

MCC |  Oil & Gas



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

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
Stock Code: 1618

* For identification purpose only

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IMPORTANT NOTICE

- I. The Board and the Supervisory Committee of the Company and its directors, supervisors and senior management members warrant that there are no false representations, misleading statements contained in or material omissions from the information set out in this annual report, and they severally and jointly accept legal responsibility for the truthfulness, accuracy and completeness of its contents
- II. All Directors of the Company attended the 19th meeting of the second session of the Board convened from 28 March to 29 March 2016
- III. Deloitte Touche Tohmatsu CPA LLP (Special General Partnership) issued a standard unqualified audit report to the Company
- IV. Guo Wenqing, the Chairman and Luigi, Louis Forino, the Group CEO, Zou Hongying, as Vice President and the Chief Accountant of the Company, and Fan Wanzhu, the Head of the Financial Planning Department have declared that they warrant the truthfulness, accuracy and completeness of the financial report contained in this annual report
- V. During the Reporting Period, the proposal for profit distribution or transfer of capital reserve to share capital was considered by the Board
The net profit attributable to shareholders of listed Company in the audited consolidated statement of MCC in 2016 amounted to RMB4,801.5618 million and the undistributed profit of MCC headquarters amounted to RMB1,394.3244 million. Based on the total share capital of 19.11 billion shares at the end of the year, the Company proposed to distribute cash dividend of RMB0.55 (tax inclusive) for every 10 shares to all shareholders and total cash dividend will amount to RMB1,051.0500 million, accounting for 21.89% of net profit attributable to shareholders of listed Company in the consolidated statement. The remaining undistributed profit of RMB343.2744 million will be rolled over to the coming year for distribution. The implementation of the aforementioned profit distribution plan shall be subject to consideration and approval at shareholders' meeting
Statement for the risks involved in the forward-looking statements
The forward-looking statements contained in this report regarding the Company's future plans and others do not constitute any substantive commitment to investors and investors are reminded of investment risks.
- VI. Is there any misappropriation of non-operating funds by the controlling shareholders and their related parties
No
- VII. Is there any external guarantee made in violation of the required decision-making procedures
No
- VIII. Warning of major risks
- IX. 1. International and domestic macroeconomic trends
All business operations of the Company are affected by the international and domestic macroeconomic environments. Macroeconomic trends inside or outside China may have an impact on various business segments of the Company, including procurement, production and sales, thereby causing fluctuations in the Company's operating performance. The Company's operating incomes are mainly derived from the domestic market. Its business operations may perform differently in various domestic economic cycles.
2. Changes in policies of the industry in which the Company was involved and demands of its domestic and overseas markets
The Company's engineering contracting, property development, equipment manufacture and resource development businesses are affected by the policies of the industry in which the businesses were involved. In recent years, the future business focus and strategic layout of the Company have been guided, to a certain extent, by the PRC's industrial control over the steel and iron industry, the PRC's plan on adjusting and revitalizing the iron and steel and equipment manufacturing industries, the PRC's industrial policies on resource development and the property market, as well as the periodic fluctuations of the industries and changes in the operating situation of upstream and downstream enterprises of the industries, thereby affecting the Company's financial position and operating performance. Due to the change in industrial policies, the overall demand for the engineering contracting services provided by the Company were affected. The metallurgical equipment, resource development products, and ordinary residences, etc. were also affected, to a certain extent, by the change in demands of the relevant markets, which in turn affected the financial position of the Company.
- X. Others

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

DEFINITIONS

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

"the Company, MCC"	MCC Oil & Gas Limited
"China or PRC"	the People's Republic of China, excluding, for the purposes of this document, Hong Kong, Macao and Taiwan
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"State Council"	the State Council of the People's Republic of China
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council
"MOHURD"	Ministry of Housing and Urban-Rural Development of the People's Republic of China
"CSRC"	the China Securities Regulatory Commission
"Shanghai Stock Exchange"	the Shanghai Stock Exchange
"Shanghai Listing Rules" or "A Share Listing Rules"	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange*
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Listing Rules" or "H Share Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Controlling Shareholder, MCC Group"	China Metallurgical Group Corporation
"Shareholders' Meeting"	the shareholders' meeting of Metallurgical Corporation of China Ltd. *
"Shareholder(s)"	holder(s) of share(s) of the Company
"Board"	the board of directors of Metallurgical Corporation of China Ltd. *
"Director(s)"	the director(s) of the Company, including all executive, non-executive and Independent Non-executive Directors
"Independent Director, Independent Non-executive Director"	a director who is independent of the Shareholders of the Company and is not an employee of the Company, has no material business connections or professional connections with the Company or its management and is responsible for exercising independent judgment over the Company's affairs
"Supervisory Committee"	the Supervisory Committee of Metallurgical Corporation of China Ltd. *
"Supervisor(s)"	the supervisor(s) of the Company
"Articles of Association"	the articles of association of Metallurgical Corporation of China Ltd. *
"Reporting Period"	from 1 January 2016 to 31 December 2016
"A Share(s)"	the domestic shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Shanghai Stock Exchange and traded in RMB
"H Share(s)"	the overseas listed foreign invested shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed and traded in Hong Kong dollars

DEFINITIONS

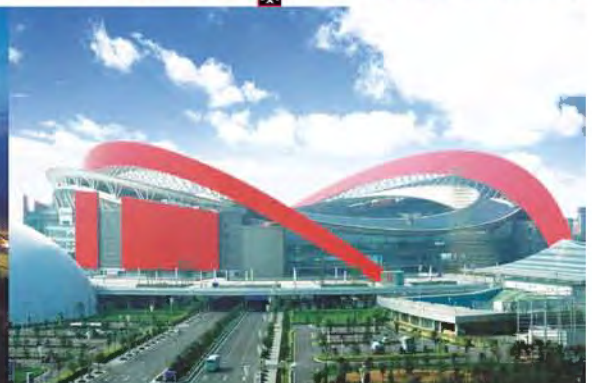
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"connected person(s)"	connected party/parties under A Share Listing Rules and connected person(s) under the H Share Listing Rules
"Renminbi or RMB"	Renminbi, the lawful currency of the PRC
"HK\$ or Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"SFO or Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Corporate Governance Code"	the revised Corporate Governance Code contained in Appendix 14 to the Listing Rules of the Hong Kong Stock Exchange, which took effect from 1 April 2012

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THE GROUP CEO & President CHAIRMAN'S STATEMENT

We don't know
any difficulties,
We know only challenges.



CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

The year of **2022 and early 2023** was a year when MCC hit new record highs in its operating results, continued to optimize its business structure, and successfully achieved a milestone for the objective of “focusing on the core businesses in building a better MCC” (聚焦中冶主業·建設美好中冶)

During the Reporting Period, the value of newly signed contracts of the Company reached RMB401,586 million and surpassed RMB400 billion, representing a year-on-year increase of 21.77%; the operating revenue totalled RMB217,324 million, representing a year-on-year increase of 0.71%; whilst its profit amounted to RMB7,143 million, representing a year-on-year increase of 6.53%, and the net profit attributable to shareholders of the Company amounted to RMB4,802 million, representing a year-on-year increase of 21.11%. With the continuous optimization of its business structure, the value of the newly signed non-metallurgical engineering contracts of the Company accounted for 83.06% of the aggregate value of its newly-signed engineering contract, and the value of newly signed overseas contracts represented a year-on-year increase of 1.4 times. The Company had a total of 16,241 valid patents, ranking the 4th among state-owned enterprises. It also had 17 technological and innovative platforms and key laboratories at the national level, and obtained 54 national science and technology awards, which helped to speed up the formation of new growth points and competitive advantages, and thus enhanced the Company's brand name and international influence significantly. MCC was also named as one of the top 10 “Companies with the Best Investment Return” (最佳投資回報公司) by Fortune and the “Listed Company with the Best Corporate Governance” (最佳公司治理上市公司) by China Securities Golden Bauhinia (中國證券金紫荊). The MCC Group, with MCC as its core asset, moved up to the 326th in the Top 500 Global Enterprises (世界企業500強), and ranked the 10 in the Top 250 Global Contractors, which were selected by ENR (《工程新聞記錄》) in the United States.

The outstanding performance and sustained and stable development of the Company is attributed to the efforts of all MCC staff in adhering to the guideline of “focusing on the core businesses in building a better MCC” (聚焦中冶主業·建設美好中冶), energetically exercising the MCC spirit of being down-to-earth and pragmatic, focusing on the principle of “without wasting one day, without being lazy for one day” (一天也不耽誤·一天也不懈怠), firmly pursuing the path for the development of leading technologies, and promoting business transformation in an unfavorable environment. The performance and services of the Company was also attributable to the strong support of all shareholders and our investors.

The year of 2016 marks the beginning of the “Thirteenth Five-Year Plan” of the PRC, and is also the start of the “Fourth Five-Year Plan” of MCC. The State is currently at the critical period of speedy transformation, structural adjustment and dynamic change. The development trend of the iron and steel industry towards the reduction of production, greening, differentiation, intellectualization and internationalization will bring about numerous market opportunities involving high technology, high added value and sustained benefit that are relevant to renovation and upgrade works, energy saving and environmental protection, high-end consultation and intelligent operating services. This will be beneficial for the Company to participate in the operation of the international production capacity and equipment manufacture on a larger scale and at a higher level. The regional development of “Four Major Segments”, the construction of “One Belt, One Road” (一帶一路), the synergistic development of the Beijing-Tianjin-Hebei Region, the construction of Yangtze River Economic Zone, the establishment of “Three Significant Strategies”, as well as further advancement of the new type of urbanization, will boost effective investments in infrastructure and fundamental construction, especially the market demands for energy saving and environmental protection, green ecology, urban comprehensive underground pipelines, sponge cities, intelligent cities and beautiful villages, which have huge development potential. All these provide MCC with strong motivation, favorable opportunities and timing exactly for its strong development by making better use of its 60-odd years of sound and extensive experience in technology, as well as a sound market foundation for continuous and stable development of business of the Company, including municipal transportation infrastructure, comprehensive urban exploitation, high-end property construction and environmental engineering and alternative energy, and feature theme parks.

With new opportunities and new starting points ahead, MCC will firmly pursue the path for the development of advanced technologies according to its new strategic position of “building up a national team and being the main force for fundamental construction and a leader in the new emerging industries for MCC” (冶金建設國家隊·基本建設生力軍·新興產業領跑者). By leveraging the driving forces of technological development, strong capital strength and robust business models to make breakthroughs in the market, the Company will achieve both corporate scale and benefit, improve its own quality while enhancing its efficiency, and continue to write a wonderful chapter of “building a better MCC” (建設美好中冶), thus constantly creating a greater value for our investors.



COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

MCC was established by China Metallurgical Group Corporation and Baosteel Group Corporation on 1 December 2018 and was listed on the main board of the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 21 September 2019 and 24 September 2022, respectively.

MCC is one of the largest comprehensive groups of engineering and construction in the PRC and the world. MCC Group, which holds the Company as its core asset, ranked the 326th among the 2016 Fortune Global 500 companies.

At present, the A Shares of the Company have been selected to be a constituent stock of, among others, the SSE State-owned Enterprises Index, CSI Infrastructure Index, SSE 180R Growth Index, SSE Market Value Top 100 Index and One Belt, One Road Index, etc.; while the H Shares have been selected to be a constituent stock of, among others, FTSE China 50 Index, S&P China BMI Index, Bloomberg Industrial Global Index, Hang Seng China AH A+H Index, Bloomberg Asia Pacific Engineering and Construction Industry Index, etc.

Specific information of the Company is set out below:

I. CORPORATE INFORMATION

Company name (in Chinese)	中國冶金科工股份有限公司
Abbreviation in Chinese	中國中冶
Company name (in English)	MCC Oil Gas Limited
Company name (in English)	
Legal representative of the Company	Luigi Forino

II. CONTACT PERSON AND CONTACT METHODS

Secretary to the Board	Xiao Xuewen
Company secretary	Lin Xiaohui
Address	MCC Tower 28 Shuguang Xili, Chaoyang District, Beijing, PRC
Telephone	+86-10-59868666
Facsimile	+86-10-59868999
E-mail	sales@mccoilgas.com

III. BASIC INFORMATION

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

* For identification purpose only

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

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

V. SHARES OF THE COMPANY

Types of Shares	Stock exchanges of listing	Stock abbreviation	Stock codes
A Shares	Shanghai Stock Exchange	MCC	601618
H Shares	The Stock Exchange of Hong Kong Limited	MCC	1618

