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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 2022**

**PROPOSED APPROVAL OF THE PROPOSAL OF PROFIT DISTRIBUTION PLAN OF
THE COMPANY FOR THE YEAR 2022**

**PROPOSED APPROVAL OF THE PROPOSAL OF THE EMOLUMENTS OF
DIRECTORS AND SUPERVISORS OF THE COMPANY FOR THE YEAR 2022**

**PROPOSED APPROVAL OF THE PROPOSAL OF THE PLAN OF GUARANTEES TO BE PROVIDED BY
THE COMPANY FOR THE YEAR 2023**

**PROPOSED APPROVAL OF THE APPOINTMENT OF THE COMPANY'S AUDITOR AND
INTERNAL CONTROL AUDITOR FOR THE YEAR 2023**

**PROPOSED APPROVAL OF THE PROPOSAL OF
THE ADJUSTMENT OF 2023 ANNUAL CAP FOR
TRANSACTIONS UNDER THE FRAMEWORK AGREEMENT AND
THE ENTERING INTO OF THE NEW FRAMEWORK
AGREEMENT WITH CHINA MINMETALS AND THE SETTING OF 2024 ANNUAL CAPS**

**PROPOSED APPROVAL OF THE PROPOSAL OF THE CLOSURE OF PART OF THE COMPANY'S
A-SHARE FUND RAISING PROJECT AND THE USE OF THE SURPLUS PROCEEDS FOR
PERMANENT REPLENISHMENT OF LIQUIDITY**

**PROPOSED APPROVAL OF THE PROPOSAL OF THE AMENDMENTS TO
THE ARTICLES OF ASSOCIATION**

**PROPOSED APPROVAL OF THE PROPOSAL OF THE AMENDMENTS TO
THE RULES OF PROCEDURE FOR THE GENERAL MEETINGS
AND
PROPOSED APPROVAL OF
THE PROPOSAL OF THE AMENDMENTS TO
THE RULES OF PROCEDURE FOR THE BOARD MEETINGS**

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



A letter from the Board of Directors of the Company is set out on pages 1 to 63 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 Monday, 26 June 2023 at 2:00 p.m., is set out on pages 142 to 144 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 Wednesday, 21 June 2023.

25 May 2023

* For identification purposes only

CONTENTS

	<i>Page</i>
DEFINITIONS	ii
LETTER FROM THE BOARD	1
APPENDIX I – LETTER FROM THE INDEPENDENT BOARD COMMITTEE	64
APPENDIX II – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	66
APPENDIX III – PERFORMANCE REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS	93
APPENDIX IV – WORK REPORT OF THE BOARD	109
APPENDIX V – WORK REPORT OF THE SUPERVISORY COMMITTEE	133
APPENDIX VI – GENERAL INFORMATION	138
NOTICE OF THE 2022 ANNUAL GENERAL MEETING	142

DEFINITIONS

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 RMB 1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB;
“AGM”	the 2022 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 Monday, 26 June 2023 at 2:00 p.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;

DEFINITIONS

“controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company, including all executive, non-executive and independent non-executive directors;
“EPC”	Engineering, procurement and construction;
“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;
“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 RMB 1.00 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 cap for the transactions under the Framework Agreement in relation to engineering construction (income) 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);
“Independent Shareholder(s)”	has the meaning ascribed to it under the Listing Rules;

DEFINITIONS

“Latest Practicable Date”	22 May 2023, 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 10 May 2023;
“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 RMB 1.00 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.

LETTER FROM THE BOARD



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. Zhou Jichang (*Independent Non-executive Director*)
Mr. Lang Jia (*Non-executive Director*)
Mr. Liu Li (*Independent Non-executive Director*)
Mr. Ng, Kar Ling Johnny
(*Independent Non-executive Director*)
Mr. Yan Aizhong (*Non-executive Director*)

*Registered Office/Principal Place
of Business in the PRC:*

MCC Tower
No. 28 Shuguang Xili
Chaoyang District
Beijing, 100028
PRC

Principal Place of Business in Hong Kong:
Room 3205, 32/F
Office Tower Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

25 May 2023

To the Shareholders

Dear Sir or Madam,

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* For identification purposes only

LETTER FROM THE BOARD

The AGM will be held at MCC Tower, No. 28 Shuguang Xili, Chaoyang District, Beijing, 100028, the PRC, on Monday, 26 June 2023 at 2:00 p.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 2022

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 2022, which was audited by Ernst & Young Hua Ming LLP (Special General Partnership) (hereinafter referred to as “Ernst & Young”), and a standard unqualified audit report was issued.

