material sale and purchase (expenditure) transactions	13,187,000	16,753,000	19,394,000
Utilisation rate (%)	66.26	75.93	N/A
		For the year ending 31 December 2022 <i>RMB'000</i>	For the year ending 31 December 2023 <i>RMB'000</i>
Revised/proposed annual caps for material sale and purchase (income) transactions		8,104,530	6,274,780
Revised/proposed annual caps for material sale and purchase (expenditure) transactions		24,340,290	25,307,130

*Note: The figures are for the four months ended 30 April 2022*

As depicted in the above table, the historical transaction amounts for (i) material sale and purchase (income) transactions were approximately RMB1.64 billion and RMB2.73 billion for FY2020 and FY2021 respectively, representing utilization rates of approximately 61.21% and 51.33% respectively; and (ii) material sale and purchase (expenditure) transactions were approximately RMB8.74 billion and RMB12.72 billion for FY2020 and FY2021 respectively, representing utilization rates of approximately 66.26% and 75.93% respectively. For illustrative purpose only, based on the annualised historical amount for the four months ended 30 April 2022, the utilisation rates of the existing annual cap for (i) material sale and purchase (income) transactions would be approximately 35.84%; and (ii) material sale and purchase (expenditure) transactions would be approximately 40.66%, for the year ending 31 December 2022.

The revised annual cap for 2022 for (i) material sale and purchase (income) transactions represented an increase of approximately 47.09% as compared to the existing annual cap; and (b) material sale and purchase (expenditure) transactions for 2022 represented an increase of approximately 25.50% as compared to the existing annual cap. The proposed annual caps for 2023 for (i) material sale and purchase (income) transactions represented a decrease of approximately 22.58% as compared to the revised annual cap for 2022; and (ii) material sale and purchase (expenditure) transactions represented an increase of approximately 3.97% as compared to the revised annual cap for 2022.

As advised by the Directors, the difference between the historical annual cap and the historical transaction amount was primarily an outcome of the Group's actual operations (i.e. the Group/China Minmetals Group might also procure material from other suppliers depending on the outcome of the bidding and tendering process, and certain transactions might still be under negotiation and there might be delay in execution).

**A. *Estimated transaction amounts in relation to the material sale and purchase (income) transactions***

For our due diligence purpose, we obtained and reviewed the calculation of the revised/proposed annual caps of the transaction for the two years ending 31 December 2023. We noted that the calculation included expected transactions of 11 subsidiaries of the Company. We noted that during each of the two years ending 31 December 2023, the estimated transaction amounts mainly catered for the sale of nickel related products (nickel accounted for majority of composition) to a subsidiary of China Minmetals, the amount of the particular transactions represented approximately 76% and 70% of the total estimated transaction amounts for 2022 and 2023 respectively. The remaining transaction amounts represented the sale of bulk materials and equipment to China Minmetals Group. As advised by the Directors, the estimated transaction amounts were formulated and approved by the relevant

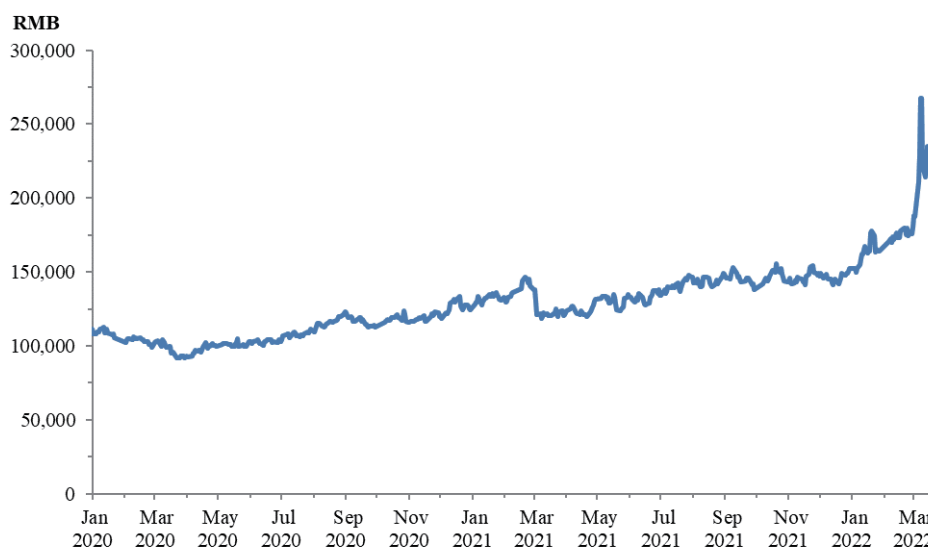
operating subsidiaries before submitting to the Company for consolidation and review and they are formulating based on the business needs of the relevant operating subsidiaries. In formulating the revised/proposed annual caps for the two years ending 31 December 2023, a buffer of 10% on the estimated transaction amounts was included to cater for any unforeseeable circumstances such as the unexpected increase in demand of products and the unexpected increase in price of the products.

*For the year ending 31 December 2022*

We noted that the revised annual cap for 2022 represented an increase of approximately 47.09% as compared to the existing annual cap. As mentioned above, approximately 76% of the total estimated transaction amounts for 2022 were determined to cater for the sale of nickel related products to a subsidiary of China Minmetals.

For our due diligence purposes, we examined the prices of nickel during the period from 2 January 2020 to 29 March 2022 (being the date of announcement in relation to the Transactions), based on information obtained from Wind Financial Terminal. As the review period represents approximately two years prior to the date of announcement in relation to the Transactions, we consider such period to be fair and representative.

**Historical daily closing price of Nickel (per metric ton)**



Source: *Wind Financial Terminal*

The closing price of nickel increased from RMB111,230 per metric ton as recorded on 2 January 2020 to RMB223,130 per metric ton as recorded on 29 March 2022, representing an increase of approximately 100.60%. The closing prices of nickel formed a generally increasing trend and fluctuated between the range of RMB110,000 per metric ton to RMB150,000 per metric ton during the period from January 2020 to December 2021. Thereafter, the closing prices of nickel gradually increased and reached RMB188,180 per metric ton on 3 March 2022 before the closing prices of nickel surged significantly and reached RMB267,700 per metric ton on 9 March 2022.

According to the above chart, (i) the maximum price represented approximately 2.53 times of the lowest price during the period from 1 January 2021 to 29 March 2022; and (ii) the average price of nickel for the period from 1 March 2022 to 29 March 2022 (being the recent approximate one month immediately before the Board approving the revised annual cap of RMB8,104.53 million for FY2022) represented an increase of approximately 76.89% as compared to the average price of nickel for the period from 1 March 2021 to 29 March 2021 (being the recent approximate one month immediately before the Board approving the existing annual cap of RMB5,510 million for FY2022).

As advised by the Directors, the Company is unable to predict whether the Group would win the bid for any particular project/transaction, therefore, in estimating the revised/proposed annual caps for the two years ending 31 December 2023, the Company made reference to the existing and expected projects/transactions of the China Minmetals Group, assuming that the Group would win the bid of such projects/transactions, and taken into consideration the estimated amount of such projects/transactions as the basis for determining the revised annual caps.

Having considered that (i) the estimated transaction amounts in respect of the sale of nickel related products for FY2022 to the historical transaction amounts in respect of the sale of nickel related products for FY2021 (i.e. approximately 2.72 times) is in line with the nickel's maximum closing price to its lowest price during the period from 1 January 2021 to 29 March 2022 (i.e. approximately 2.53 times); (ii) the average price of nickel for the period from 1 March 2022 to 29 March 2022 represented an increase of approximately 76.89% as compared to the average price of nickel for the period from 1 March 2021 to 29 March 2021, we consider the estimated transaction amounts in respect of the sale of nickel related products for FY2022 (as estimated by the relevant subsidiary of the Company) to be reasonable. In addition, we also noted that the proportion of the estimated transaction amounts in respect of the sale of nickel related products to the total estimated transaction amounts in relation to the material sale and purchase (income) transactions for FY2022 (i.e. approximately 76%) is in line with the proportion of the historical transaction amounts in respect of the sale of nickel related products to the total historical transaction amounts in relation to the material sale and purchase (income) transactions for FY2021 (i.e. approximately 75%). It indicated that the estimated remaining amounts for FY2022 are also in line with the historical remaining amounts for FY2021 in terms of its proportion to the total amounts for relevant period. Therefore, we also consider the total estimated transaction amounts in relation to the material sale and purchase (income) transactions (other than the sale of nickel related products) for FY2022 (as estimated by the relevant subsidiaries of the Company) to be reasonable.

Having considered (i) the estimated transaction amounts were formulated and approved by the relevant subsidiaries before submitting to the Company for consolidation and review and they are formulated based on the potential business needs of the relevant operating subsidiaries; (ii) the substantial increase in closing price of nickel; and (iii) the assumptions that the Group would win all bid of projects/transactions issued by China Minmetals Group for 2022, we are of the view that the estimated amounts of material sale and purchase (income) transactions for the year ending 31 December 2022 to be justifiable.

*For the year ending 31 December 2023*

We noted that the proposed annual caps for 2023 represented a decrease of approximately 22.58% as compared to the revised annual cap for 2022. As mentioned above, approximately 70% of the total estimated transaction amounts for 2023 were determined to cater for the sale of nickel related products to a subsidiary of China Minmetals Group.

We noted from the calculation that the estimated transaction amount for the sale of nickel related products to a subsidiary of China Minmetals Group for 2023 were determined based on the estimated nickel price around US\$20,000 (equivalent to approximately RMB127,200 based on the exchange rate of US\$1:RMB6.36). As advised by the Directors, the Directors are of the view that the aforesaid surge in prices of nickel in 2022 is temporary and expect the prices of nickel to fall back to a more reasonable level in 2023. For our due diligence purpose, we searched through internet and noted the followings:

- we noted from an article dated 11 March 2022 published by Capital.com (Capital.com is a multi-award winning global investment trading platform authorised and regulated by the Financial Conduct Authority of the United Kingdom, the Cyprus Securities and Exchange Commission, and the Australian Securities and Investment Commission. Capital.com is a fast-emerging leader in the European leveraged trading industry) that the surge in nickel price was triggered by a short squeeze involving a PRC steel producer and such blistering market price of nickel may not sustain longer.
- we noted from the website of such PRC steel producer that it had reached an agreement with a consortium of hedge bank creditors on a standstill arrangement, whereby during the standstill period, the PRC steel producer and the consortium banks will progress discussions in relation to a standby secured liquidity facility intended principally for the PRC steel producer's nickel margin and settlement requirements.

- we noted from an official notice issued by the London Metal Exchange that it had implemented, among other things, deferred delivery mechanism where those with short positions in, among other things, nickel, who are unable to fulfil their delivery obligation and/or unable to borrow metal at a backwardation of no more than a specific price, may have their delivery deferred in order to maintain continued market orderliness and avoid the development of an undesirable situation.

As also detailed above, the closing price of nickel fluctuated between the range of RMB110,000 per metric ton to RMB150,000 per metric ton during the period from 2 January 2020 to 31 December 2021 (with average of approximately RMB123,586 per metric ton) before it gradually increases and surged significantly to RMB267,700 per metric ton in March 2022. According to the aforesaid expectation that the surge in prices of nickel in 2022 is temporary and the estimated nickel price of around US\$20,000 per metric tonne (equivalent to approximately RMB127,200 per metric tonne based on the exchange rate of US\$1:RMB6.36) is close to (i) the average prices of nickel of approximately RMB126,583 per metric ton during the period from 2 January 2020 to 28 February 2022 (before the surge of selling price of nickel according to the information obtained from Wind Financial Terminal); and (ii) the average prices of nickel of approximately RMB123,586 per metric ton during the period from 2 January 2020 to 31 December 2021; and (iii) the average prices of nickel of approximately RMB137,473 per metric ton during the period from 4 January 2021 to 31 December 2021, we consider the estimated price level of nickel for FY2023 for the purpose of annual cap calculation to be justifiable.

Accordingly, we are of the view that the estimated amounts of material sale and purchase (income) transactions for the year ending 31 December 2023 to be justifiable.

#### *Buffer of 10%*

As mentioned above, the Company applied a buffer of 10% to the estimated transaction amounts for its subsidiaries for each of 2022 and 2023 to cater for any unforeseeable circumstances such as the unexpected increase in demand of products and the unexpected increase in price of the products. To assess the fairness and reasonableness of the buffer of 10%, we searched for circulars regarding continuing connected transactions published by other Hong Kong listed companies during the period from 1 January 2022 to 29 March 2022 (being the date of the announcement regarding the Transactions). We noted that out of the 20 circulars published by other Hong Kong listed companies that incorporated buffer in their proposed annual caps regarding continuing connected transactions, eight of which incorporated buffer of 10% in their proposed annual caps regarding continuing connected transactions. As such, we consider the incorporation of buffer of 10% in the proposed annual caps is common among listed companies in Hong Kong and is in line with market practice. Therefore, we consider the buffer of 10% to be justifiable.

Having considered the above, in particular, (i) the estimated amounts of material sale and purchase (income) transactions for the two years ending 31 December 2023 to be justifiable; and (ii) the buffer of 10% to be justifiable, we consider that the revised/proposed annual caps for the two years ending 31 December 2023 are fair and reasonable.