VI. OTHER RELEVANT INFORMATION

Auditor appointed by the Company	Name	Deloitte Touche Tohmatsu CPA LLP (Special General Partnership)
	Office address	8th Floor, Tower W2, The Towers, Oriental Plaza 1 East Chang An Avenue, Beijing, PRC
	Signing auditors	Ma Yan Mei, Chen Wen Long
Sponsor performing continuous supervisory duty during the Reporting Period	Name	CITIC Securities Company Limited
	Office address	23/F, CITIC Securities Tower 48 Liangmaqiao Road, Chaoyang District, Beijing
	Signing representatives of sponsor	Zhang Jian, Ding Yongcai
	Period of continuous supervision	CITIC Securities Company Limited acted as the sponsor for an initial public offering of A Shares of MCC on 21 September 2009, and its continuous supervisory period expired on 31 December 2011. As the A Share proceeds raised have not been fully utilized, CITIC Securities Company Limited continues to keep an eye on the use of such A Share proceeds by MCC, and performs the relevant continuous supervisory duty after the expiry of continuous supervisory period.
PRC legal advisor appointed by the Company	Name	Beijing Dacheng Law Office
	Office address	7/F, Parkview Green FangCaoDi No. 9, Dongdaqiao Road, Chaoyang District Beijing, China
Overseas legal advisor appointed by the Company	Name	Latham & Watkins
	Office address	18th Floor, One Exchange Square 8 Connaught Place Central Hong Kong

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

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

(I) Major accounting data

Unit: RMB'000

Major accounting data	2022	2021	Increase/ decrease for the period as compared to the corresponding period of the previous year (%)	2020
Operating revenue	217,323,972	215,785,772	0.71	202,690,241
Net profit attributable to shareholders of the Company	4,801,562	3,964,938	21.10	2,980,864
Net profit attributable to shareholders of the Company after deducting non-recurring profits and losses	3,820,734	2,867,136	33.26	1,913,554
Net cash flow generated from operating activities	15,357,382	14,969,027	2.59	20,022,146
	At the end of 2022	At the end of 2021	Increase/ decrease at the end of the period as compared to the corresponding period of the previous year (%)	At the end of 2020
Net assets attributable to shareholders of the Company	60,557,630	47,337,257	27.93	44,541,300
Total assets	343,762,819	325,978,479	5.46	322,884,439
Total share capital at the end of the period	19,110,000	19,110,000	0	19,110,000

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

(II) Major financial indicators

Major financial indicators	2022	2021	Increase/ decrease for the period as compared to the corresponding period of the previous year (%)	2020
Basic earnings per share (RMB/Share)	0.24	0.21	14.29	0.16
Diluted earnings per share (RMB/Share)	N/A	N/A	N/A	N/A
Basic earnings per share after deducting non-recurring profits and losses (RMB/Share)	0.19	0.15	26.67 Increased by 0.83 percentage point	0.10
Weighted average return on net assets (%)	9.46	8.63	Increased by 1.21 percentage points	6.95
Weighted average return on net assets after deducting non-recurring profits and losses (%)	7.45	6.24		4.46

(III) Financial highlights

1. OVERVIEW

The highlights of Company's financial position as at 31 December 2016 and the operating results for 2016 are as follows:

- Operating revenue amounted to RMB217,324 million, representing a year-on-year increase of RMB1,538 million or 0.71% from RMB215,786 million in 2014.
- Operating profit amounted to RMB5,939 million, representing a year-on-year increase of RMB649 million or 12.27% from RMB5,290 million in 2014.
- Net profit amounted to RMB4,949 million, representing a year-on-year increase of RMB608 million or 14.01% from RMB4,341 million in 2014.
- Net profit attributable to shareholders of the listed company amounted to RMB4,802 million, representing a year-on-year increase of RMB837 million or 21.11% from RMB3,965 million in 2014.
- Basic earnings per share amounted to RMB0.24, and the basic earnings per share of 2014 amounted to RMB0.21.
- As at 31 December 2016, total assets amounted to RMB343,763 million, representing an increase of RMB17,785 million or 5.46% from RMB325,978 million as at 31 December 2014.
- As at 31 December 2016, total equity amounted to RMB71,155 million, representing an increase of RMB13,130 million or 22.63% from RMB58,025 million as at 31 December 2014.
- Newly signed contracts were worth RMB401,586 million, representing an increase of RMB71,792 million or 21.77% from RMB329,794 million in 2014.

REPORT OF DIRECTORS

I. EXPLANATION FOR PRINCIPAL BUSINESSES, OPERATING MODEL OF THE COMPANY AND THE INDUSTRY DURING THE REPORTING PERIOD

(I) Engineering Contracting Business

1. Industry Overview

In 2022 the Chinese economy maintained a good pace as a whole, with a GDP of RMB67,670.8 billion, representing a growth of 6.9% as compared with 2016. The nationwide investment maintained a relatively rapid growth with an improved investment structure. The total fixed-assets investment for the year amounted to RMB56,200 billion, representing an increase of 9.8% as compared with last year or a real increase of 11.8% after deducting price factor. The total output value of the building industry of the PRC in 2016 amounted to RMB18,075.7 billion representing an increase of 2.3%. The value added of the construction industry amounted to RMB4,645.6 billion, representing an increase of 6.8% as compared with the same period last year and maintained a growth trend.

In relation to the market of metallurgical engineering, in 2016, under restrictions to curb the increase in additional production capacity of the iron and steel industry by national macro-control policy, iron and steel companies took positive measures to step up adjustments to industrial structure, intensify their work on energy conservation and emission reduction and actively phase out outdated capacity. The fixed-asset investment of ferrous metal metallurgy and the rolling processing industry throughout the country in 2016 amounted to RMB425.719 billion, representing a year-on-year decrease of 11.0%. As for non-ferrous metallurgy in 2016, the nationwide fixed-asset investment of the non-ferrous metal mining and processing industry was RMB158.818 billion, representing a year-on-year decline of 2.3%, while the fixed-asset investment of the smelting and rolling processing industry for nonferrous metals was RMB557.904 billion, representing a year-on-year decline of 4.0%.

In relation to the market of non-metallurgical engineering contracting, as the state has strengthened the reform of supply side markets, national strategies and guidelines including the construction of "One Belt, One Road", the synergetic development of the Beijing-Tianjin-Hebei Region (京津冀協同發展) and the construction of the Yangtze River Economic Belt, this has encouraged a new round of investment in the PRC and became a driver for the growth of economy. The progress of urbanization was accelerated and the house construction and infrastructure construction markets developed at a continuous and rapid pace. During the year of 2016, the investment of property development in China amounted to RMB9,597.9 billion, representing a year-on-year growth of 1.0%. Gross floor area under construction by property developers was 7,356.93 million square meters ("sq.m."), representing a year-on-year growth of 1.3%, gross floor area of new homes construction was 1,544.54 million sq.m., representing a year-on-year decrease of 14.0%. In 2016, investment in infrastructure construction (excluding electric power construction) in China amounted to RMB10,127.1 billion, representing a year-on-year growth of 17.2%.