The key indicators of the Company’s financial final accounts for the year 2022 are set out below:

(1) Revenue and profit

In 2022, the operating revenue increased by RMB 92.1 billion to RMB 592.7 billion, representing a year-on-year increase of 18.4%. Total profit increased by RMB 1.4 billion to RMB 15.4 billion, representing a year-on-year increase of 9.8%. Net profit increased by RMB 1.3 billion to RMB 12.9 billion, representing a year-on-year increase of 11.4%. Net profit attributable to the parent company increased by RMB 1.9 billion to RMB 10.3 billion, representing a year-on-year increase of 22.7%.

(2) Cash flows

In 2022, net cash inflow generated from operating activities amounted to RMB 18.2 billion, representing a year-on-year increase of inflow of RMB 0.5 billion. In 2022, net cash outflow generated from investing activities amounted to RMB 6.6 billion, representing a year-on-year decrease of outflow of RMB 6 billion. In 2022, net cash outflow generated from financing activities amounted to RMB 9.7 billion, representing a year-on-year decrease of outflow of RMB 6.6 billion.

(3) Assets and liabilities

As of the end of 2022, total assets of the Company increased by RMB 41.9 billion to RMB 585.4 billion, representing an increase of 7.7% over the end of previous year. Total liabilities increased by RMB 31.4 billion to RMB 423.5 billion, representing an increase of 8.0% over the end of previous year. Net assets increased by RMB 10.5 billion to RMB 161.9 billion, representing an increase of 6.9% over the end of previous year. Gearing ratio was 72.34%, representing an increase of 0.2 percentage point over the end of previous year.

For detailed financial data of the Company for the year ended 31 December 2022, please refer to the section headed “Financial Statements” in the 2022 annual report of the Company.

The proposal has been considered and approved at the 47th meeting of the third session of the Board, which is now proposed for consideration and approval at the AGM.

LETTER FROM THE BOARD

2. PROPOSED APPROVAL OF THE PROPOSAL OF PROFIT DISTRIBUTION PLAN OF THE COMPANY FOR THE YEAR 2022

According to the 2022 audited annual financial report of the Company, the net profit attributable to the Shareholders of the listed company in the audited consolidated statements of MCC for the year 2022 amounted to RMB 10,272.36 million, and the undistributed profit of the head office of MCC amounted to RMB 5,742.05 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 RMB 0.83 per 10 Shares (tax inclusive) that added up to a total amount of RMB 1,720.06 million, representing 29.96% of the distributable profit and 16.74% 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 RMB 4,021.99 million.

The proposal has been considered and approved at the 47th meeting of the third session of the Board, which is now proposed for consideration and approval at the AGM.

3. PROPOSED APPROVAL OF THE PROPOSAL OF THE EMOLUMENTS OF DIRECTORS AND SUPERVISORS OF THE COMPANY FOR THE YEAR 2022

According to the relevant requirements of the Articles of Association, the emoluments of the Directors and the Supervisors as of 31 December 2022 for the year 2022 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
Chen Jianguang	–	–	–	–
Zhang Mengxing	1,129,278.00	57,700.80	843,095.00	2,030,073.80
Zhou Jichang	294,000.00	–	–	294,000.00
Lang Jia	258,276.19	–	–	258,276.19
Liu Li	276,276.19	–	–	276,276.19
Ng, Kar Ling Johnny	291,000.00	–	–	291,000.00
Yan Aizhong	1,021,878.00	57,700.80	758,200.00	1,837,778.80
Guo Wenqing ⁽¹⁾	–	–	–	–
Yu Hailong ⁽²⁾	17,723.81	–	–	17,723.81
Sub-total of Directors	3,288,432.19	115,401.60	1,601,295.00	5,005,128.79

LETTER FROM THE BOARD

Name	Basic salaries, housing allowances and other allowances, in total	Pension scheme contributions (pension insurance borne by the Company)	Performance remuneration	Total annual remuneration
Yin Sisong	902,478.00	57,700.80	708,800.00	1,668,978.80
Zhang Yandi	146,988.00	18,061.44	239,460.00	404,509.44
Chu Zhiqi	400,288.00	57,700.80	482,990.00	940,978.80
Sub-total of Supervisors	<u>1,449,754.00</u>	<u>133,463.04</u>	<u>1,431,250.00</u>	<u>3,014,467.04</u>

Notes:

- (1) On 26 January 2022, the Board received the written resignation of Mr. Guo Wenqing. Mr. Guo resigned from the positions of an executive Director, the chairman of the Board and a special committee of the Board due to the needs of work.
- (2) On 26 January 2022, new independent Directors were elected at the first extraordinary general meeting of the Company in 2022, and Mr. Yu Hailong resigned from his position as an Independent Director and the members of the relevant special committees of the Board.