***B. Estimated transaction amounts in relation to the material sale and purchase (expenditure) transactions***

For our due diligence purpose, we obtained and reviewed the calculation of the revised/proposed annual caps of the transaction for the two years ending 31 December 2023. We noted that the calculation included expected projects/transactions of 31 subsidiaries of the Company. We noted that during each of the two years ending 31 December 2023, majority of the estimated transaction amounts catered for the purchase of steels from subsidiaries of China Minmetals. As advised by the Directors, the estimated transaction amounts were formulated and approved by the relevant operating subsidiaries before submitting to the Company for consolidation and review and they are formulated based on the potential business needs of the relevant operating subsidiaries. In formulating the revised/proposed annual caps for the two years ending 31 December 2023, a buffer of 10% on the estimated transaction amounts was included to cater for any unforeseeable circumstances such as the unexpected increase in demand of products and the unexpected increase in price of the products.

We noted that the revised annual cap for 2022 represented an increase of approximately 25.50% as compared to the existing annual cap for 2022 and the proposed annual caps for 2023 represented an increase of approximately 3.97% as compared to the revised annual cap for 2022. As mentioned above, the majority of the estimated transaction amounts (over 90%) were determined to cater for the purchase of steels from subsidiaries of China Minmetals.

For our due diligence purposes, we examined the prices of stainless steel during the period from 1 January 2020 to 29 March 2022 (being the date of announcement in relation to the Transactions), based on information obtained from Wind Financial Terminal. As the review period represents approximately two year prior to the date of announcement in relation to the Transactions, we consider such period to be fair and representative.

**Historical daily closing price of Stainless Steel (per metric ton)**



Source: Wind Financial Terminal

The closing price of stainless steel increased from RMB13,805 per metric ton as recorded on 2 January 2020 to RMB20,270 per metric ton as recorded on 29 March 2022, representing an increase of approximately 46.83%. From the start of the review period, the closing prices of stainless steel formed a general decreasing trend and reached the lowest of RMB11,800 on 23 March 2020 and 24 March 2020. The closing prices of stainless steel fluctuated thereafter and formed a general increasing trend and reached RMB21,965 per metric ton on 22 September 2021. Despite the drop in closing prices during the period from late-September 2021 to early-December 2021, where the closing price of stainless steel reached RMB15,810 on 10 December 2021, the closing prices of stainless steel resurged and reached the highest price of RMB22,125 per metric ton on 8 March 2022.



According to the above chart, the average price of stainless steel for the period from 1 March 2022 to 29 March 2022 (being the recent approximate one month immediately before the Board approving the revised annual cap of RMB24,340.29 million for FY2022) represented an increase of approximately 39.96% as compared to the average price of stainless steel for the period from 1 March 2021 to 29 March 2021 (being the recent approximate one month immediately before the Board approving the existing annual cap of RMB19,394 million for FY2022).

We noted that the historical transaction amounts for material sale and purchase (expenditure) transactions increased from approximately RMB8.74 billion for FY2020 to approximately RMB12.72 billion for FY2021, representing an increase of approximately 27.04%. In addition, the revised estimated transaction amounts in relation to the material sale and purchase (expenditure) transactions for FY2022 represented an increase of approximately 25.5% as compared to the existing estimated transaction amounts in relation to the material sale and purchase (expenditure) transactions for FY2022.

As illustrated in the section headed “Information on the Group” above, the Group recorded total operating revenue of approximately RMB500.57 billion for FY2021, representing an increase of approximately 25.11% as compared to that for FY2020. Revenue from the engineering contracting segment amounted to approximately RMB458.55 billion for FY2021, representing an increase of approximately 27.70% as compared to that for FY2020 and indicating the increasing demand for material sale and purchase (expenditure) transactions.

Based on the above factors, including (i) the majority of the estimated transaction amounts were determined to cater for the purchase of steels from subsidiaries of China Minmetals and the aforesaid movement of the steel prices; (ii) the historical transaction amounts for material sale and purchase (expenditure) transactions increased by approximately 27.04% from FY2020 to FY2021; (iii) the purchase of materials such as steels and equipment is to satisfy the Group’s needs for engineering construction and production operation; (iv) the revised estimated transaction amounts in relation to the material sale and purchase (expenditure) transactions for FY2022 represented an increase of approximately 25.5% as compared to the existing estimated transaction amounts in relation to the material sale and purchase (expenditure) transactions for FY2022, we consider the estimated transaction amounts in relation to the material sale and purchase (expenditure) transactions for the two years ending 31 December 2023 to be justifiable.

*Buffer of 10%*

As detailed above, the Company applied a buffer of 10% to the sum of estimated project/transaction amounts for its subsidiaries to cater for any unforeseeable circumstances such as the unexpected increase in demand of products and the unexpected increase in price of the products. To assess the fairness and reasonableness of the buffer of 10%, we searched for circulars regarding continuing connected transactions published by other Hong Kong listed companies during the period from 1 January 2022 to 29 March 2022 (being the date of the announcement regarding the Transactions). We noted that out of the 20 circulars published by other Hong Kong listed companies that incorporated buffer in their proposed annual caps regarding continuing connected transactions, eight of which incorporated buffer of 10% in their proposed annual caps regarding continuing connected transactions. As such, we consider the incorporation of buffer of 10% in the proposed annual caps is common among listed companies in Hong Kong and is in line with market practice. Therefore, we consider the buffer of 10% to be justifiable.

Having considered the above, in particular, (i) the estimated transaction amounts in relation to the material sale and purchase (expenditure) transactions for the two years ending 31 December 2023 to be justifiable; and (ii) the buffer of 10% to be justifiable, we consider that the revised/proposed annual caps for the two years ending 31 December 2023 are fair and reasonable.

Shareholders should note that as the revised/proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2023, and they do not represent forecasts of revenue to be recognised or costs to be incurred from the material sale and purchase (income and expenditure) transactions. Consequently, we express no opinion as to how closely the actual transaction amount to be incurred from the material sale and purchase (income and expenditure) transactions will correspond with the revised/proposed annual caps.

In light of the above, we consider that the terms of the material sale and purchase (income and expenditure) transactions (including the revised/proposed annual caps for the two years ending 31 December 2023) are on normal commercial terms and are fair and reasonable.

**(2) Engineering construction (income) transactions**

Set out below is (i) the historical transaction amounts of engineering construction (income) transactions for the two years ended 31 December 2021; (ii) the existing annual caps; and (iii) the proposed annual cap for the year ending 31 December 2023.

	<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2021</b>	<b>For the year ending 31 December 2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Historical transaction amounts	1,005,830	943,145	499,230 (Note)
Existing/previous annual caps	17,962,000	18,420,000	18,850,000
Utilisation rate (%)	5.60	5.12	N/A
			<b>For the year ending 31 December 2023</b>
			<i>RMB'000</i>
Existing annual cap			N/A
Proposed annual cap			11,923,370

*Note: the figure is for the four months ended 30 April 2022.*

As depicted in the above table, the historical transaction amounts for engineering construction (income) transactions were approximately RMB1.01 billion and RMB0.94 billion for FY2020 and FY2021 respectively, representing utilization rates of approximately 5.60% and 5.12% respectively. For illustrative purpose only, based on the annualised historical amount for the four months ended 30 April 2022, the utilisation rates of the existing annual cap for engineering construction (income) transactions would be approximately 7.95% for the year ending 31 December 2022.

Despite that the Company downward adjusted the proposed annual cap for the year ending 31 December 2023 as compared to the existing annual caps for the year ending 31 December 2022, the proposed annual cap represented a substantial increase as compared to the historical transaction amount for the two years ended 31 December 2021.

With reference to the Board Letter, the suppliers of the transaction between the Group and China Minmetals Group (i.e. the provision of engineering construction services by the Group as contractor) will be selected through the public tender process. The Company is unable to predict whether the Group will win the bid for any particular project, therefore, in estimating the annual caps for the year ending 31 December 2023, the Company has made reference to: (i) the existing and expected bidding projects of China Minmetals Group assuming that the Group will win the bid in all bidding projects of China Minmetals Group in which the Group intends to participate, and taken into consideration the estimated amount of the bidding projects as the basis for determining the annual caps; and (ii) the investment plan formulated by China Minmetals Group and the expected building cost of such engineering projects for which the Group intends to participate in the bidding process, and such building cost has been estimated with reference to the investment amount of similar projects within the same region.

*Estimated transaction amounts in relation to the engineering construction (income) transactions*

For our due diligence purpose, we obtained and reviewed the calculation of the proposed annual caps for the engineering construction (income) transactions for the year ending 31 December 2023. We noted the calculation was based on the expected transactions of 19 subsidiaries of the Company for the year ending 31 December 2023. As advised by the Directors, the estimated transaction amounts were estimated by the relevant subsidiaries of the Company taking into account the expected engineering construction projects which the Company intends to participate in bidding during 2023, and based on the subsidiaries' understanding on the strategic development plan of China Minmetals Group and the expected building cost of such engineering projects. The estimation was approved by the relevant subsidiaries before submitting to the Company for consolidation and review. In formulating the proposed annual caps for the year ending 31 December 2023, a buffer of 10% on the estimated transaction amounts was included to cater for any unforeseeable circumstances such as the unexpected increase in demand of the services by connected persons and the unexpected increase in cost of the services/materials for engineering construction.

We noted from the calculation that the estimated transaction amounts were based on the consideration under various agreements and projects involvement of the Company's subsidiaries. The various types of projects included engineering supervision, engineering design, contracting, provision of technical services, exploration and design etc. We also understood that the estimated income of the engineering construction services would depend on the potential demand of China Minmetals Group (i.e. the demand on contractors for its engineering construction projects) and the outcome of the tender process on the selection of contractors. It would be difficult for the Group to accurately measure the potential amount of the transaction.

For our due diligence purpose, we enquired into the Company regarding projects of 19 subsidiaries of the Company (the “**Project(s)**”), being the compositions of the estimated transaction amounts in relation to the engineering construction (income) transactions for the year ending 31 December 2023. The estimated transactions amounts to be recorded in FY2023 contemplated under the Projects which the Group entered into contracts with China Minmetals Group or was selected as their service providers for such Projects (according to successful bidding notice) were approximately RMB4,700 million.

Upon our request, the Company also provided supporting documents for two largest Projects in terms of estimated amounts to be recorded in 2023, including successful bidding notice to and a signed contract by various parties including the Group and a subsidiary of the China Minmetals. Despite that we only selected two Projects, we consider the two Projects are sufficient for us to form our view after taking into account that (i) the two Projects were with first and second largest value to be recorded in 2023 (accounted for approximately 23% to the total estimated transaction amounts in relation to the engineering construction (income) transactions for the year ending 31 December 2023); and (ii) as mentioned above, the estimated transaction amounts were estimated by the relevant subsidiaries of the Company taking into account, among other things, the expected engineering construction projects and the expected building cost of such engineering projects. In addition, the bases for estimated such transaction amounts by other subsidiaries of the Company are the same as the bases of the two Projects based on our understanding from the Company.

We noticed that the estimated transaction amounts to be recorded in 2023 were less than the total value showing in the successful bidding notice or the signed contract. As advised by the Directors, the time schedule of the project was also considered as such projects will not be completed in one year. As such, we consider that the estimated transaction amounts for the two largest Projects in terms of estimated amounts to be recorded in 2023 to be reasonable.

Based on our further review of the two selected Projects with first and second largest value to be recorded in 2023, we do not doubt the transaction amounts for the year ending 31 December 2023 as estimated by the Company’s subsidiaries.

Having considered that (i) the estimated income of the engineering construction services would depend on the potential demand of China Minmetals Group (i.e. the demand on contractors for its engineering construction projects) and the outcome of the tender process on the selection of contractors. It would be difficult for the Group to accurately measure the potential amount of the transaction; (ii) the estimated transaction amounts of the subsidiaries of the Company was determined based on their understanding on the strategic development plan of China Minmetals Group and the expected building cost of such projects; (iii) we reviewed the calculation and acknowledged that the estimated income of the engineering construction services was calculated by the estimated amounts of a series of potential engineering construction projects or engineering construction projects which the subsidiaries of the Company will be involved; and (iv) we further reviewed supporting documents of the top two Projects with estimated amounts to be recorded in 2023, we are of the view that the estimated transaction amounts in relation to the engineering construction (income) transactions for the year ending 31 December 2023 to be justifiable.

*Buffer of 10%*

As detailed above, the Company applied a buffer of 10% to the sum of estimated project/transaction amounts for its subsidiaries to cater for any unforeseeable circumstances such as the unexpected increase in demand of services by connected persons and the unexpected increase in cost of services/materials for engineering construction. To assess the fairness and reasonableness of the buffer of 10%, we searched for circulars regarding continuing connected transactions published by other Hong Kong listed companies during the period from 1 January 2022 to 29 March 2022 (being the date of the announcement regarding the Transactions). We noted that out of the 20 circulars published by other Hong Kong listed companies that incorporated buffer in their proposed annual caps regarding continuing connected transactions, eight of which incorporated buffer of 10% in their proposed annual caps regarding continuing connected transactions. As such, we consider the incorporation of buffer of 10% in the proposed annual caps is common among listed companies in Hong Kong and is in line with market practice. Therefore, we consider the buffer of 10% to be justifiable.