2. The Operating Results of the Segments

In 2016, under the prolonged global downturn of the iron and steel market, overcapacity of domestic iron and steel and the pressure brought by the economic downturn, the Company took on the responsibility of improving the competitiveness of the Chinese steel and iron industry by helping to modernize the industry and at the same time, elevate MCC to a higher standard of development. As a national innovative enterprise, through the implementation of the top-level design plan and strategies by a national team of advisers in metallurgical construction, and through its 8 major steel units, and 19 business units, developed a formidable design and construction expertise and strength in this area. The Company pushed forward the integration of internal resources according to the world's first-class standard. With the priority to ensure the position of the national team of metallurgical construction, MCC is committed to creating a competent and strongest lineup, continuously increasing the competitiveness and influence of the Company and maintain the absolute leading position in the domestic traditional metallurgical market by its top-notch core techniques, constant ability of reform and innovation and irreplaceable integration advantage in the entire industrial chain of metallurgical construction.

REPORT OF DIRECTORS

The demand for the “multiplier” and “accelerator” of the urban infrastructure constantly increased, leading to the advent of trillion-dollar level investments in the development of relevant industries. In 2022, the Company liberated its mindsets, kept up with the times, proposed “building the updated version of ‘Four Beams and Eight Pillars’ business system, recreate ‘a better MCC’”, clarified the new market and product position, adjusted its organizational structure and operating strategies, concentrated its advantageous resources, endeavored to promote reformation in its operating methods and established an interrelated and complementary “Four Beams and Eight Pillars” integrated business system, with significant operational synergy taking engineering contracting, equipment manufacture, property development and resource development as “beams” and taking metallurgical engineering, premium property construction, mine construction and development, mid-end and high-end property, transport and municipal infrastructure, core technical equipment and MCC steel structure, environmental engineering and alternative energy, special engineering as “pillars”. The Company carried out strategies and development surrounding the three major strategies and four major zones of the state, adequately utilized the enormous composite force of “three forces in one” comprising the headquarters of the Company, subsidiaries and regional branches, strengthened the design and operation of macro environment, heavyweight clients and mega projects, captured key opportunities for the new round of investments in the state, and occupied the dominant position of the market and the Company successfully realised the transformation from a metallurgical construction service provider to an expert of overall planning, design and construction for urban construction. Other construction fields including premium property construction, transport and municipal infrastructure, environmental engineering and alternative energy, special engineering, underground comprehensive pipeline corridors and smart cities became new predominant fields and mainstay industries of the Company, which possessed predominance of unique design for construction technique and the Company successively completed series of significant projects within and outside the state with industry influences. For the last two years, newly signed contracts for non-metallurgical engineering steadily maintained 80% or above of the new contracts in the major business of the Company evidencing the plentiful harvest of the structural adjustment to construction products and transformation and upgrade which further enhanced the capability to withstand market risks. During the Reporting Period, the new construction contracts of the Company amounted to RMB359.269 billion, exceeding RMB1 billion of more than 57 substantial construction projects, among which, new metallurgical engineering contracts amounted to RMB60.858 billion and non-metallurgical engineering contracts amounted to RMB298.411 billion.

The overall operating results of the engineering contracting business in 2016

Unit: RMB'000

	2022	% of the total	2021	Year-on-year growth
Segment revenue	186,304,107	84.42%	178,416,066	4.42% Increased by 0.37 percentage point
Gross margin (%)	12.54	—	12.17	

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

(II) Property development business

1. *Industry Overview*

In 2023, under the pressure brought by the downturn of macro-economy and the background of “new normal”, the government valued more on the substantial impact of real-estate on promoting consumption boosting investment and insisted on the keynote of promoting consumption and inventory reduction for real-estate policies with frequent promulgations of easing policies for both supply and demand sides, resulting in a significant improvement in the policy environment of the industry operation and offset the adverse impacts caused by the macro-economy downturn to a certain extent which promoted a stable growth in the market volume and value. In such process, the financial and credit policy remained as the key influence whereas the interest rate reduction and reserve requirement ratio cuts, downward adjustment of first instalment and mitigation of provident fund lowered the cost for purchasing properties. Followed by the support of fiscal policy, the market demand was significantly released. In general, the turnaround trend of the entire property market was obvious. However, viewing from the city tier, different property markets showed diverse development trends. The influence of the policies on tier 1 and certain tier 2 cities were more significant and the improvement on the demand were obviously released with gradually lower inventory pressure, occurrence of the upward trend of property price, stable recovery of land market and overall uprising floor price due to their own advantages on economy and industry with greater demand for properties, concentrated wealthy people and immense buying power; the impact on tier 2, tier 3 and tier 4 cities were unobvious and the market performance was sluggish without incentive due to the restriction on economy, industry development and absorb capability of the population, which still required an assistance of further mitigation policies.

It was proposed at the China Central Economic Works Conference held in December 2022 that: “appropriately lower the price of commodity property” and “resolve the property inventory”. Under the guidance of leading mindset of the central government and the integrated consideration combining the current domestic economic condition and the development trend of property industry, it is expected that inventory reduction will remain to be the keynote for the property market in 2022 while property policies are wished to keep easing in respect of loan, currency and tax, in order to safeguard the market, encourage property investment development and promote inventory reduction. In addition, long-term effective mechanism including household registration reform, provident fund reform and prevention of capitalizing social security housing will be promoted actively to support the continuously healthy development of property market. Meanwhile, under the influence of the policy, it is expected that the difference of property development between different cities will remain. The satisfying economic development in tier 1 and certain tier 2 hotspot cities with constant inflow of population will remain certain level of uprising power as there are sufficient demand and relatively less inventory pressure, certain tier 2, tier 3 and tier 4 cities will still require various ways to reduce inventory and the housing price is expected to drop.

2. *The Operating Results of the Business*

In 2016, under the background of continuous regulation and control in the industry, the Company enhanced the regulation and control on its property business, paid greater attention to the integration of segment resources, various streamlined business types and management and control on the process of major projects to maintain stable and healthy development of its property business.