The proposal has been considered and approved at the 47th meeting of the third session of the Board, which is now proposed for consideration and approval at the AGM.

4. PROPOSED APPROVAL OF THE PROPOSAL OF THE PLAN OF GUARANTEES TO BE PROVIDED BY THE COMPANY FOR THE YEAR 2023

The Board proposed that the Company and its subsidiaries provide guarantees of up to RMB 10.00 billion (or its equivalent in foreign currency, same as below) in 2023 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 2023

The Company and its subsidiaries plan to provide guarantees of up to RMB 10.00 billion for the year 2023, representing 8.3% of the audited net assets of the Company attributable to the Shareholders of the listed company as at the end of 2022, which specifically include:

- (a) the guarantees intended to be provided by the head office of MCC for its subsidiaries amounting to not more than RMB 8.27 billion;
- (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 RMB 1.73 billion.

LETTER FROM THE BOARD

Guarantees under the above guarantee plan is guarantee as stipulated in the Civil Code 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 21 guaranteed companies are involved in this guarantee plan, including 6 second-tier subsidiaries and 15 third-tier or below subsidiaries.

B. The 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 2023 annual general meeting.

C. Authorization to approve specific guarantee business under the guarantee plan

The Board agreed that within the scope of 2023 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%.

For the approval of the specific guarantee business occurring within the guarantee plan coverage for the year 2023, it is agreed to propose to the general meeting of the Company to authorize the President's Office of the Company to approve the specific guarantee business and adjustment matters occurring within the scope of this guarantee plan for MCC and its subsidiaries.

The proposal has been considered and approved at the 47th 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 2023.

5. PROPOSED APPROVAL OF THE APPOINTMENT OF THE COMPANY'S AUDITOR AND INTERNAL CONTROL AUDITOR FOR THE YEAR 2023

The Board proposes to appoint Ernst & Young as the auditor and internal control auditor of the Company for the year 2023 and proposes to authorize the Board to determine its remuneration. The resolution was considered and approved at the 47th meeting of the third session of the Board of the Company and is submitted to the AGM for consideration and approval.

LETTER FROM THE BOARD

6. PROPOSED APPROVAL OF THE PROPOSAL OF THE ADJUSTMENT OF 2023 ANNUAL CAP FOR TRANSACTIONS UNDER THE FRAMEWORK AGREEMENT AND THE ENTERING INTO OF THE NEW FRAMEWORK AGREEMENT WITH CHINA MINMETALS AND THE SETTING OF 2024 ANNUAL CAPS

References are made to the announcements of the Company dated 29 March 2022, 5 May 2022, 25 May 2022 and 29 March 2023 and the circular of the Company dated 31 May 2022 in relation to, among other matters, the Framework Agreement entered into between the Company and China Minmetals on various types of connected transactions carried out between both parties in the ordinary and usual course of business, as well as the announcement of the Company dated 27 October 2022 in relation to the adjustment of annual caps for metallurgical and management services (expenditure) transactions under the Framework Agreement for the year ended 31 December 2022 and the year ending 31 December 2023, and the announcement of the Company dated 29 March 2023 in relation to, among other matters, the adjustment of annual caps for transactions under the Framework Agreement for the year ending 31 December 2023 and the entering into of the New Framework Agreement with China Minmetals.

A. The Proposal in Relation to the Adjustment of 2023 Annual Cap for Engineering Construction (Income) Transactions under the Framework Agreement

Background

In order to expand its business and take into account the related new projects that were successfully bid from China Minmetals, the Group will expand its trading scale with China Minmetals Group in 2023. As a result, the annual caps for transactions under the Framework Agreement for the year ending 31 December 2023 could not meet the business needs of the Group. Therefore, the Company plans to increase the existing annual cap for engineering construction (income) transactions under the Framework Agreement for the year ending 31 December 2023.

As of the Latest Practicable Date, the cumulative transaction amount of connected transactions under the Framework Agreement has not exceeded the existing annual cap for the year ending 31 December 2023.

Except for engineering construction (income) transactions, the annual caps for other transaction types under the Framework Agreement for the year ending 31 December 2023 remain unchanged.

LETTER FROM THE BOARD

Listing Rules Implications

China Minmetals, an indirect controlling Shareholder of the Company who indirectly holding 49.18% (10,190,955,300 Shares) of the Shares through CMGC, is a connected person of the Company. As such, all transaction types under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. China Minmetals will abstain from voting on the resolution in relation to the adjustment of 2023 annual cap for engineering construction (income) transactions under the Framework Agreement at AGM.