Having considered the above, in particular, (i) that the estimated transaction amounts in relation to the engineering construction (income) transactions for the year ending 31 December 2023 to be justifiable; (ii) the buffer of 10% to be justifiable, we consider that the proposed annual cap for the year ending 31 December 2023 is fair and reasonable.

Shareholders should note that as the proposed annual cap is relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2023, and they do not represent forecasts of revenue to be recognised or costs to be incurred from the engineering construction (income) transactions. Consequently, we express no opinion as to how closely the actual transaction amount to be incurred from the engineering construction (income) transactions will correspond with the proposed annual cap.

In light of the above, we consider that the terms of engineering construction (income) transactions are on normal commercial terms and are fair and reasonable.

**Listing Rules implication**

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values/maximum values of the Credit Services, the Deposit Services, material sale and purchase (income and expenditure) transactions and engineering construction (income) transactions must be restricted by the revised/proposed annual caps; (ii) the terms of the Credit Services, the Deposit Services, the material sale and purchase (income and expenditure) transactions and engineering construction (income) transactions must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Credit Services, the Deposit Services, the material sale and purchase (income and expenditure) transactions and engineering construction (income) transactions must be included in the Company's subsequent published annual report.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Credit Services, the Deposit Services, the material sale and purchase (income and expenditure) transactions and engineering construction (income) transactions: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the revised/proposed annual caps.

In the event that the maximum/total amounts of the Credit Services, the Deposit Services, the material sale and purchase (income and expenditure) transactions or engineering construction (income) transactions are anticipated to exceed their respective revised/proposed annual caps, or that there is any proposed material amendment to the terms of the Credit Services, the Deposit Services, the material sale and purchase (income and expenditure) transactions or engineering construction (income) transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Credit Services, the Deposit Services, the material sale and purchase (income and expenditure) transactions and engineering construction (income) transactions and thus the interest of the Independent Shareholders would be safeguarded.

**RECOMMENDATION**

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions (including the proposed/revised annual caps) are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the AGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**  
**Graham Lam**  
*Managing Director*

*Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.*

\* *For identification purposes only*



**PERFORMANCE REPORT OF THE INDEPENDENT NON-EXECUTIVE  
DIRECTORS OF METALLURGICAL CORPORATION OF CHINA LTD.\*  
FOR THE YEAR 2021**

Dear Shareholders and Shareholders' representatives,

In 2021, as the independent Directors of the third session of the Board of Metallurgical Corporation of China Ltd.\* (“MCC” or the “Company”), we exercised our powers and functions independently, fairly and responsibly in strict compliance with the relevant laws and regulations such as the “Company Law of the People’s Republic of China” (the “Company Law”), the “Securities Law of the People’s Republic of China” and the “Rules for Independent Directors of Listed Companies” (《上市公司獨立董事規則》) issued by the China Securities Regulatory Commission, as well as the rules and regulations including the “Articles of Association of Metallurgical Corporation of China Ltd.”, and the “Rules for the Work of Independent Directors of Metallurgical Corporation of China Ltd.” (《中國冶金科工股份有限公司獨立董事工作制度》) and with a diligent and conscientious working attitude. We timely learned the production and operating information of the Company, comprehensively monitored its development, attended in person its Board meetings and meetings of the special committees, carefully considered proposals and gave our opinions on significant events independently, objectively and prudently, and fully played our role as independent Directors, which promoted the standard operation of the Board and various special committees and the continuous improvement of corporate governance, effectively protected the interests of the Company as a whole and safeguarded the legitimate interests of all Shareholders, in particular, the minority Shareholders. Major work performed during the year 2021 is summarized as follows:

**I. BASIC INFORMATION ABOUT INDEPENDENT DIRECTORS**

**(I) Changes and appointment of independent Directors**

At the beginning of 2021, the third session of the Board consisted of seven Directors, including four independent non-executive Directors, namely Mr. Zhou Jichang, Mr. Yu Hailong, Mr. Ren Xudong and Mr. Ng, Kar Ling Johnny.

On 2 January 2021, the Company received a notice that Mr. Ren Xudong, an independent non-executive Director, unfortunately passed away due to illness. The third session of the Board consists of six members, including three independent non-executive Directors, namely Mr. Zhou Jichang, Mr. Yu Hailong and Mr. Ng, Kar Ling Johnny.

On 26 January 2022, the Company held the 2022 first extraordinary general meeting to make adjustment to the composition of the Board. At present, the third session of the Board consists of seven members, including three independent non-executive Directors, namely Mr. Zhou Jichang, Mr. Liu Li and Mr. Ng, Kar Ling Johnny.

Mr. Zhou Jichang is currently a member of the Finance and Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee of the Board, and serves as the convener of the Nomination Committee. Mr. Zhou Jichang also serves as a non-executive director of Freetech Road Recycling Technology (Holdings) Limited.

Mr. Liu Li currently serves as a member of the Finance and Audit Committee, Nomination Committee, Remuneration and Appraisal Committee of the Board, and serves as the convener of the Remuneration and Appraisal Committee. Mr. Liu Li also serves as an independent director of China International Capital Corporation Limited and an independent director of CNPC Capital Company Limited.

Mr. Ng, Kar Ling Johnny, currently serves as a member of the Finance and Audit Committee and Sustainable Development Committee of the Board, and serves as the convener of the Finance and Audit Committee. Mr. Ng, Kar Ling Johnny also serves as an independent director of China Petroleum & Chemical Corporation, China Vanke Co., Ltd. and Fangdd Network Group Ltd.

Mr. Yu Hailong, during the Reporting Period, served as a member of the Finance and Audit Committee, Remuneration and Appraisal Committee and Nomination Committee of the Board, and served as the convener of the Remuneration and Appraisal Committee. Mr. Yu Hailong has resigned as an independent Director of the Company on 26 January 2022.

The detailed biographical details of the independent Directors are set out in the 2021 Annual Report of the Company.

## **(II) Independence**

Neither the independent Directors nor their immediate relatives and any persons with major social relationship with them are employed by the Company or its subsidiaries, nor hold either directly or indirectly 1% or more of the issued Shares of the Company. None of them are amongst the top ten Shareholders of the Company, nor hold office in Shareholder entities holding either directly or indirectly 5% or more of the issued Shares of the Company, nor hold office in the top five Shareholders entities of the Company.

None of the independent Directors provides financial, legal, management consultancy, technical consultancy and other services to the Company or its subsidiaries, or has acquired any other additional benefits from the Company, its substantial Shareholders or interested institutions or employees that have not been disclosed.

Accordingly, all independent Directors are equipped with independence as required by the “Rules for Independent Directors of Listed Companies” (《上市公司獨立董事規則》) issued by the China Securities Regulatory Commission and there is no event which may have impact on their independence.

## **II. OVERVIEW OF THE PERFORMANCE OF DUTIES BY INDEPENDENT DIRECTORS FOR THE YEAR**

In 2021, the Board of the Company proactively expanded the communication channels and promoted the optimization of an information-sharing system to ensure that independent Directors were able to keep abreast of true and reliable information in a timely, comprehensively and complete manner, thus safeguarding the effective performance of the duties by independent Directors. With the active support and assistance from the Company at all levels, all independent Directors diligently discharged their duties and effectively fulfilled the duties prescribed by laws and regulations.

### **(1) Guarantee of duty performance by independent Directors**

Firstly, in the course of operation of the Board, the Company further requires its departments and subsidiaries to create a favorable environment and conditions for independent Directors to perform their duties, and to regularly submit the information in relation to the production and operation of the Company to each independent Director. The advice and opinions on the production and operation, and reform and development of the Company made by independent Directors are fully respected, carefully listened to, humbly accepted and actively implemented, so as to promote the sound development of businesses of the Company.

Secondly, prior to the consideration of significant events such as strategic management and control, major investment and financing, financial budget and final accounts, audit and internal control, management’s examination and remuneration, sufficient time is reserved for prior comprehensive study by the special committees of the Board to form special audit opinions and the conveners of each of the special committees to give their opinions at the Board meetings, thereby giving prominence to professional discussion and consultation function of the special committees and improving the scientific decision-making of the Board.

Thirdly, through means such as participating in training, study, researches and surveys, independent Directors could constantly enhance their duty performance ability, which provides support for the Board to make decisions in a scientific manner.

(2) **Actively attend various meetings and fulfill the duties of independent Directors**

**1. Board meeting**

In 2021, the Company convened 9 Board meetings in total, including 7 meetings held by way of on-site meeting (including a combination of on-site and virtual meeting) and 2 meetings held through virtual meeting. The Board considered proposals and heard reports with a total of 55 resolutions and passed 45 resolutions.

Each independent Director attended the above-mentioned meetings, the details of which are as follow:

Name	Number of attendance at Board meetings required for the year	Number of meetings attended in person	Number of attendance through communication tools	Number of meetings attended by proxy	Number of absence
Zhou Jichang	9	6	2	1	0
Yu Hailong	9	3	3	2	1
Ng, Kar Ling Johnny	9	3	6	0	0

Prior to the meetings, each independent Director carefully considered the relevant documents, raised concerns and issues in a timely manner and communicated with the management or relevant departments of the Company to gain a deep understanding of situations and to obtain information. At the meetings, they earnestly considered each issue, actively participated in discussions, provided recommendations and opinions, and expressed independent views on all decisions made by the Board. Meanwhile, the independent Directors exercised their voting rights independently, thereby ensuring the independence of decision-making of the Board.

## 2. Meetings of special committees of the Board

At the beginning of 2021, the participation of each independent Directors in special committees is as follows:

<b>Special Committee</b>	<b>Members</b>	<b>Independent board members</b>	<b>Convener</b>
Strategy Committee	3	Zhou Jichang	Guo Wenqing
Finance and Audit Committee	3	Ng, Kar Ling Johnny, Zhou Jichang and Yu Hailong	Ng, Kar Ling Johnny
Nomination Committee	3	Yu Hailong and Ren Xudong	Ren Xudong
Remuneration and Appraisal Committee	3	Yu Hailong, Zhou Jichang and Ren Xudong	Yu Hailong

On 26 January 2022, the “Resolution on the Adjustment of Members of Special Committees of the Board of MCC” has been considered and approved at the 35th meeting of the third session of the Board of the Company. At present, the participation of each independent Director in special committees is as follows:

<b>Special Committee</b>	<b>Members</b>	<b>Independent board members</b>	<b>Convener</b>
Strategy Committee	3	–	Chen Jianguang
Finance and Audit Committee	3	Ng, Kar Ling, Johnny, Zhou Jichang, Liu Li	Ng, Kar Ling, Johnny
Nomination Committee	3	Zhou Jichang, Liu Li	Zhou Jichang
Remuneration and Appraisal Committee	3	Liu Li, Zhou Jichang	Liu Li
Sustainable Development Committee	3	Ng, Kar Ling, Johnny	Lang Jia

In 2021, the third session of special committees held 10 meetings in total, at which 39 topics were discussed, among which, the Strategy Committee held 2 meetings, at which 4 issues were considered and discussed; the Finance and Audit Committee held 6 meetings, at which 33 issues were considered and discussed; and Remuneration and Appraisal Committee held 2 meetings, at which 3 issues were studied and discussed.

The attendance of each independent Director at meetings of special committees is as follows:

Name	Number of meetings of special committees attended during the year	Strategy	Finance	Nomination	Remuneration
		Committee	and Audit	Committee	and Appraisal
		(Times)	Committee	(Times)	Committee
			(Times)	(Times)	(Times)
Zhou Jichang	10	2	6	–	2
Yu Hailong	6	–	4	–	2
Ng, Kar Ling Johnny	6	–	6	–	–

In the course of performing their duties in the above special committees, all independent Directors leveraged on their respective professional knowledge, management experience and qualification and adhered to the professional ethics of diligence to provide professional opinions and constructive advice on the appointment of auditors, auditing of the Company's annual financial report, key financial indicators and financial report of the Company, implementation of internal control system and performance appraisal and emolument distribution of senior management, thereby providing reference for the decision-making of the Board and ensuring that the decision-making of the Board is objective, fair and scientific.