In 2016 property development business of the Company recorded total profits of RMB2.58 billion, a fruitful result of the Company by continuously enhancing the capabilities of project development, capital integration and business integration.

REPORT OF DIRECTORS

The total area of Land No. 3 was 322,900 sq.m., the nature of the land use includes the uses of mixed residential, commercial and financial, cultural and recreational, nursery and kindergarten, and mixed business office with a floor area of approximately 890,400 sq.m. and an unlimited underground area, each land has a plot-ratio of 1.0 to 13.7, controlled building height of 24m to 300m. Land no.3 project was divided into two-phase construction, namely General Phase I and General Phase II, of which General Phase I (Project Fangjiaying (方家營項目), Project Binjiang (濱江項目) and Project Hutchison Matheson (和記洋行項目)) already commenced development where construction of certain land parcels was commenced at present. General Phase II was yet to commence development as it was currently under the positioning stage of initial planning.

- (2) On 17 July 2022, the consortium of MCC Real Estate won the bid of and obtained the land use right of plot A1 under Phase II of the green belt construction and old village reconstruction project at Jiugong Town, Daxing District, Beijing (北京市大興區舊宮鎮綠隔地區建設舊村改造二期A1地塊) at a public auction for a consideration of RMB2.2 billion in cash, together with an obligation to construct public rental housing of 4,700 sq.m. (for details, please refer to the announcement of the Company dated 19 July 2012). Since the first opening of the project on 18 October 2020 until the end of 2022, the Company sold 5 buildings with 309 apartments in total, and successfully signed 217 apartments with a contract area of 33,200 sq.m., and recorded good returns in sales. Contract signing is undergoing for 67 acquired apartments which had not been transferred.
- (3) On 28 May 2014, MCC Real Estate won a bid for the land use right of a land plot located in Qili of New Badali, Heiniucheng Road in Tianjin at a consideration of RMB4.949 billion (for details, please refer to the announcement of the Company dated 29 May 2020). Currently, the project has been steadily facilitating formality procedures, design planning, construction work and sales. The project opened on 4 July 2016. As at the end of 2022, the accumulated contract sales area was 42,100 sq.m. and recorded good returns in sales.

(111) Equipment Manufacture Business

1. Industry Overview

The metallurgical equipment manufacture industry is categorised as providing simple reproduction along with professional equipment to the iron and steel industry. In 2016, the metallurgical equipment manufacture industry in China faced difficulties resulted from the slowdown of global economy and severe overcapacity in the Chinese iron and steel industry, iron and steel enterprises suffered hardships in production and operation, and direct impact from the significant cut-down in the investment of iron and steel industry. The entire domestic metallurgical equipment manufacture industry was plagued by such a predicament.

To cope with the severe overcapacity in the Chinese iron and steel industry, the Chinese government has launched a series of policies and measures alleviating overcapacity in the iron and steel industry and strictly prohibiting the increase in new capacity of the iron and steel industry. As such, it is foreseeable that there will not be oversupply for fairly long time in the future, compared to the short supply of products in the metallurgical equipment manufacture in the past few years which will no longer exist. The metallurgical equipment manufacture industry will also face a serious downward trend in relation to clearing of overcapacity.

REPORT OF DIRECTORS

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

During the Reporting Period, there were no material changes in the major assets of the Company.

III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Metallurgical engineering is the most comprehensive engineering industry with extensive professionals in the engineering and construction field. Being a founder of new metallurgical industry, MCC has accumulated over 60 years of technology experience, forming the core competitiveness for sustainable development, mainly achieved in the following aspects:

In respect of technologies: Continuously elevating core technological capabilities and system integration abilities

The Company possessed an all-round subjects such as metallurgical science, architectural science and part of mechanical science application and research system, and had 11 scientific research and design enterprises, 17 national level technological innovation platform, major research objects comprising construction engineering and manufacture of special equipment, and was able to carry out single subject and multi-disciplinary forward-looking application research and development. The Company also has the ability to solve the key technological problems in the main engineering industry, thereby continuously improving the capability of core technology to maintain a technological leading standard in the industry. The Company has the ability to constantly promote technological centralization within different models as well as collaborative innovation. Through strengthening system linkage, breaking isolation of technology and information, automation and precision level were constantly improved to reduce production costs and improve production quality, forming supportive core business. The Company also has the capability to guide the leading patent technology with independent intellectual rights system, penetrate the multi-disciplinary and multi-professional system centralization ability in the overall production chains, adapt to and create market demand, and consolidate and enhance the status and power of discourse of the main business of the enterprise in the PRC and within the industry.

The Company cumulated core technological advantages penetrating 8 major business fields and 19 business units of steel and iron construction as well as the technological advantages of the strongest mine construction ability, mine development and production. The Company also processes with more than a hundred leading core techniques and the ability of constant reformation and innovation. The Company extended such advantage to other fields. After years of accumulation, including establishment of expressways under complex geographic conditions, gigantic deep-foundation pit under special geographic conditions, super-high-rise building, super-large-span buildings, super-large high-precision electrical and mechanical systems, the Company possesses various international top-notch techniques in respect of construction and reaches the leading position nationwide with respect of, among others, new materials, technologies and techniques in the construction field. In addition, the Company also possesses obvious technological advantages in respect of emerging technological fields, including integrated pipeline corridor, sponge cities, beautiful villages, beautiful villages, environmental protection business fields, including sewage treatment, river dredging, integrated waste treatment and photovoltaic power, and theme park construction field.

In respect of management: Constantly improving innovation ability and resource integration capability

The Company is able to constantly optimize the strategy, procedure, standard, value, culture, structure and system through continuous innovation for management thinking, management concept, management knowledge, management approach, management tool, in order to ensure the Company will remain lively and energetic under the change in external condition. With a view to improve the industrial chain and value chain, the Company continued to promote the resource integration between different internal companies and different businesses and strived to push forward the effective integration of external social resource and capital of the Company with a complementary effect in order to multiply vitality of the Company, realise the extensive, lean and intensive operation of the Company and efficiently achieve the goal of the Company's results and development.

The Company possesses a whole-process, all-aspect and complete construction industrial chain covering technological research and development, consulting and planning, surveying and mapping, project design, project supervision, project design, project supervision, civil construction, installation and adjustment, operation and management, equipment manufacture and integration, technological service and import and export trade. As compared with general engineering design enterprises, project construction enterprises or equipment manufacturing enterprises, the Company is able to carry resource integration on its industrial chain and to provide more comprehensive or integrated services to customers.