As one or more of the applicable percentage ratios of the adjusted 2023 annual cap for the engineering construction (income) transactions under the Listing Rules exceed 5% but are lower than 25%, such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Overview of Engineering Construction (Income) Transactions

Pursuant to the Framework Agreement entered into between the Company and China Minmetals on 25 May 2022, the Group and China Minmetals Group carried out various types of transactions, including sale and purchase of materials, engineering construction, asset financing services, production and maintenance, metallurgical and management services, property leasing and financial services. The signing of the Framework Agreement will not prejudice the rights of either party to choose transaction counterparties or conduct similar transactions with third parties.

Engineering construction (income) transactions under the Framework Agreement mainly involve that the Group, 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.

Historical Transaction Amounts and Existing Annual Cap and Adjusted Annual Cap for 2023

In respect of the engineering construction (income) transactions with China Minmetals Group for the two years ended 31 December 2021 and 2022, the amounts paid by China Minmetals Group to the Group were approximately RMB 943,145,000 and RMB 3,619,922,000, respectively. As at the Latest Practicable Date, the cumulative amount of engineering construction (income) transactions has not exceeded the existing annual cap for the year ending 31 December 2023. However, due to the reasons and benefits disclosed below, the Company expects that the existing annual cap for the year ending 31 December 2023 could

LETTER FROM THE BOARD

not meet the business needs of the Group. As a result, the Board passed a resolution on 29 March 2023 to adjust the relevant annual cap as follows:

Unit: RMB'000

	Existing annual cap for the year ending 31 December 2023	Adjusted annual cap for the year ending 31 December 2023
Engineering construction (income) transactions	11,923,370	13,447,080

The annual cap for 2023 for engineering construction (income) transactions is determined based on the annual business needs reported by each subsidiary (being approximately RMB 12.225 billion). In addition, the Company has added a 10% buffer on top of the expected total business demand in 2023 for engineering construction (income) transactions of the Group considering the unanticipated business needs that may arise during the business operation. In 2023, for engineering construction (income) transactions, the estimated total business demand for connected transactions reported by the subsidiaries is expected to increase to approximately RMB 12.225 billion. The increase in the annual business demands reported by the subsidiaries as compared to previous estimations was mainly because (i) project companies, which are associates of China Minmetals, had been awarded a number of newly bid-won projects and will enter into transactions with the Group to carry out these projects. It is estimated that these projects will generate transaction amount of approximately RMB 2.75 billion; and (ii) the expectation of an increase in business demand for engineering construction (income) transactions following the gradual improvement of global business environment as COVID-19 is no longer categorized as Class A infectious disease and business activities are expected to gradually resume to normal.

In addition, the Company has continued to develop its housing construction and infrastructure construction businesses, actively integrated and served the national development strategy deployment, and seized the window period of infrastructure business investment and construction. In 2022, the Company successfully won bids for a series of high-end housing construction projects. Since the end of 2022, the central and local governments had gradually relaxed the property regulation policies and stabilized market expectations. Therefore, Directors expect that business demand for engineering construction (income) transactions will increase in 2023.

Reasons for and Benefits for the Adjustment of Annual Cap

With the 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 of the Company expect that the scale for connected transactions with China Minmetals Group will continue to expand, so it is expected that

LETTER FROM THE BOARD

the transaction amount of connected transactions for 2023 for engineering construction (income) transactions may exceed the existing limit. The 2023 annual cap for engineering construction (income) transactions was determined based on the annual business demands for relevant connected transactions of the Group and with 10% buffer on top of the business demands. As at the Latest Practicable Date, the Group has won bids for projects amounting to approximately RMB 770 million, projects which signed specific agreements amounting to approximately RMB 6.289 billion, projects under construction amounting to approximately RMB 1.758 billion, and the remaining business demands amounting to approximately RMB 3.409 billion are projects currently being follow-up and are expected to be expanded. Based on the projects that the Group has won, the specific agreements that the Group has signed and projects that are expected to be expanded as at the Latest Practicable Date, the Directors expect that the total business demand in 2023 for engineering construction (income) transactions of the Group shall be approximately RMB 12.225 billion. Considering the unanticipated business needs that may arise during the business operation, the Company has added a 10% buffer on top of the expected total business demand in 2023 for engineering construction (income) transactions of the Group. As such, the annual cap for the year ending 31 December 2023 for engineering construction (income) transactions of the Group is proposed to be adjusted to approximately RMB 13,447.08 million. In addition, according to the 2022 annual report of the Company, the Company's operating income for 2022 was approximately RMB 592.7 billion, representing a year-on-year increase of 18.4%. As business gradually resumes to normal in 2023, the Directors expect that the Company's operating revenue will continue to increase in 2023. Subsequently, the income from engineering construction transactions is expected to be further increased.