**(3) Earnestly consider significant matters and prudently issue opinions**

In 2021, each independent Director earnestly reviewed the matters submitted to the Board for decision. For the related party transactions, use of raised funds, guarantee, profit distribution and other important matters that need special attention of the independent Directors, each independent Director expressed independent views or issued explanations on the following matters in accordance with relevant laws and regulations:

1. the “Resolution regarding MCC’s 2020 Profit Distribution” (the 26th meeting of the third session of the Board)
2. the “Resolution on the Appointment of the Auditor of the Financial Report and Internal Control Auditor of the Company for the Year 2021” (the 26th meeting of the third session of the Board)

3. The “Resolution in Relation to the Emoluments of Directors and Supervisors of MCC for the Year 2020” (the 26th meeting of the third session of the Board)
4. The “Resolution in Relation to Temporary Use of Idle Funds Raised from IPO of A Shares as Supplementary Working Capital” (the 26th meeting of the third session of the Board)
5. The “Resolution in Relation to the Use of Idle Funds Raised from H Share Issuance as Supplementary Working Capital” (the 26th meeting of the third session of the Board)
6. The “Resolution in Relation to the Plan of Guarantees to be provided by MCC for the Year 2021” (the 26th meeting of the third session of the Board)
7. The “Explanation Regarding the Situation of Guarantees of MCC for the Year 2020” (the 26th meeting of the third session of the Board)
8. The “Resolution on Application for the Revision of Annual Cap of Routine Connected Transactions/Continuing Connected Transactions from 2021 to 2022” (the 26th meeting of the third session of the Board)
9. The “Resolution on the Proposed Repurchase of the assets of the east and west yard parcels of the former China First Metallurgical Group Road & Bridge Company in Qingshan District, Wuhan City by China First Metallurgical Group” (the 31st meeting of the third session of the Board)
10. The “Resolution on the Implementation of the Resettlement Housing Project of Urban Villages in Shanty Towns in Yangguan Area, Guanshanhu District, Guiyang City, Guizhou Province by MCC Engineering in PPP model” (the 33rd meeting of the third session of the Board)

**(4) Actively conduct on-site investigation to deeply grasp the operation**

From 10 May to 14 May 2021, the independent Directors Zhou Jichang and Yu Hailong went to Zhanjiang and Ganzhou for research and guidance.

During the investigation in Zhanjiang, the independent Directors listened to the report of CISDI on the Company’s production and operation, business layout, talent training, technological innovation, especially the core technology and key performance in the field of metallurgical construction in recent years, and inspected some projects of Zhanjiang Steel Base of Baowu Group constructed by CISDI on site. The independent Directors are of the view that CISDI insists on technological innovation, focused on the main business

of iron and steel, and adheres to the internationalization strategy unswervingly, with clear strategic goals and development ideas. CISDI will make efforts to strengthen its operation quality and management level in the next step, and do the following work conscientiously and solidly: Firstly, under the policy background of “carbon dioxide emission and carbon neutrality”, it will adhere to its position of the national team for metallurgical construction, and bravely undertake the historical task of “strengthening the nation with steel”. Secondly, it will combine advanced technology with market development, further increase investment in intelligence and informatization, transform technology into productivity, and create profit growth points for long-term prosperity. Thirdly, it will further strengthen the cultivation of talents, maintain the vitality and development potential of the enterprise, and at the same time, strengthen the external publicity to enhance the brand influence of CISDI. Fourthly, it will analyze the existing business segments one by one in view of the current low profit margin, create value with technology and improve the economic benefits of the enterprise.

During the investigation in Ganzhou, the independent Directors listened to the report of the China Non-ferrous Engineering and Research Institute on production and operation, technological innovation and ecological environmental protection projects in recent years, and inspected the Ganzhou waste incineration power generation project on the spot. The independent Directors fully affirmed the technological advancement, project construction quality, on-site management level and production and operation team of the Ganzhou waste incineration power generation project of the China Non-ferrous Engineering and Research Institute. In order to realize the next high-quality development of the Institute, the independent Directors put forward the following requirements: Firstly, give full play to the technical and talent advantages of the Institute, continue to make efforts on high-quality development, and continuously consolidate the industry’s leading position and market competitiveness through technological innovation. Secondly, firmly establish the concept of “green mountains and clear water are our invaluable assets”, strengthen the top-level design of the environmental protection industry segment, earnestly plan the development of the environmental protection industry, seize market opportunities, and strengthen and optimize the environmental protection industry. Thirdly, make good use of the existing successful environmental protection projects, strengthen external publicity, do a good job in public education, and build the brand of MCC. Fourthly, further improve the management level, strive to reduce costs and increase efficiency, accelerate the recovery and transformation of polycrystalline silicon, relieve the burden, and improve the economic benefits of enterprise.

On 2 September 2021, Ng, Kar Ling Johnny, an independent Director of MCC, and his delegation visited MCC Southern China for research and guidance, and listened to reports on the development history, fulfillment of business indicators, main work progress and next work plan of MCC Southern China.



The independent Directors fully affirmed the good achievements made by MCC Southern China based on its own advantages which drive the development of MCC Group's subsidiaries in Guangdong region, and put forward four opinions on the development of MCC Southern China: Firstly, continue to adhere to the strategic positioning, continue to make great efforts to pay close attention to the marketing, focus on the core main business, core area, core customers, core products, and strive to expand the "high-tech, new, multi-functional and large-scale" project. To give full play to the internal resource advantages of MCC Group, actively align with the well-developed units within the Group, strengthen cooperation with "experts", and continue to cultivate and enhance the competitiveness of enterprise in market development and project performance. Secondly, do a good job in the balance between enterprise scale expansion and stable profits. To change the way of working, transform the project management from extensive to refined, insist on making progress while maintaining stability, and build both scale and profit. Thirdly, put safety production in an important position, establish the concept of safe development, strictly implement the main responsibility, conduct in-depth investigation of potential safety risks, and continue to promote the rectification of problems to ensure safe production. Fourthly, continuously strengthen political construction and integrity construction, continuously strengthen system construction, standardize internal management, and prevent risks before they occur. To attach great importance to the "Two Funds" risks, strengthen the "Two Funds" management and control of the Company, strengthen internal management, and prevent capital risks.

### **III. KEY CONCERNS ON THE PERFORMANCE OF DUTIES BY INDEPENDENT DIRECTORS FOR THE YEAR**

In 2021, each independent Director performed the duties of independent Directors diligently and in good faith, attended meetings as scheduled, comprehensively and timely studied the business development of the Company, conducted investigation and research on specific matters in due course, such as the production and operation, financial management, internal control system establishment, utilization of proceeds, connected transactions, and daily operations, and heard specific reports from relevant officers in order to obtain information and materials required for decision-making and to point out potential risks that the Company may face. Meanwhile, independent Directors utilized their own knowledge and background in the course of performance of routine duties to provide constructive opinions on the development and standardized operation of the Company and actively and effectively performed the duties of independent Directors, and have made positive contributions to the scientific decision-making of the Board. Key concerns for 2021 are as follows:

#### **(1) Connected transactions**

During the Reporting Period, each independent Director has conducted prior inspection of all matters involving connected transactions of the Company, and issued their independent

opinion. They were of the view that decision-making of connected transactions and voting procedures were in compliance with the requirements of laws and regulations as well as the Articles of Association. The parties to the transactions followed the law of the market, entered into the agreement based on the principles of voluntariness, equality and mutual benefit, and shall be entitled to rights and perform duties as agreed. No such connected transactions would harm the interests of the Company and non-connected Shareholders, especially minority Shareholders, nor would they establish reliance of the Company's business on related parties.

**(2) External guarantees**

The independent Directors considered the annual guarantee plan of the Company and reviewed its external guarantees in accordance with the provisions under the "Notice Concerning the Regulation on the Flow of Funds between Listed Companies and their Related Parties and the Provision of Guarantees by Listed Companies to External Parties" (《關於規範上市公司與關聯方資金往來及上市公司對外擔保若干問題的通知》) and the "Notice on Regulating the External Guarantees by Listed Companies" (《關於規範上市公司對外擔保行為的通知》) of the China Securities Regulatory Commission. During the Reporting Period, the Company did not provide any external guarantee in violation of the specified decision-making procedures.

**(3) Use of proceeds**

In accordance with the relevant regulatory requirements, the independent Directors reviewed the matters submitted for the Board's consideration, such as the temporary use of certain idle funds as supplementary working capital. They considered that the above-mentioned matters did not conflict with the implementation plan of investment projects with proceeds, would not affect or harm the Shareholders' interests, change the allocation of proceeds, or have impact on the normal operation of the fund-raising projects and would improve the utilization efficiency and effectiveness of proceeds. This was in the interests of the Company and its Shareholders as a whole. The relevant consideration procedures complied with relevant laws and regulations and the Articles of Association.

**(4) Nomination and remuneration of the Directors and senior management**

In accordance with the relevant regulatory requirements, the independent Directors reviewed nomination and remuneration of the Directors and senior management, and are of the view that relevant personnel have the qualifications to serve as directors and senior management of a listed company. They have not been aware of any circumstance that anyone is prohibited from acting as a director or senior management of the Company under the Company Law or the Articles of Association, or that anyone is determined by the China Securities Regulatory

Commission as a person blocked from entering the market and such determination has not yet been lifted. The candidate nomination procedures have complied with relevant provisions of laws, regulations and the Articles of Association. The remuneration of the Directors for 2021 was determined and paid in strict compliance with relevant policies of the Board, and the remuneration disclosed was presented pursuant to the requirements on indicators in the H share annual report, with the data verified.

**(5)    Audit of financial report and preparation of annual report**

In respect of key issues drawing the regulator’s and market’s attention, the independent Directors put forward reasonable proposals for the contents required to be substantially disclosed for the consideration at the Board meeting. When preparing the annual report, they followed up the annual audit and the preparation of annual report, communicated with the management of the Company in a timely manner with respect to the audit opinions and the important matters during the audit process, and ensured various effective communications with auditors before and after the preparation, and expressed professional opinions in accordance with relevant requirements of the “Work Procedures related to Annual Report of Independent Directors”.

**(6)    Appointment or change of auditors**

The independent Directors were involved in the re-appointment of the auditors for the financial report and internal control auditors of the Company. Having reviewed the business qualifications of WUYIGE, the independent Directors are of the view that the proposed WUYIGE Certified Public Accountants is qualified to engage in auditing of securities and futures-related businesses, and is also recognized by the Securities and Futures Commission and the Hong Kong Stock Exchange as a mainland accounting firm that can provide services to Hong Kong listed companies and meets the regulatory requirements in terms of investor protection, integrity and independence. The appointment of WUYIGE can meet the Company’s requirements for audit work, and the decision-making procedures for the appointment are in compliance with laws, regulations and the Articles of Association, without prejudice to the interests of the Company and its shareholders. Therefore, the independent Directors agree to re-appoint WUYIGE as the audit firm of the Company’s 2021 financial report and the interim financial report, agree to re-appoint Grant Thornton Certified Public Accountants and BDO China SHU LUN PAN Certified Public Accountants as the assistant audit firm of the Company’s 2021 financial report; and agree to re-appoint WUYIGE as the accounting firm of the Company’s 2021 internal control audit.

**(7) Cash dividends and other investors' return**

On the basis of a comprehensive understanding and full discussion, the independent Directors reviewed the profit distribution plan of the Company and believed that the Company's 2020 profit distribution proposal complies with the provisions of the relevant laws, regulations and the Articles of Association, reflects the rationality and moderate growth of the profit distribution, and also takes into the account the reasonable returns to investors and the sustainable development of the Company, fulfilling the long-term interests of investors and the needs of the Company's development. The interests of small or medium Shareholders are not impaired.

**(8) Undertakings by the Company and the Shareholders**

The independent Directors paid full attention to the commitments made by CMGC, the controlling Shareholder of the Company, and China Minmetals, the indirect controlling Shareholder of the Company, in relation to the undertakings of avoidance of horizontal competition, the reduction of business overlap, the issuance of bonds and the raising of funds.

The independent Directors consider that during the Reporting Period, the above-mentioned commitment to solve and avoid horizontal competition has been strictly fulfilled; the use of all raised funds of corporate bonds is consistent with the purpose, use plan and other agreements promised in the prospectus; the operation of raised fund accounts is standardized, and all withdrawals and uses of funds have gone through the Company's internal approval procedures.

**(9) Implementation of information disclosure**

In 2021, the Company seriously organized and completed the work of information disclosure in strict compliance with relevant requirements of regulatory authorities, such as the China Securities Regulatory Commission, the Shanghai Stock Exchange and the Hong Kong Stock Exchange. It made the information disclosure through statutory channels including designated newspapers and websites in a truthful, accurate, complete, timely and fair manner, according to the principle of simultaneous disclosure in both listed jurisdictions. As of the end of 2021, the Company has been awarded by the Shanghai Stock Exchange as the Level A (the best) listed company in information disclosure for five consecutive years.

**(10) Execution of internal control**

The independent Directors listened to the report on internal control development and evaluation on a regular basis, proposed constructive opinions and advice and guided the Company to constantly seek methods and approaches in practice to optimize the standardized implementation of internal control. On the basis of urging the Company to strengthen the system construction and special examination, the Board conducted self-evaluation on the effectiveness of internal control and formulated a self-evaluation report, and also appointed auditors to conduct special audit on the effectiveness of the execution of internal control for the financial report of the Company.

**IV. OVERALL EVALUATION AND RECOMMENDATION**

As the independent Directors of the Company, we diligently, independently and prudently performed our duties based on the principle of safeguarding the interests of the Company and minority Shareholders. In 2021, there were no circumstances that the independent Directors proposed to convene Board meetings. In the normal operation of the Company, there were no circumstances that the independent Directors appointed external auditors and advisors independently.

In 2022, we will continue to study thoroughly the production and operation matters of the Company and continue to perform our duties in a prudent, earnest, diligent and honest manner in accordance with the provisions and requirements of the independent Directors under relevant laws and regulations. Leveraging on our professional knowledge and intensive experience, we will provide opinions for reference by the Board in its decision-making and provide appropriate recommendations on the development of the Company; it is also our hope to facilitate solid operation and standardized running of the Company through concerted efforts, so as to continuously enhance the quality of the Company's operation, and to safeguard the legitimate interests of the Company and Shareholders.