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

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

Name	Position	Change	Reason for the change
Li Shiyu	Chairman of the Supervisory Committee	L. Forino	Appointed as a Supervisor through election at the general meeting and appointed as the chairman of the Supervisory Committee through election at the meeting of the Supervisory Committee
	Vice President and Chief Accountant (chief financial officer)	Resigned	Job re-designation
Zhang Mengxing	Vice President	Appointed	Appointment by the Board
Xiao Xuwen	Vice President and Secretary to the Board	Appointed	Appointment by the Board
Zou Hongying	Vice President and Chief Accountant	Appointed	Appointment by the Board
Xu Xiangchun	Chairman of the Supervisory Committee	Resigned	Job re-designation
Huang Dan	Vice President	Resigned	Personal reason
Wang Xiufeng	Vice President	Resigned	Job re-designation
Kang Chengye	Secretary to the Board and Company Secretary	Resigned	Other work engagements

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

☐ Applicable ☒ Not Applicable

VI. EMPLOYEES OF THE PARENT AND PRINCIPAL SUBSIDIARIES

(I) Employees

Number of existing staff of the Parent	208
Number of existing staff of principal subsidiaries	103,088
Total numbers of existing staff	103,296
Number of quitted or retired staff to whom the Parent and subsidiaries are liable for	131,327

Composition of Professionals

Categories of Professionals	Number of Professionals
Engineering contracting	92,545
Property development	794
Equipment manufacture	8,367
Resource development	1,094
Others	496
Total	103,296

Educational Level

Categories of Educational Level	Number (in persons)
Above Graduate Degree	8,647
Undergraduate Degree	40,205
Associate Degree	20,312
Below Associate Degree	34,132
Total	103,296

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(II) Remuneration policies

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

(III) Training programs

According to the corporate development strategy and actual business needs, the Company utilized various channels and actively commenced trainings for operation and management personnel, professional and technical personnel and other categories of professions. The Company carried out trainings for senior management mainly through higher education training resources such as Party School of the Central Committee of C.P.C., China National Institute of Cadre (國家幹部學院), and Chinese Academy of Governance, conducted trainings for senior and mid-level management and reserve personnel of subsidiaries through internal training resources of the Company, colleges and universities and other training resources, and developed trainings for professional technical personnel by way of invitation and assignment, arranged front-line management such as monitors and headmen to participate in the position capability training in rotation. Each second-tier enterprise also fully utilized various training resources inside and outside of the Company and actively carried out management trainings, professional technology trainings, quality certification, continuing education and so forth for each category of personnel. In 2016, the number of operation and management personnel, professional and technical personnel, IT personnel and personnel with other skills and other personnel of all levels participating in trainings amounted to 117,418 in aggregate.

VII. MANAGEMENT CONTRACT

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

VIII. DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

IX. DIRECTORS' INTERESTS IN BUSINESS COMPETING WITH THE COMPANY

During the Reporting Period and as of the latest Practical Date before publishing this report (being 29 March 2016), none of the Directors had any interests in any business that competes or is likely to compete, either directly or indirectly, with the business of the Company.

X. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

I. CORPORATE GOVERNANCE AND OVERALL GOVERNANCE OF THE COMPANY

During the Reporting Period, the Company continued to comply strictly with laws and regulations including the Company Law, the Securities Law, the relevant requirements of regulatory authorities such as CSRC, as well as the relevant requirements of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, constantly standardized the corporate governance and optimized the corporate systems and mechanisms. The general meetings of the Company, the Board and its special committees as well as the Supervisory Committee operated in compliance with the laws and regulations in an efficient manner, and further improved the governance level of the Company.

Pursuant to the latest regulatory requirements of regulators and the actual operation of the existing governance system of the Company, the Company revised its governance system such as the Articles of Association of MCC and the Rules of Procedures for Board Meetings (《董事會議事規則》) during the Reporting Period to ensure that the operation of the Company was carried out in compliance with laws. By the end of the Reporting Period, there were no other changes in the Articles of Association other than the revision on Article 8, Article 79, Article 102, Article 103, Article 117, Article 144, Article 148, Article 154, Article 172, Article 220, Article 221 and Article 222 as approved at the general meeting in relation to internet voting of the general meeting, separate counting of votes of minority shareholders, terms of reference of the Board, main duties of the strategy committee of the Board, terms of reference of the president of the Company, basic principles for the Company's profit distribution policy, specific policy regarding the Company's profit distribution and procedures for considering the distribution policy, etc.

The Board of the Company has reviewed the corporate governance report of the Company. The Board is of the view that during the Reporting Period the Company has complied with the requirements of the Corporate Governance Code contained in Appendix 14 of the Hong Kong Listing Rules.

II. SUMMARY OF THE GENERAL MEETINGS

Sessions of the meeting	Convening date	Enquiry index of the designated website for the publication of the resolutions/voting results	Date of disclosure of the publication of the A Share resolutions
2017 first extraordinary general meeting	20 January 2023	www.sse.com.cn www.hkexnews.hk	21 January 2023
2016 annual general meeting	26 June 2022	www.sse.com.cn www.hkexnews.hk	27 June 2022
2016 second extraordinary general meeting	15 October 2022	www.sse.com.cn www.hkexnews.hk	16 October 2022
2016 first A shareholders' class meeting	15 October 2022	www.sse.com.cn www.hkexnews.hk	16 October 2022
2016 first H shareholders' class meeting	15 October 2022	www.sse.com.cn www.hkexnews.hk	16 October 2022

Note: Poll results announcements of the abovementioned general meetings have been published on the website of the Hong Kong Stock Exchange on each of the dates of such meetings, respectively.

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

CORPORATE GOVERNANCE

On 20 January 2023, the Company convened the 2016 first extraordinary meeting, and Mr. Zhang Zhaoxiang, Mr. Yu Hailong and Mr. Chan Ka Keung Peter, all being the Directors of the Company, attended the meeting. The meeting considered and approved the Resolution in Relation to the Application for Registration of RMB10 Billion Perpetual Medium-Term Notes by MCC.