Report is hereby given.

*Independent Non-executive Directors:*  
**Zhou Jichang, Liu Li, Ng, Kar Ling Johnny**

30 June 2022

## **WORK REPORT OF THE BOARD OF METALLURGICAL CORPORATION OF CHINA LTD. FOR THE YEAR 2021**

In 2021, MCC has overcome many challenges, made steady progress, and worked hard. Results of our operation have again reached a historical new height with steady advancement in the quality of development, achieving a “good start” in the first year of the 14th Five-Year Plan and starting a new journey of high-quality development of a “better MCC”. The Company resolutely implemented the major principle of “two consistent implementation principles”, continued to strictly abide by the Company Law, the Securities Law and other laws and regulations, the relevant regulations of the China Securities Regulatory Commission and other regulatory authorities, as well as the relevant requirements of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, and continued to strengthen the construction and standardized operation of the governance system of the Shareholders’ meeting, the Board, the Supervisory Committee, the management and its subsidiaries. As an important part of the corporate governance structure, the Board of the Company, the Communist Party Committee, the Supervisory Committee and the management performed their own duties and responsibilities, and communicated in a timely and effective manner, forming a standardised mechanism for coordination and efficient operation of decision-making, management, and supervision.

In 2021, the corporate governance level of the Company was further improved, laying a favorable foundation for promoting company development and improving shareholder value. The Board of the Company was awarded the “Golden Round-table • Best Board of Directors” of listed companies for the third time; the Company was awarded the Tianma Award’s “Best Investor Relations Award for Listed Companies in China”, the Best IR Hong Kong Stock Company Award by New Fortune, the China Securities Golden Bauhinia Awards’s “14th Five-Year Most Investment Value Award for Listed Companies” and “the Best Corporate Governance Responsibility Award of China ESG Golden Awards 2021”, was selected for the first time by “Barron Weekly” as one of the “Top 50 Chinese Companies with Value Potential 2021”, and was selected by the China Securities Regulatory Commission as one of the “Excellent Practice Cases of Listed Companies’ 2020 Annual Report Presentation”. Meanwhile, the Company was once again rated Class A (the top class) Listed Company for SSE Information Disclosure for five consecutive years.

### **I. OPERATING RESULTS OF THE COMPANY**

In 2021, the operating revenue of MCC amounted to RMB500.572 billion, representing a year-on-year growth of 25.11%; total profit was RMB14.012 billion, increasing by 17.58% year on year; net profit attributable to the parent company recorded RMB8.375 billion, increasing by 6.52% year on year; the value of newly signed contracts amounted to RMB1,204.98 billion, representing a year-on-year increase of 18.17%. The Company achieved new breakthroughs in marketing and won the bids for 10 large-scale projects of tens of billions, and the contract value of projects over RMB1 billion reached RMB504.5 billion, accounting for 43.5% of the contract value of the engineering sector; our dominant position in the market as “the national team of metallurgical construction” continued to be consolidated, with a 10% year-on-year increase in the value of newly

signed metallurgical contracts and major domestic or overseas metallurgical projects kept up with pace. A great number of noteworthy results have been achieved of which 26 projects received the National Quality Project Award, including a record high of 14 construction projects, a metallurgical engineering project received the National Quality Project Gold Award for three consecutive years, and 6 domestic projects received the Luban Award. The special reform such as “Double Hundred Pilot Actions” and the “Innovative Technology Reform Demonstration Actions” have achieved new progress. There were also improvements in scientific and technological innovation quality, closely following the “dual-carbon” goal. The Company established 4 Low-Carbon Technology Research Institutes of MCC and 1 Carbon Emission Assessment Centre, and undertook 1 national key research and development project, with 4 scientific and technological achievements led and participated by it winning the National Science and Technology Award. More than 8,000 effective patents were added, with over 40,000 effective patents in aggregation, and the number of effective patents for inventions exceeded 10,000 for the first time. The Company took the lead to formulate 4 and issue 3 international standards and issued 9 international standards as editor-in-chief. The long-term development trend of MCC continues to consolidate.

#### (I) Engineering Contracting Business

In 2021, the value of newly signed construction contracts of the Company amounted to RMB1,160.766 billion, representing a year-on-year increase of 18.61%, of which the value of newly signed metallurgical engineering contracts amounted to RMB157.794 billion, representing a year-on-year increase of 10.04% and accounting for 13.59% of the total value of newly signed contracts. The value of newly signed non-metallurgical engineering contracts amounted to RMB1,002.972 billion, representing a year-on-year increase of 20.09% and accounting for 86.41% of the total value of newly signed engineering contracts. The value of newly signed overseas engineering contracts amounted to RMB34.727 billion, representing a year-on-year increase of 8.95%.

#### Overall operating results of the engineering contracting business in 2021

*Unit: RMB'000*

	2021	% of the total	2020	Year-on-year increase/ decrease
Segment operating revenue	462,290,153	90.97%	363,965,127	27.01%
Gross margin (%)	9.19	–	10.17	Decreased by 0.98 percentage point

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

### 1. Metallurgical Engineering Construction Business

During the year 2021 (the “**Reporting Period**”), the Company accelerated the research and development of key equipment technologies and new processes; made innovations in its business model, and speed up the productization of core technologies. The Company held products as its core, drove products with engineering, and developed stickiness with operation. The Company actively grasped the opportunities of green and low-carbon projects by developing new processes, new equipment and new materials and technologies while focusing on the goals of green, low consumption, intelligence and high efficiency. The Company paid close attention to key areas, followed up with key customers, and focused on key projects to ensure key large projects were implemented, thus the Company continuously consolidated its dominant position of “being the national team for metallurgical construction” in the market. During the Reporting Period, the Company firmly grasped opportunities, maintaining a high growth in terms of values of metallurgical engineering contracts. The Company won a number of significant construction projects including, the contract for general contracting steel-making and iron-making of Yukun, the contract for general contracting of iron-making under phase 2 of industrial upgrade and technical transformation of Shenglong and the contract for the general contracting of rolling project of Zenith Green Quality Steel, which further strengthens our position as a national team for metallurgical construction.

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

*Unit: RMB'000*

Item of revenue	2021		2020		2019	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Metallurgical engineering	115,256,465	24.93	90,498,906	24.87	70,286,830	22.54

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



In terms of metallurgical construction intelligentization, the Company was constantly expanding its three integrated solutions for intelligent manufacturing based on industrial internet platform: the Company continuously expanded and deepened intelligent project in iron zone, bringing an opportunity to deepen and upgrade the technology in the smelting field of smart blast furnace and vanadium-titanium ore blast furnace; plant-wide intelligentization, and intelligentization in sectors such as energy and steel rolling have become “new forces”; the world’s first digital-intellectual twin stockyard realised unmanned intelligent collaboration uses digital twin technology, it can remotely and accurately grasp the use of stockyard equipment and raw fuel, control raw material quality online, optimise raw material inventory and reduce storage and transportation costs online. “Intelligent perception and visual management platform for big data in blast furnace” developed by WISDRI Engineering & Research Incorporation Limited, a subsidiary of the Company, was selected as the pilot demonstration project of big data industry development in 2021 by the Ministry of Industry and Information Technology, and was put into operation in blast furnaces of NXSG, WISCO and Kunsteel.

In terms of greening of metallurgical construction, the Company focused on accelerating the deployment of preparation of raw materials related to low-carbon smelting in long-short process, and development of top gas circulation technology, key equipment of low-carbon blast furnace and hydrogen-rich shaft furnace technology, large scrap ratio technology, green electric furnace technology, super electric furnace technology and core equipment, and the Company concentrated powerful resources to quickly develop the MCC Low-carbon Technology Institute.

During the Reporting Period, the Company continued to deepen its overseas metallurgical construction business and made important breakthroughs: The Company successfully entered into contract for the project of coke oven battery No.4 and chemical production of ERDEMIR in Turkey, further enhancing the MCC brand awareness in the European market. The Company successfully signed the LAMAN 2 million t/a alumina project in Indonesia and accelerated the development of the alumina market, which is of great strategic significance. The Company officially entered into contract for the project of No.3 blast furnace and converter of Dexin Steel Indonesia, and the project was included in the key project bank of “The Belt and Road Initiative” of China. The Company successfully signed the 4.7 million tons/year coking project of Detian coking (Indonesia), adding new achievements to the Company’s coking industry in Indonesia.

## 2. *Non-Steel Engineering Construction Business*

### (1) *Housing Construction and Infrastructure Construction*

In 2021, while dealing with regular COVID-19 prevention and control work, the Company adhered to the strategy 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”. With the marketing keynote of “focusing on quality markets, quality projects and quality customers”, the Company concentrated its advantageous resources, determined a reasonable “radius of action” and adopted the market strategic arrangement of “1 + M + N”. The Company made a systematic deployment of its work in the core areas comprising 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 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. The Company strived to explore the domestic engineering market to make the annual contract value of new construction projects reach another record high and maintain a momentum of rapid growth.

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	2021		2020		2019	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Housing construction						
Engineering	228,220,508	49.37	165,001,421	45.33	147,049,726	47.16
Transportation						
infrastructure	88,338,320	19.11	77,372,999	21.26	67,393,860	21.61
Other engineering	30,474,860	6.59	31,091,801	8.54	27,106,398	8.69

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

During the Reporting Period, the Company successively won the bid for a number of key projects: EOD (Ecology-Oriented Development) project of East Island Industrial Park (expansion) in Zhanjiang Economic Development Zone (湛江經開區東海島產業園(擴園)生態環境導向片區綜合開發(EOD)項目), Comprehensive Development Project of Xingdong New District in Xingtai City (邢臺市邢東新區片區綜合開發項目), Infrastructure Investment Partner of Huodao Hengjiang Industrial Park in Zhaoqing Jinli High-tech Industrial Development Zone (including Yigang Town), and General Contracting Project of Survey, Design and Construction (肇慶金利高新技術產業開發區(含蜆崗鎮)活道橫江產業園基礎設施投資合作方和勘察、設計、施工總承包項目), PPP Project of Liuzhou Expressway Crossing Line Highway (Luocheng to Luzhai section through Liucheng) (柳州高速過境線公路(羅城經柳城至鹿寨段)PPP項目), Urban Renewal Unit Project of Xiufeng Industrial City District, Jihua Sub-district, Longgang District (龍崗區吉華街道秀峰工業城片區城市更新單元項目), Renewal and Reconstruction Project of the Northeast Old City of Puyang City (濮陽市東北舊城更新改造項目) and Development Project of Yichang High-speed Railway New City District (宜昌高鐵新城片區開發項目), the market influence of the Company continued to improve.

In addition, by deepening cooperation with strategic customers such as local governments and large enterprises, the Company has been innovating its business model, flexibly applying new business models such as EPC+F, promoting the development of the contracting model in the direction of high-end and system integration, actively expanding the business of urban renewal and overall development of the area, etc., and successfully opening up the industry chain of investment and financing, design, construction and operation in the entire life cycle of the project or a combination of multiple business forms to gain new competitive advantages.

(2) *Emerging Industries*

In accordance with the objectives of the “forerunner in the emerging industries to re-accelerate, re-expand and re-innovate”, the Company transformed its technological advantages in metallurgy to emerging industries and made further innovations, thus making major breakthroughs in areas such as ecological and environmental protection (including municipal sewage treatment, waterway dredging, waste incineration, solid waste treatment, soil remediation and mine restoration), new energy project and theme parks 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**, the Company firmly followed 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 eco-environmental protection brand 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. In 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 City Central Urban Area (九江市中心城區水環境系統綜合治理二期項目), Water Supply Pipe Network Project of Downtown, Songlindian Town and Songlindian Economic Development Zone of Zhuozhou City (涿州市中心城區及松林店鎮和松林店經濟開發區供水管網工程), 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 Comprehensive Treatment of Water Environment in Urban Centres of Ma’anshan City (馬鞍山市中心城區水環境綜合治理項目), General Contract of Phase III Project of Xiamen East Waste Incineration Power Plant (廈門東部垃圾焚燒發電廠三期項目總承包合同), 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), and Soil Remediation Project of Hangzhou Steel Site Park (杭鋼舊址公園土壤修復工程).

**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 and wind power generation, new energy vehicles and semiconductors, and recorded a significant increase in market shares. In terms of photovoltaic and wind power generation, the Company signed new photovoltaic and wind power generation projects in 2021 such as Huangshi-XingangDacheng 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), Lingshou Xinmeng New Energy 200MW Photovoltaic Power Generation Project (靈壽縣新盟新能源200MW光伏發電項目), and Zhaowang New Energy Wulatzhongqi Bayin Wulanyuan Grid Charge Storage Integration 50MW Wind Storage Heating Project (照旺新能源烏拉特中旗巴音烏蘭源網荷儲一體化50MW風儲供熱項目), as well as 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 (合肥市新橋智能電動汽車產業園(一期項目)), 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–單晶硅棒項目) and Semiconductor R&D and Industrialization Project of Quanzhou San'an Semiconductor Technology Co., Ltd. (泉州三安半導體科技有限公司半導體研發與產業化項目).

**In terms of cultural tourism projects**, MCC, as the world's largest contractor for theme park construction with the only professional design institute for theme parks in China, is China's one and only enterprise qualified for both theme park design and the execution of entire construction projects. During the Reporting Period, the Company won the bids and newly signed contracts 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穀二期工程(綠穀部分)施工總承包項目), the key Yuanboyuan Project at the Grand Canal Culture Belt of the Centre City of Cangzhou (滄州市中心城區大運河文化帶重點項目—滄州市園博園項目), 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), the Cuiyunfeng Forest Park Improvement Project of Luoyang Jinyu City Holdings Limited (洛陽金隅城集團有限公司翠雲峰森林公園提升改造項目), and Chasing Light Farm Paradise Project under Happy Garden First Developed Zone Project at Shenzhen Guangming Town (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 the Company's brand influence and industry competitiveness in the field of theme parks.

**In terms of inspection and testing business**, the Company's qualifications and competencies cover construction engineering, water conservancy, railway and highway transport, petrochemical, power and coal energy and other industrial and civil construction fields, with the unique advantages of full qualification, outstanding professional features and high social recognition. The Company has qualifications and competencies in inspection and testing business, covering construction engineering, water conservancy, railway and highway transport, petrochemical, power and coal energy and other industrial and civil construction fields. With the unique advantages of full qualification, outstanding professional features and high social recognition, the Company is currently one of the most comprehensive and strongest inspection and testing enterprises in the field of civil engineering in China. The Company has three national quality inspection platforms, namely the National Test Center of Quality and Safety Supervision for Industrial Buildings and Structures, the National Test Centre for Steel Structure Quality Supervision and the National Test Centre for Construction Steel Quality Supervision, as well as a metallurgical environment monitoring centre, with more than 6,000 testing parameters. The Company is currently one of the most comprehensive and strongest inspection and testing enterprises in the field of civil engineering in China. During the Reporting Period, the Company integrated the internal inspection and testing business organizations of its subsidiaries, aiming at rapidly expanding and strengthening the inspection and testing certification and establishing the professional brand image of MCC Testing, and through the research and development and application of new technologies, we can obtain the testing qualifications in the fields of industry, civil use, railway, transportation, etc., expand the business scope, enhance the professional testing ability, build the whole industrial chain model, further consolidate the industry position, and drive the inspection and testing institutions distributed in Sichuan, Shanghai, Anhui, Xiong'an and other places to realise the optimal allocation of resources, thus improving the overall competitiveness of the inspection and testing certification business of the Company.

**(II) Property Development Business**

During the Reporting Period, the Company adopted different policies that were tailored to the characteristics of each category and each city, and continuously carried on accomplishing the strategic layout that Yangtze River Delta, Pearl River Delta and the Beijing-Tianjin-Hebei Region are taken as core development areas with coverage nationwide by speeding up works on reserving quality land parcels in key areas. In 2021, the Company acquired 11 land parcels with site area and permissible gross floor area of 829,300 sq.m. and 1,559,800 sq.m., respectively.

In 2021, MCC Real Estate, as the real estate flagship company of the Company, ranked 40th among China's Top 100 Real Estate Enterprises for the fourth consecutive year, and top 10 in profitability and stability. At the same time, MCC Real Estate won the titles of "China's Excellent Enterprise in Urban Development and Operation", "China's Real Estate Annual Social Responsibility Enterprise" and "China's Excellent Enterprise in Real Estate Products". MCC Property was awarded the title of "China's Leading Enterprise in Market-oriented Operation of Property Management Industry". In 2021, the brand value of MCC Real Estate increased by 34% to RMB26.8 billion, further consolidating the leading position as an urban development operator. The long-term credit rating of MCC is AAA, the highest rating, and the rating outlook is stable.

During the Reporting Period, the amount invested by the Company in property development was RMB15.26 billion, representing a year-on-year decrease of 34%; the construction area was 9.248 million sq.m., representing a year-on-year decrease of 11%; of which the new construction area was 0.796 million sq.m., representing a year-on-year decrease of 60%, while completed area was 2.406 million sq.m., representing a year-on-year decrease of 13%; contracted gross floor area sold amounted to 0.684 million sq.m with contracted sales of RMB16.33 billion.

**The overall operating results of the property development business in 2021**

*Unit: RMB'000*

	2021	% of the total	2020	Year-on-year increase
Segment operating revenue	21,416,034	4.21%	24,114,286	-11.19%
Gross margin (%)	23.48	–	20.66	Increased by 2.82 percentage points

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

**(III) Equipment Manufacturing Business**

The business of the Company's equipment manufacturing segment mainly include equipment manufacturing and steel structure business. The 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 the 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 the productization and industrialization of core technologies.

As one of the largest steel structure manufacturers in China, the Company has important R&D platforms and the most influential professional associations in the industry such as the "National Steel Structures Engineering Technology Research Centre" and the "China Steel Structure Association". The Company has full industry chain consolidation advantages featuring the integration of R&D, design, manufacturing, installation and testing, and has built a series of famous brands with brand influence and reputation, including the Yanqi Lake APEC Exhibition Centre and the Shanghai World Expo Theme Pavilion. The Company has established several steel structure manufacturing bases in China. The Company's steel



structure manufacturing 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. The Company kept 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 2021, we contracted many influential specialised subcontracting projects of steel structures: the steel structure project of the first section of the National Alpine Skiing Centre of Beijing 2022 Winter Olympics (北京2022年冬奧會國家高山滑雪中心第一標段鋼結構工程), the steel structure manufacturing project of the second east section of Nanjing Financial City (the tallest building in Nanjing) (南京金融城二期東區鋼結構製造工程 (南京第一高樓)), the steel structure project of the first section of the national super-large museum-Yellow River National Museum (國家級特大型博物館-黃河國家博物館項目一標段鋼結構工程) and other landmark projects.

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

*Unit: RMB'000*

	2021	% of the total	2020	Year-on-year increase
Segment operating revenue	11,623,127	2.29%	11,056,954	5.12%
Gross margin (%)	15.12	–	13.92	Increased by 1.20 percentage points

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

#### (IV) Resources Development Business

During the Reporting Period, the business of the Company’s resources development mainly focuses on mining, selection and refining of metal resources of nickel, copper, zinc, lead and other metals. In line with the objective of “refining management, enhancing quality, reducing costs, controlling risks and making profits”, the Company strived to improve the development and operating levels of its own mineral resources. By taking comprehensive containment measures and grid management, building buffer quarantine zone and implementing sanitization and prevention measures in existing mining projects, we successfully handled the dual challenges of the overseas pandemic risks and security risks, achieving a significant increase in operating revenue and profits with the advantage of the increasing metal prices.

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

Unit: RMB'000

	2021	% of the total	2020	Year-on-year increase
Segment operating revenue	6,669,327	1.31%	4,383,658	52.14%
Gross margin (%)	42.67	–	28.24	Increased by 14.43 percentage points

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

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

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

During the Reporting Period, the project produced Ni-Co hydroxide that contained 31,594 tons of nickel and 2,955 tons of cobalt in aggregate. Impacted by the COVID-19, the Company suspended production for three weeks, however, with strong demand continuously released by the downstream, the project sold Ni-Co hydroxide that contained 32,790 tons of nickel and 3,033 tons of cobalt in aggregate. The sales of nickel increased by 10% compared with that of last year, the prices of nickel fluctuated at high price levels and the prices of cobalt surged. In 2021, the operating revenue of the project increased by 50% year-on-year, while the net profit increased by 624% year-on-year, which made contributions to the improvement of the Company's performance.

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

During the Reporting Period, the project successfully resisted the dual challenges of COVID-19 pandemic and external security risks, and achieved pandemic prevention and anti-terrorism, ensuring stable production and operation. The annual cumulative production of crude copper was 18,806 tons, up by 51% year-on-year, and the cumulative sales of crude copper was 15,860 tons, up 21% year-on-year. Due to the favorable impact of high copper price fluctuation, the operating revenue increased by 41% year-on-year and dividend profit increased by 74% year-on-year. It continued to generate good economic and social benefits for both China and Pakistan, and has received written commendation from the Chinese Consulate General in Karachi. In addition, through effective communication with Pakistan, it is preliminarily agreed that after the third lease period expires in October 2022, the Company will continue to lease and operate the project for the fourth lease period of 15 years.

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

During the Reporting Period, the project withstood the impact of the COVID-19 pandemic, and overcame the difficulties in external security risks and personnel rotation. In 2021, the cumulative production of zinc concentrate containing 35,391 tons of zinc and lead concentrate containing 7,277 tons of lead increased slightly compared with last year. The sales of zinc concentrate containing 31,962 tons of zinc and lead concentrate containing 6,546 tons of lead were affected by the price of lead and zinc, although the sales of zinc metal decreased by nearly 30% compared with last year. Due to the rise in prices of zinc and lead, the project achieved a year-on-year increase of 2% in operating revenue and 68% in net profit. It has started to realise dividends for both China and Pakistan, and has produced good economic and social benefits.

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

During the Reporting Period, the situation in Afghanistan experienced significant changes. In response to such situation, the Company evaluated in advance and took quick action, ensuring the security of project assets and the safety and health of personnel. The Company will strive to get national policy support and reach a consensus on the solution regarding significant issues that hinder the project development, conduct further negotiation under the principle of equality and mutual benefits and safeguard the legitimate rights and interests of the Company in a reasonable and orderly manner.

(5) *Luoyang China Silicon polysilicon Project*

The transformation and upgrade project of electronic information material implemented by Luoyang China Silicon Corporation Limited (referred to as “Luoyang China Silicon”) was divided into two phases. Phase I of the project plans to invest RMB1.55 billion, covering an area of 350 mu, construction zone melted grade polysilicon of 300t/a, VAD silicon tetrachloride of 6,000t/a, PCVD silicon tetrachloride of 120t/a, electronic silicon tetrachloride 80t/a, electronic grade trichlorosilane of 2,000t/a, electronic dichlorosilane 500t/a, raw material grade Hexachlorodisilane of 50t/a, electronic grade Hexachlorodisilane of 50t/a, electronic grade tetraethyl orthosilicate of 500t/a, which is scheduled to be completed and put into production in October 2022. Phase II of the project plans to invest RMB2.6 billion with the reserve land of 365 mu, target at new products that have made breakthroughs, expand the production scale of high-purity polysilicon, and build 10 kinds of new products, such as electronic special gas and ternary precursor materials. In 2021, Luoyang China Silicon achieved sales revenue of RMB0.876 billion, representing an increase of 161% over the same period last year, of which the sales revenue of new products exceeded RMB0.11 billion, representing an increase of 350% over the same period last year, with a net profit of RMB0.115 billion.

The project is the “import substitution” project to strengthen the remedy for inadequacy of domestic high-end silicon-based materials, and the technology derives from the national industrial strong base project undertaken by Luoyang China Silicon. Achievements have reached the international leading level and have broad prospects for development. In the future, Luoyang China Silicon will actively implement the enterprise mission of “taking the national responsibility and making up for the shortcomings of basic material”, adhere to the development idea of “high-end, multi-variety, small batch and high profit” based on the field of integrated circuit and optical communication, and steadily expand to related technological fields, and strive to create a national forward-looking basic materials innovation center and production base with an output scale value of more than RMB10 billion, assume the national responsibility of leading China’s silicon-based material industry to a higher level, consolidate and enhance China’s position and the right of speech in the optical communication and semiconductor industry.

## II. ROUTINE WORK OF THE BOARD

### (I) Changes in Board of Directors

At the beginning of 2021, the third session of the Board of the Company comprised 7 Directors with Mr. Guo Wenqing as the executive Director and the Chairman, Mr. Zhang Mengxing as the executive Director and the President, Mr. Zhou Jichang, Mr. Yu Hailong, Mr. Ren Xudong and Mr. Ng, Kar Ling Johnny as the independent non-executive Directors, and Mr. Yan Aizhong as a non-executive Director and 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. Mr. Yu Hailong has served as an independent non-executive Director of the Company since 13 November 2014 until the expiry of his term of office on 12 November 2020 with a term of six consecutive years. As the resignation of Mr. Yu upon the expiration of his term of office will cause the number of independent non-executive Directors being less than the statutory minimum requirement, pursuant to the relevant requirements of the “Guidelines for Introducing Independent Directors to the Board of Directors of Listed Companies” (《關於在上市公司建立獨立董事制度的指導意見》) and the “Filing and Training Guidelines of Independent Directors of Companies Listed on the Shanghai Stock Exchange”\* (《上海證券交易所上市公司獨立董事備案及培訓工作指引》), Mr. Yu will, before the completion of the election process of new independent Directors at a general meeting, continue to perform the duties of independent Directors and members of the relevant special committees of the Board according to the applicable laws and regulations and the Articles of Association.

As of the end 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 and the President, 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.