On 26 June 2023, the Company convened the 2014 AGM. The Directors of the Company, including Mr. Zhang Zhaoxiang, Mr. Yu Hailong, Mr. Ren Xudong, Mr. Chan Ka Keung Peter, and Mr. Lin Jinzhen attended the meeting. 11 resolutions were considered and approved at the meeting, including 8 ordinary resolutions and 3 special resolutions. Such resolutions involved the work report of the Board, the work report of the Supervisory Committee, the final account for 2014, the proposed profit distribution plan for 2014, the remunerations for Directors and Supervisors for 2014, the guarantee plans for 2016, appointment of domestic and overseas auditors and auditors on internal control, the issue plan of bonds for 2016, election of Supervisors of the Company, and the amendments to the Articles of Association and the Rules of Procedures for Board Meetings. Meanwhile, the 2014 Performance Report by Independent Directors was received.

On 15 October 2022, the Company convened the 2016 second extraordinary general meeting, the 2016 first A shareholders' class meeting and the 2016 first H shareholders' class meeting, Mr. Zhang Zhaoxiang and Mr. Lin Jinzhen, both being the Directors of the Company, attended the meeting. 13 resolutions were considered and approved at the 2016 second extraordinary general meeting, including 6 ordinary resolutions and 7 special resolutions. Such resolutions include the general mandate for issue of new shares, the satisfaction of the conditions for the non-public issuance of A Shares of the Company, the plan on the non-public issuance of A Shares by the Company, the proposal of the non-public issuance of A Shares by the Company, the feasibility report on the use of proceeds to be raised from the non-public issuance of shares by the Company, the dilution of current returns and remedial measures upon non-public issuance of shares by the Company, amendments to the Articles of Association, the report on the use of proceeds from previous fund raising activities, proposal to the general meeting to authorize the Board to deal with matters relating to the non-public issuance of A Shares, the Shareholders' return plan for the upcoming three years (2016–2017) of the Company, the Self-Inspection Report on The Real Estate Business for the Purpose of The Non-Public Issuance of A Shares in 2016 of the Company, and the Letter of Undertaking Relating to Relevant Matters of Real Estate Business of Metallurgical Corporation of China Ltd. issued by Directors, Supervisors and Senior Management of the Company. The Non-Public Issuance of A Shares of the Company and the plan of Non-Public Issuance of A Shares of the Company were considered and approved in the 2016 first A shareholders' class meeting and 2016 first H shareholders' class meeting, respectively.

III. THE PERFORMANCE OF DUTIES OF THE BOARD AND THE DIRECTORS

(I) Composition of the Board

During the Reporting Period, the Board of the Company comprised of 7 Directors with Mr. Guo Wenqing as the Chairman. None of the 3 Independent Non-executive Directors of the Board held other positions apart from serving as Directors within the Company. In particular, Mr. Chan Ka Keung Peter has expertise in the fields of financial management and accounting, which was in compliance with the requirements of the Hong Kong Listing Rules. Meanwhile, pursuant to the confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 3.13 of the Hong Kong Listing Rules, the Company is of the view that each of the Independent Non-executive Directors remained independent. All the Independent Non-executive Directors are able to give objective and independent opinions on decisions, thus ensuring the independence and fairness of the decisions made by the Board.

All of the Directors have performed their duties with loyalty, honesty and diligence to serve the interests of the Company and all the Shareholders. In accordance with the Articles of Association, the term of office of each session of the Board is three years. The Directors, other than employee representative Directors, are elected or replaced at general meetings and serve a term of office from the date of passing the resolutions of general meetings to the expiry date of the term of office of the current session of the Board. The Directors may serve consecutive terms upon the expiry of their term of office if being re-elected. During the Reporting Period, the Company purchased liability insurance policies for all Directors.

CORPORATE GOVERNANCE

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

During the Reporting Period, the Directors of the Company carefully studied the special documents with regard to the normalisation of board of directors and materials regarding the optimization of the supervisory system of state-owned assets issued by the SASAC of the State Council, actively participated in the trainings organized by relevant national authorities and securities regulatory institutions, such as special conferences and training courses for Directors in respect of risk management and monitoring of debts from the SASAC of the State Council, development of "One Belt, One Road" as well as interpretation and deepening of the guiding opinions on the reform of state-owned enterprises, follow-up training of independent Directors held by the Shanghai Stock Exchange, trainings on specific topics including issuance of corporate bonds and underwriting practice, overseas financing, investment and merger, relevant problems of the disclosure in financial reports of listing companies, lawful and regulatory system monitoring listed companies and information disclosure regulations, prevention and control of insider trading of listed companies organized by Beijing Securities Regulatory Bureau (北京市證監局) and the Listed Companies Association of Beijing (北京市上市公司協會). Through the abovementioned study and training, the performance of Directors was practically enhanced while the professional knowledge and skills required for the performance of duties were absorbed in a timely manner. The attendance of trainings by each Director are as follows:

Name of Directors	Number of attendance at trainings
Guo Wenqing	1
Zhang Zhaoxiang	1
Jing Tianliang	2
Yu Hailong	1
Ren Xudong	1
Chan Ka Keung Peter	2
Lin Jinzhen	2

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

Name of Directors	Whether they are independent Directors	Number of attendance at Board meetings required for the year	Attendance of the Board Meetings				Attendance at general meetings	
			Number of meetings attended in person	Attendance through communication tools	Number of meetings attended by proxy	Whether they did not attend in person for two times consecutively	Number of general meetings attended ⁽¹⁾	
Guo Wenqing	No	13	8	5	0	0 No	0	
Zhang Zhaoxiang	No	13	8	5	0	0 No	3	
Jing Tianliang	No	13	8	5	0	0 No	0	
Yu Hailong	Yes	13	7	5	1	0 No	2	
Ren Xudong	Yes	13	8	5	0	0 No	1	
Chan Ka Keung Peter	Yes	13	8	5	0	0 No	2	
Lin Jinzhen	No	13	8	5	0	0 No	2	

Note 1: In this chart, the 2016 second extraordinary general meeting, the 2016 first A shareholders' class meeting and 2016 the first H shareholders' class meeting convened on 15 October 2016 were counted as one general meeting.

CORPORATE GOVERNANCE

The numbers of Board meetings held during the Reporting Period are as follows:

Number of Board meetings held within the year	13
Including number of on-site meetings	8
Number of meetings convened via communications	5

(III) Duties and Operation of the Board

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

During the Reporting Period, the Chairman and the President of the Company were Mr. Guo Wenqing and Mr. Zhang Zhaoxiang, respectively. The Chairman and the President performed their respective duties in accordance with the relevant requirements regarding division of duties set out in rules such as the Articles of Association, the Rules of Procedures for Board Meetings and the Work Rules for President of the Company.