On 26 January 2022, the Company convened the 2022 First Extraordinary General Meeting, Mr. Chen Jianguang was elected as an executive Director of the Company, Mr. Lang Jia as a non-executive Director of the Company, and Mr. Liu Li as an independent non-executive Director of the Company. On the same day, Mr. Guo Wenqing tendered his resignation as a Director of the Company for work-related reasons. On the same day, the Company convened the 35th Meeting of the Third Session of the Board and elected Mr. Chen Jianguang as the Chairman of the Company. The members of the third session of the Board were changed to: Mr. Chen Jianguang as the Chairman and an executive Director, Mr. Zhang Mengxing as an executive Director, Mr. Zhou Jichang as an independent non-executive Director, Mr. Lang Jia as a non-executive Director, Mr. Liu Li as an independent non-executive Director, Mr. Ng, Kar Ling Johnny as an independent non-executive Director, and Mr. Yan Aizhong as an employee representative Director.

**(II) Meetings of the Board and special committees**

In 2021, the Board and its subordinate special committees of the Company performed their duties in strict compliance with the duties and work requirements as authorized by the regulatory rules, and carried out their work pursuant to the Company Law, regulatory rules of the listing place(s), the Articles of Association, the Rules of Procedure for General Meetings, the Rules of Procedure for Board Meetings and other relevant requirements. For the purpose of maintaining and increasing the value of the state-owned assets and maximizing Shareholders' interests, and in accordance with the function of "making strategy, making decisions and preventing risks", the Company seized development opportunities, developed precise strategic layout, carried forward reform and innovation, and continued to strictly control risks to "make progress while maintaining stable development" of the Company.

In 2021, the Company convened 9 Board meetings in total, including 7 meetings held by way of on-site meeting (including the combination of on-site and virtual meetings) and 2 meetings held through virtual meetings. The Board considered proposals and heard reports totaling 55 and passed 45 resolutions.

In 2021, special committees under the Board held 10 meetings in total, at which 39 topics were discussed. Among which, the Strategy Committee held 2 meetings, at which 4 issues were considered and discussed; the Finance and Audit Committee held 6 meetings, at which 33 issues were considered and discussed; and the Remuneration and Appraisal Committee held 2 meetings, at which 3 issues were studied and discussed.

**(III) Performance of resolutions passed at general meetings by the Board**

In 2021, the Company held 2 general meetings in total. 8 ordinary resolutions were considered and approved at the meeting, including the proposal in relation to the "Work Report of the Board of MCC for the Year 2020", the proposal in relation to the "Work Report of the Supervisory Committee of MCC for the Year 2020", the proposal in relation to the report on final accounts of MCC for the year 2020, the proposal in relation to the profit distribution plan of MCC for the year 2020, the proposal in relation to the appointment of auditor of the financial report and internal control auditor of the Company for the year 2021, the proposal in relation to the emoluments of Directors and Supervisors of MCC for the year 2020, the proposal in relation to the plan of guarantees provided by MCC for the year 2021, and the proposal in relation to the application for revision of annual caps for the routine connected transactions/continuing connected transactions for the years of 2021 and 2022; the 2020 performance report of the independent non-executive Directors of MCC was listened at the meeting; 1 special resolution was considered and approved at the meeting, being the amendments to the Articles of Association of MCC.

During the Reporting Period, with the goal of maintaining and increasing the value of state-owned assets and maximizing the interests of shareholders, the Board earnestly implemented all the resolutions passed at general meetings in strict accordance with the resolutions passed at and authorization given by the Shareholders' general meetings.

#### **(IV) Information disclosure and investor relations**

In 2021, the Company made the information disclosure in a truthful, accurate, complete, timely and fair manner in strict compliance with the regulations and requirements of regulatory authorities, such as the China Securities Regulatory Commission, the Shanghai Stock Exchange and the Hong Kong Stock Exchange, and revised the Management System of Information Disclosure of MCC (《中國中冶信息披露管理制度》), Measures for the Administration of Information Disclosure of MCC in the Stock Market (《中國中冶股票市場信息披露管理辦法》) and Internal Information Management Measures (內幕信息管理辦法) in a timely manner taking into account the new changes in regulatory policies to continuously improve the quality and standard of its disclosure work. Meanwhile, the Company continued to adhere to the principle of combining statutory disclosure with voluntary disclosure, showcasing the Company's investment value from multiple perspectives, and continuously enhancing the pertinence and effectiveness of information disclosure. The Company has been attaching great importance to the management of internal information and strictly implementing the registration and reporting of insiders and confidentiality of internal information, effectively protecting the legitimate rights and interests of shareholders and other stakeholders. In 2021, the Company was rated Class A (the top class) Listed Company for SSE Information Disclosure for five consecutive years.

The Company has always closely followed its strategic goals to explore performance highlights and investment value, and actively communicated with and responded to the capital market. During the Reporting Period, the Company has organized roadshows and reverse roadshows, participated in various strategy meetings of securities traders, held conference calls and met institutional investors in person for a total of more than 70 times throughout the year, and had direct communication with more than 300 institutional investors and more than 100 small and medium-sized investors. On the basis of regular results announcements and daily communication, the Company has launched special activities such as targeted roadshows and meetings based on its strategic positioning and market focus. Through the combination of on-site meetings, live video and live text, the Company showed its outstanding performance and reform highlights to the capital market, and was selected as one of the "Excellent Practice Cases of Annual Report Results Presentation for Listed Companies" by the China Securities Regulatory Commission. The Company organised reverse roadshows with the themes of "Steel Structure" and "Theme Park" in spring and autumn respectively, and organised the "2021 Online Investor Reception Day" for small and medium-sized investors, which received good feedback.

### III. OUTLOOK FOR 2022

At present, the external environment has become more complex, severe and uncertain. However, the fundamentals of China's economy with strong resilience, wide margin and long-term improvement remain unchanged. We will make stability our top priority and seek improvement in stability, and put more emphasis on risk prevention and control while seizing policy opportunities, so as to ensure the steady development of the Company. We will seek development with an open mind, promote reform with entrepreneurial passion, prevent risks with a sense of urgency, and seek improvement with a confident mind; we will persist in focusing on the main responsibilities and the main business, and insist on the strategic positioning of "being the world-class national team of metallurgical construction, the main force and pioneer of infrastructure construction, and the frontrunner and vanguard of emerging industries, and pursuing high-tech and high-quality innovative development in the long term"; we will improve the comprehensive strength of the enterprise, enhance the corporate management level, and boost the enterprise spirit in an all-round way, concentrate on running our own business, and cope with various uncertainties with certainty in our work.

Looking ahead, we will comprehensively "coordinate the 'three relationships' and closely adhere to the 'five focuses'". On the one hand, we will coordinate the "three relationships", namely the relationships between operation scale and operation efficiency, development speed and development quality, and enterprise resources and enterprise scale, respectively. On the other hand, we will closely adhere to the "five focuses", namely, focusing on strengthening the leadership of the Party to ensure that we can control the direction, manage the overall situation and promote implementation; focusing on emancipating the mind to firmly establish a market-oriented awareness; focusing on strengthening the system construction to improve management efficiency; focusing on the performance orientation to promote the construction of the "four modernization" of the talent team in an all-round way; and focusing on optimizing the assessment system to fully mobilize the working enthusiasm.

In 2022, we will focus our efforts on the following areas: firstly, to effectively implement "three enhancements, two optimizations and one improvement". "Three enhancements" means enhancing investment risk prevention and control, enhancing contract performance capacity building and enhancing talent team building; "two optimizations" means optimizing marketing quality and optimizing project incentive mechanisms; "one improvement" means improving project profitability. Secondly, we will focus on the "five special actions". Thirdly, we will make every effort to improve the happiness index of our employees. It is necessary to continuously increase the income of employees and ensure the steady growth of the average income of employees through scientific and all-round performance assessment and a reasonable income growth mechanism, and also to vigorously create a fair and equitable environment for growth and success.



Great accomplishments require ambition and tireless effort. We will uphold the principle of integrity and innovation and the practical responsibility, strive to make progress with hard work, 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!

**The Board of Metallurgical Corporation of China Ltd.\***

30 June 2022

## WORK REPORT OF THE SUPERVISORY COMMITTEE OF METALLURGICAL CORPORATION OF CHINA LTD. FOR THE YEAR 2021

In 2021, the Supervisory Committee of Metallurgical Corporation of China Ltd. (referred to as “MCC” or “Company”), in accordance with the relevant provision of the Company Law, the Securities Law and other laws and regulations, and the Articles of Association, the Procedure Rules of the Supervisory Committee and other systems, with the purpose of safeguarding the interests of the Company and the rights and interests of all Shareholders, discharged its powers and duties with the utmost conscientiousness, conducted its work proactively and effectively, and fully exercised its supervisory functions in order to safeguard the legitimate rights and interests of the Company and its Shareholders and employees.

### I. COMPOSITION OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

At the beginning of the reporting period, the third session of the Supervisory Committee of the Company comprised three Supervisors, which are Mr. Yin Sisong, the Chairman of the Supervisory Committee, Ms. Zhang Yandi, the Supervisor and Mr. Zhu Zhiqi, the employee representative Supervisor.

### II. DUTY PERFORMANCE OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

During the reporting period, the Supervisory Committee strengthened its study and diligent performance of its duties in accordance with the Company Law, the Securities Law, the Work Guidelines for Supervisory Boards of Listed Companies and the Articles of Association of Metallurgical Corporation of China Ltd.\*. The Supervisory Committee supervised and examined the Company’s financial status, the use of proceeds of corporate bonds, decision-making and implementation of the Board, establishment of risk management and control system, and material operation and management; supervised the decision-making procedures of the Board and the president’s office; supervised the performance of the duties of Directors and senior management of the Company. Specifically, the Group aims to achieve the following tasks:

#### (1) Convening meetings of the Supervisory Committee

In 2021, the Supervisory Committee of the Company held a total of four meetings, with 17 proposals and reports. The convening and holding procedures of each meeting are in accordance with the provisions of the Company Law, the Articles of Association and the Rules of Procedure of the Board of Supervisors. With the attitude of being accountable to all the shareholders, the Supervisors carefully scrutinized each proposal, provided a supervisory opinion prudently and effectively performed its supervisory duties.

On 29 March 2021, the 11th meeting of the third session of the Supervisory Committee was held by way of an on-site meeting, and the Supervisory Committee reviewed and passed the Proposal on the 2020 Annual Report of MCC, the Proposal on the 2020 Financial Budget Statement of MCC, the Proposal on the 2020 Profit Distribution of MCC, the Proposal on the 2020 Special Report on Fund Appropriation by the Controlling Shareholder of MCC and Other Related Parties, the Proposal on the “2020 Work Report of the Supervisory Committee of Metallurgical Corporation of China Ltd.”, the Proposal on the “Annual Social Responsibility Report of MCC in 2020”, the Proposal on the 2020 Internal Control Assessment Report of MCC, the Proposal for Special Report on Funds Raised from A Share offering and Brief for Special Report on Proceeds Raised from H Share offering, the Proposal in Relation to Temporary Use of Idle Funds Raised from IPO of A Shares as Supplementary Working Capital, and the Proposal in Relation to Temporary Use of Idle Funds Raised from IPO of H Shares as Supplementary Working Capital.

On 28 April 2021, the 12th meeting of the third session of the Supervisory Committee was held by way of an on-site meeting, and the Supervisory Committee reviewed and passed the Proposal on First Quarterly Report of MCC in 2021, and listened to the Report on Updating the List of Related Persons of MCC and the Report on the Two Funds of MCC.

On 30 August 2021, the 13th meeting of the third session of the Supervisory Committee was held by way of an on-site meeting, and the Supervisory Committee reviewed and passed the Proposal on the 2021 Interim Report of MCC, the Proposal on the 2021 Interim Financial Report of MCC, the Proposal for Special Report on Funds Raised from A Share offering and Brief for Special Report on Proceeds Raised from H Share offering.

On 29 October 2021, the 14th meeting of the third session of the Supervisory Committee was held by way of an on-site meeting, and the Supervisory Committee reviewed and passed the Proposal on the 2021 Third Quarterly Report of MCC.

**(2) Performance of statutory supervisory duties**

In 2021, in accordance with the provisions of the Articles of Association, the Supervisory Committee of the Company earnestly performed its duties and attended the 2020 Annual General Meeting and the 2021 First Extraordinary General Meeting of the Company; sat in on the 2021 Board meetings and president’s office meetings, supervised the decision-making procedures of the Board meetings and president’s office meetings. Through understanding and participating in the Company’s major events, they supervised the legal compliance of Directors and senior management in performing their duties, gradually carried out the necessary audit functions and played a statutory supervision role.

**(3) Participation in various trainings**

In 2021, the members of the Supervisory Committee actively participated in the professional training organized by the regulatory body, with a total of 11 times of participation in various special trainings organized by Beijing Securities Regulatory Bureau, covering the new securities law, macroeconomic situation, governance standards of listed companies, merger and acquisition and spin-off listing cases, and the Guidelines for the Standard Operation of Listed Companies. Through studying, the professional knowledge and skills required for the performance of duties of the Supervisors were absorbed in a timely manner, which further strengthened their theoretical literacy and practical performance capabilities.

**III. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE IN 2021****(1) Operation of the Company according to law**

The Company's Supervisory Committee was of the view that the Board strictly abided by the requirements of the Company Law, the Securities Law, the Articles of Association and other relevant laws, regulations and systems, and made decisions in accordance with the law. The Company's major business decisions were reasonable, and the procedures were legal and effective. The Company's directors and senior management seriously implemented the national laws and regulations, the Articles of Association, the resolutions of the Shareholders' general meetings and the Board meetings when performing their duties. They were dedicated to their work, diligent and responsible, honest and trustworthy, impartial and fair. Neither violation of laws, regulations and Articles of Association nor harm to the interests of the Company and its Shareholders was identified.

**(2) Financial position of the Company**

The Company's Supervisory Committee supervised and reviewed the Company's 2021 financial status and financial results, and believed that the Company's financial system was sound, the internal control system was perfect, and the financial management was standardized. After the comprehensive audit on the Company's financial statements, WUYIGE Certified Public Accountants LLP issued an unqualified audit report, and determined that the Company's 2021 financial statements presented fairly the Company's overall financial status and operation results in 2021 in accordance with Accounting Standards for Business Enterprises and in line with the Company's actual situation.

**(3) Utilization of the Company's raised proceeds**

The Supervisory Committee conducted supervision over the Company's utilization of the proceeds raised from its offering. It was of the view that the Company was able to regulate the utilization and management of the proceeds raised from the offering in accordance with laws, regulations and regulatory requirements. Neither violation of laws and regulations nor harm to the interests of the Shareholders in the utilization of the proceeds raised by the Company was identified.

**(4) Connected transactions of the Company**

The Supervisory Committee supervised the connected transactions of the Company and was of the opinion that the connected transactions of the Company were entered into in accordance with applicable laws or regulations such as the Company Law, the Securities Law, the Listing Rules of Shanghai Stock Exchange, and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, and the provisions of the Articles of Association and the Manual of Management on Connected Transactions. The connected transactions were entered into based on a fully justified and cautious decision by the Board, the Audit and Risk Management Committee and the management of the Company. The value of the connected transactions was determined in accordance with the principle of exchange of equal values by reference to fair market value and thus did not go against the principles of fairness, openness and justice. No acts were noted which may be detrimental to the interests of the Company and its minority shareholders.

**(5) Internal control of the Company**

In 2021, the Company's internal control activities were standardized, legal and effective, and no violation of laws and regulations and the Company's internal control system occurred. The 2021 Internal Control Evaluation Report of Metallurgical Corporation of China Ltd. comprehensively, objectively and truly reflected the actual situation of the establishment, improvement and operation of the Company's internal control system.

**(6) Fulfillment of the Company's social responsibility**

In 2021, the Company made outstanding contributions in economic development, environmental protection, targeted poverty alleviation, and caring for employees. The Company actively participated in public welfare charities, earnestly fulfilled its social responsibilities, and safeguarded the interests of its Shareholders, customers and employees.

**(7) Others**

In 2021, in order to give full play to its duties of risk prevention and supervision and inspection, and to promote the Company's quality development, effectively perform its supervisory duties and prevent and control financial risks, the Supervisory Committee, on the basis of its regular annual work, has made special investigation and inspection of the Two Funds a key task of the year, aiming to "stabilise the Two Funds and control risks", and to promote positive progress in the management of the Two Funds of the relevant subsidiaries by studying typical examples, summarising experience and analysing shortcomings.

In April 2021, a special meeting was held on clearing the debts of Two Funds, and a special report was received from WUYIGE Certified Public Accountants on the situation of the Two Funds of MCC; in July, the accounts receivable with a long aging of more than five years were selected from MCC TianGong Group Corporation Limited, China 22MCC Group Co., Ltd, CISDI Group Co.,Ltd, Huatian Engineering & Technology Corporation, MCC, China First Metallurgical Group Co., Ltd, China Metallurgical Construction Engineering Group Co., Ltd and discussed; in August, a special meeting was held to listen to the report and case sharing of China 22MCC Group Co., Ltd on the settlement of long-term account and Two Funds; in October, the accounts receivable of CISDI Group Co., Ltd, ACRE Coking & Refractory Engineering Consulting Corporation, MCC and China First Metallurgical Group Co., Ltd were selected for discussion. By carrying out the above work, the Company has strengthened internal cooperation and improved communication efficiency. In the process of special investigation and inspection, the Supervisory Committee found the potential risks existing in the Company's operation in time, put forward practical opinions and suggestions, gave full play to the positive role of internal supervision and promoted the high-quality development of the Company.

In 2022, the Company's Supervisory Committee will continue to strictly comply with the national laws and regulations, the Articles of Association and the Rules of Procedure for the Supervisory Committee and stringently perform its supervisory functions in line with the Company's development strategy and annual key tasks, and strengthen the its own construction and improve its supervision level and performance capability to further promote the Company's standardized operation and safeguard the rights and interests of the Company and its Shareholders and employees.

**The Supervisory Committee of Metallurgical Corporation of China Ltd.\***

30 June 2022

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, as far as the Company was aware, the Directors, Supervisors and the chief executive of the Company or their respective associates had the following 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) (i) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange:

Name	Position	Class of Shares	Long/short position	Nature of the interest	Number of Shares	Percentage	Percentage
						of the relevant class of Shares in issue (%)	of the total Shares in issue (%)
Zhang Mengxing	Executive Director and President	A Shares	Long position	Beneficial owner	60,032	0	0
Mr. Yin Sisong	Chairman of the Supervisory Committee	A Shares	Long position	Beneficial owner	28,100	0	0

Save as disclosed above and as at the Latest Practicable Date, as far as the Company was aware, none of the Directors, Supervisors and the chief executive of the Company or their respective 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) (i) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

### **3. EMPLOYMENT OF DIRECTORS AND SUPERVISORS WITH SUBSTANTIAL SHAREHOLDERS**

As at the Latest Practicable Date, Mr. Chen Jianguang, Mr. Zhang Mengxing and Mr. Yan Aizhong, all being Directors, and Mr. Yin Sisong, Ms. Zhang Yandi and Mr. Chu Zhiqi, all being Supervisors, are directors or supervisors of CMGC and/or China Minmetals, which have an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### **4. MATERIAL ADVERSE CHANGES**

As at the Latest Practicable Date, the Directors confirm that there was no any material adverse changes in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up.

### **5. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors or Supervisors had any existing or proposed service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation (other than statutory compensation).

### **6. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or any of their close associates had interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would fall to be disclosed under the Listing Rules.



**7. OTHER ARRANGEMENTS INVOLVING DIRECTORS AND SUPERVISORS**

As at the Latest Practicable Date:

- (a) none of the Directors or Supervisors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group; and
- (b) none of the Directors or Supervisors had any direct or indirect interest in any assets which had been since 31 December 2021 (the date to which the latest published audited accounts of the Company were made up), (i) acquired or disposed of by, (ii) leased to, (iii) are proposed to be acquired or disposed of by, or (iv) are proposed to be leased to, any member of the Group.

**8. EXPERT AND CONSENT**

The following is the qualification of the expert who has given opinions or advice which are contained or referred to in this circular:

<b>Name</b>	<b>Qualification</b>
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Gram Capital:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears;
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which had been since 31 December 2021 (the date to which the latest published audited accounts of the Company were made up), acquired, disposed of by, or leased to any member of the Group or were proposed to be acquired or disposed of by, or leased to any member of the Group.

**9. DOCUMENTS ON DISPLAY**

Copies of the following documents are available for inspection on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.mccchina.com](http://www.mccchina.com)) for a period of 14 days from the date of this circular:

- (i) the Framework Agreement;
- (ii) the Financial Services Agreement;
- (iii) the New Framework Agreement;
- (iv) the letter from the Independent Financial Adviser, the text of which is set out in this circular;  
and
- (v) the letter of consent referred to in the paragraph headed “8. Expert and Consent” in this appendix.

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## NOTICE OF THE 2021 ANNUAL GENERAL MEETING

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### METALLURGICAL CORPORATION OF CHINA LTD. \*

### 中國冶金科工股份有限公司

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

(Stock Code: 1618)

### NOTICE OF THE 2021 ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 2021 annual general meeting (the “AGM”) of Metallurgical Corporation of China Ltd.\* (the “**Company**” or “**MCC**”) will be held at MCC Tower, No. 28 Shuguang Xili, Chaoyang District, Beijing, the People’s Republic of China, on Thursday, 30 June 2022 at 10:00 a.m. to consider and, if thought fit, pass (with or without amendments) the following resolutions:

#### ORDINARY RESOLUTIONS

1. To consider and approve the proposal in relation to the “Work Report of the Board of MCC for the Year 2021”.
2. To consider and approve the proposal in relation to the “Work Report of the Supervisory Committee of MCC for the Year 2021”.
3. To consider and approve the proposal in relation to the report on final accounts of the Company for the year 2021 (as set out in the 2021 annual report of the Company).
4. To consider and approve the proposal in relation to the profit distribution plan of the Company for the year 2021.
5. To consider and approve the proposal in relation to the emoluments of Directors and Supervisors of the Company for the year 2021.
6. To consider and approve the proposal in relation to the plan of guarantees to be provided by the Company for the year 2022.

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## NOTICE OF THE 2021 ANNUAL GENERAL MEETING

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7. To consider and approve the proposal in relation to the credit extension services and deposit services transactions under the Financial Services Agreement entered into between the Company and Minmetals Finance Company and the annual caps for the three years ending 31 December 2024 of such transactions.
8. To consider and approve the proposal in relation to the Company's revision and setting of the annual caps for the routine connected transactions/continuing connected transactions for the years of 2022 and 2023
  - (i) To consider and approve the proposal in relation to the revision of annual caps for 2022 for transactions under the Framework Agreement and
  - (ii) To consider and approve the proposal in relation to the entering into of the New Framework Agreement between the Company and China Minmetals and annual caps for 2023

### SPECIAL RESOLUTIONS

9. To consider and approve the proposal in relation to the plan of registration and issuance of domestic bond of the Company for the year 2022.
10. To consider and approve the proposal in relation to the grant of general mandate to the Board of Directors to issue shares.

### BRIEFING

1. To receive the 2021 performance report of the independent non-executive Directors.

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

Beijing, the PRC  
31 May 2022

\* *For identification purposes only*

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## NOTICE OF THE 2021 ANNUAL GENERAL MEETING

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*Notes:*

- (1) In order to determine the list of shareholders who are entitled to attend the AGM, the registers of members of the Company will be closed from Friday, 24 June 2022 to Thursday, 30 June 2022, both days inclusive, during which period no transfer of shares will be effected. In order to attend and vote at the AGM, holders of H Shares whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, at or before 4:30 p.m. on Thursday, 23 June 2022.
- (2) A shareholder entitled to attend and vote at the AGM may appoint one or more proxies to attend and vote on his behalf. A proxy need not be a shareholder of the Company. Where a shareholder appoints more than one proxy, his proxies may only vote by poll.
- (3) The instrument appointing a proxy must be in writing under the hand of a shareholder or his attorney duly authorized in writing. If the shareholder is a corporation, that instrument must be either under the seal of the Company or under the hand of its director(s) or duly authorized attorney(s). If that instrument is signed by an attorney of the shareholder, the power of attorney authorizing that attorney to sign or other authorization document must be notarized.
- (4) In order to be valid, the form of proxy together with the power of attorney or other authorization document (if any) must be deposited at the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, for holders of H Shares, and to the Company's office of the Board, for holders of A Shares, not less than 24 hours before the AGM (excluding any public holiday).
- (5) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointer, or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of shares in respect of which the proxy is given, provided that no notice in writing of the aforementioned matters shall have been received by the Company prior to the commencement of the AGM.
- (6) For information purpose only, holders of H Shares who intend to attend the AGM in person or by proxy shall return the reply slip to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, and for holders of A Shares of the Company, to the office of the Board of the Company, on or before Monday, 27 June 2022 by hand, by post or by fax.
- (7) The address and contact details of the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, are as follows:  
  
Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong  
Tel: (852) 2862 8555  
Fax: (852) 2865 0990
- (8) The address and contact details of the office of the Board of the Company are as follows:  
  
MCC Tower, No. 28 Shuguang Xili, Chaoyang District, Beijing, 100028, the People's Republic of China  
Tel: (8610) 5986 8666  
Fax: (8610) 5986 8999
- (9) In accordance with the Company's Articles of Association, where two or more persons are registered as the joint holders of any share, only the person whose name appears first in the register of members shall be entitled to receive this notice, attend and exercise all the voting rights attached to such share at the AGM, and this notice shall be deemed to be given to all joint holders of such share.
- (10) The AGM is expected to take less than two hours. Shareholders (in person or by proxy) attending the AGM are responsible for their own transportation and accommodation expenses. Shareholders or their proxies attending the AGM shall produce their identity documents.

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## NOTICE OF THE 2021 ANNUAL GENERAL MEETING

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*As at the date of this notice, the Board of Directors of the Company comprises executive Directors: Mr. Chen Jianguang and Mr. Zhang Mengxing; non-executive Directors: Mr. Lang Jia and Mr. Yan Aizhong (the employee representative Director); and independent non-executive Directors: Mr. Zhou Jichang, Mr. Liu Li and Mr. Ng, Kar Ling Johnny.*

*\* For identification purposes only*