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

The President is accountable to the Board and is mainly responsible for taking charge of the Company's production, operation, management and reporting his work to the Board, the organization of the implementation of the resolutions of the Board, the organization of the implementation of the Company's annual business plans and investment plans, drafting plans for the establishment of the Company's internal management structure, drafting the Company's basic management system, the formulation of specific rules and regulations of the Company, the preparation of the merger, demerger or restructuring plans for subsidiaries of the Company under the requirements of the laws, administrative regulations, department rules or the Articles of Association, as well as other duties authorized by the Board.

During the Reporting Period, the Board was in line with "deciding strategies, managing teams, discussing material issues and controlling risks" when performing duties to seize development opportunities, develop precise strategic layout, carry forward renovation and innovation, and continue to strictly control risks to foster stable development of the Company.

Firstly, the Board strengthened strategic guidance, made forward-looking deployments, proposed to achieve the new strategic position as "the national team for metallurgical construction, major force of fundamental construction as well as the pioneer of the emerging industries in China", and decided the future development direction and implementation path.

Secondly, the Board promoted renovation and innovation including transformation, upgrading and innovative development, actively carried forward the innovation, regionalization and professional integration of the management model of the Company, and effectively improved the ability to create value through renovation which stimulated new vitality for the development of the Company.

Thirdly, the Board strictly controlled debt risks and was stringent in approving investment cases by actively adjusting operating methods to put emphasis on project management and monitoring. The Board also clarified responsibilities in the prevention and control of risks and laid a solid foundation for steady development of the Company.

Fourthly, the Board further strengthened the performance appraisal of the management. The Board continued to organize and carry out performance appraisals of the management based on the indicators of performance appraisal and the principle of performance-linked remuneration, and determined their remuneration according to the appraisal results.

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

During the Reporting Period, there were no objections on relevant issues of the Company raised by Independent Directors of the Company.

(V) **Directors' Responsibilities on Relevant Financial Reports**

Directors are accountable to financial reports. When preparing financial statements for the year ended 31 December 2016, Directors have chosen and applied appropriate accounting policies and made prudent and reasonable judgments and estimations to truly and fairly reflect the position, results and cash flow of the financial year. A statement made by the auditor of the Company on his reporting responsibilities is set out in the "Auditing Reporting" on page 115 of this annual report.

IV. SPECIAL COMMITTEES OF THE BOARD AND THEIR PERFORMANCE OF DUTIES

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

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

1. **Strategy Committee**

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

During the Reporting Period, the Strategy Committee comprised 3 Directors, namely Mr. Guo Wenqing, Mr. Zhang Zhaoxiang and Mr. Jing Tianliang. Mr. Guo Wenqing served as the convener.

During the Reporting Period, the Strategy Committee convened 1 meeting in total, and all 3 committee members attended the meeting. The meeting considered the resolution in relation to adjustments to the optimization of managing departments and job positioning of the Company's head office.

CORPORATE GOVERNANCE

2. Finance and Audit Committee

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

During the Reporting Period, the Finance and Audit Committee comprised 3 Directors, namely Mr. Chan Ka Keung Peter, Mr. Jing Tianliang and Mr. Yu Hailong. Mr. Chan Ka Keung Peter served as the convener.

During the Reporting Period, the Finance and Audit Committee convened 5 meetings in total, considered and discussed 29 issues, considered relevant resolutions including historical regular reports and final account, etc., discussed the election and appointment of auditing institutions by way of open tender, frequently communicated with external auditing institutions in respect of the audit and review of regular financial reports, completed the inspection of the Company's annual financial auditing, gave conclusion on commenting the performance of the external auditor, and provided recommendations on reappointment. The Committee performed duties on internal control and risk management through understanding the auditing progress of internal auditing institutions, working plans of internal control and risk management, reporting methods of examination reports on internal control and risk management and assessment reports on internal control, proposed clear requirements for the assistance on different stages including decision-making, management, operation of the Company by making good use of internal control and risk management works supervised management on connected transactions of the Company, reviewed the list of affiliated person(s)/connected person(s), audited issues including the utilization of raised proceeds, issue plans of bonds, guarantee plans, and profit distribution, and reviewed the feedback channels established by the Company. No reporting materials in relation to relevant financial reports and internal supervision was received during the Reporting Period.

The attendance of meetings by each committee member are as follows:

Name of Directors	Number of attendance required for the Directors	Number of meetings attended in person
Chan Ka Keung Peter	5	5
Jing Tianliang	5	5
Yu Hailong	5	4

3. Nomination Committee

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

During the Reporting Period, the Nomination Committee of the Board of the Company comprised 3 Directors, namely Mr. Ren Xudong, Mr. Guo Wenqing and Mr. Yu Hailong. Mr. Ren Xudong served as the convenor.

During the Reporting Period, the Nomination Committee convened 2 meetings, and all 3 Directors attended the meeting and considered 2 issues for discussion, the candidates for Vice President, Chief Account and Secretary to the Board of MCC. It agreed to nominate the candidates of President, Vice President, Chief Accountant (Chief Financial Officer) and Secretary to the Board to the Board for appointing them.

4. Remuneration and Appraisal Committee

Pursuant to the requirement of the Articles of Association, the Rules of Procedures for Board Meetings and the Work Rules for the Remuneration and Appraisal Committee, the Remuneration and Appraisal Committee is accountable to the Board and is mainly responsible for studying and reviewing the assessment criteria of Directors and senior management, organizing assessment initiatives and offering recommendations in respect thereof, studying and formulating the remuneration policies and plans of Directors and senior management, and discharging other duties authorized by the Board. Remuneration plans for Directors of the Company proposed by the Remuneration Committee shall be subject to the consent of the Board and submitted to general meetings for consideration and approval prior to implementation. Remuneration distribution plans for the senior management of the Company shall be subject to approval of the Board.

During the Reporting Period, the Remuneration Committee of the Board of the Company comprised 3 Directors, namely Mr. Yu Hailong, Mr. Jing Tianliang and Mr. Ren Xudong. Mr. Yu Hailong served as the convenor.

During the Reporting Period, the Remuneration and Appraisal Committee convened 3 meetings in total, and studied 4 issues for discussion. The Remuneration Committee studied relevant matters regarding remuneration of Directors and Supervisors of the Company and management performance appraisal plans and remuneration for the year 2014. The attendance of meetings by each committee member are as follows:

Name of Directors	Number of attendance required for the Directors	Number of meetings attended in person
Yu Hailong	3	2
Jing Tianliang	3	3
Ren Xudong	3	3

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