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.

The Directors (excluding Mr. Chen Jianguang, Mr. Zhang Mengxing and Mr. Yan Aizhong (who abstained from voting on the relevant resolution as they are deemed to be interested in the Framework Agreement) consider that the transactions under the Framework Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and that the adjusted annual cap for engineering construction (income) transactions is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Mr. Chen Jianguang, Mr. Zhang Mengxing and Mr. Yan Aizhong, who hold positions in China Minmetals and/or CMGC, have abstained from voting on the resolution of the Board in relation to the adjustment of annual cap for engineering construction (income) transactions under the Framework Agreement.

LETTER FROM THE BOARD

B. The Proposal in Relation to the Entering Into of the New Framework Agreement With China Minmetals and the Setting of Annual Caps for 2024

Background

As the annual cap for each type of the transactions under the Framework Agreement will expire on 31 December 2023, on 29 March 2023, the Board approved the Company to enter into the New Framework Agreement with China Minmetals, so as to continue to carry out various types of transactions with China Minmetals Group. The New Framework Agreement was signed on 10 May 2023. The New Framework Agreement will be valid for a term of one year from 1 January 2024 to 31 December 2024, subject to the approval by the Independent Shareholders at the AGM. The type of connected transactions of metallurgical and management services under the Framework Agreement will be renamed as technological and management services under the New Framework Agreement.

Listing Rules Implications

China Minmetals, an indirect controlling Shareholder of the Company who indirectly holding 49.18% (10,190,955,300 Shares) of the Shares through CMGC, is a connected person of the Company. As such, transactions under the New Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. China Minmetals will abstain from voting on the proposal in relation to the entering into of the New Framework Agreement with China Minmetals and the setting of annual caps for 2024 at AGM.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps for the transactions of the sale and purchase of materials (income and expenditure) and engineering construction (income) under the New Framework Agreement exceed 5% but are lower than 25%, such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Major terms

Parties:

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

LETTER FROM THE BOARD

Transaction types:

Pursuant to the New Framework Agreement, the Group and China Minmetals Group will continue to conduct various types of transactions, including sale and purchase of materials, engineering construction, asset financing services, production and maintenance, technological and management services, property leasing and financial services. The signing of the New Framework Agreement will not prejudice the right of either party to select transaction counterparty(ies) or conduct similar transactions with third parties.

Details of the transactions in respect of sale and purchase of materials (income and expenditure) and engineering construction (income) 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 as a supplier, sell bulk materials (i.e. metal resource products including nickel, zinc, copper and lead) 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 and operation. The abovementioned suppliers of materials shall 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 Sale and Purchase of Materials (Income and Expenditure) and Engineering Construction (Income) 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

LETTER FROM THE BOARD

to the Group on terms which are less favourable than those offered to third parties. Details of the pricing principles for the transactions of sale and purchase of materials (income and expenditure) and engineering construction (income) 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, both 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. As far as the purchase of equipment used by both parties for general construction contracting and production and operation is concerned, the equipment purchased by the Company from China Minmetals Group includes but is not limited to vertical mills, scrapers, etc.. The equipment sold by the Company to China Minmetals Group includes but is not limited to loaders, crawler hydraulic excavators, coarse particle separators, etc..

The selling price of bulk materials (i.e. metal resource products including nickel, zinc, copper and lead) offered by the Company to China Minmetals Group will be determined by both 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). SMM (www.smm.cn) is a specialized information service platform for China's non-ferrous metals industry, with an average daily click-through rate exceeding 10 million, ranking among the world's leading non-ferrous metals websites with users from more than 130 countries and regions around the world according to the public information. The platform provides non-ferrous metals industry news, data, market conditions and other information, covering various fields of the non-ferrous metals industry, including copper, aluminum, zinc, nickel, lead and so on. Based on the above, the Directors consider SMM (www.smm.cn) to be a reliable source of price reference for bulk materials (i.e. metal resource products including nickel, zinc, copper and lead). The determination of the selling price of bulk raw materials shall be not lower than the average settlement price of the corresponding spot prices on reference platforms such as The London Metal Exchange and SMM (www.smm.cn) during the relevant month of the pricing period agreed in the contract. Both parties will specify the payment arrangement, as well as the standards relating to logistics transportation and product testing, in the specific purchase contract. Among them, the sales of resource products are negotiated by both parties based on the current prices of international bulk raw materials to determine the purchase contract, the payment schedule in the contract in accordance with international practice, as well as relevant standards such as logistics transportation and product testing.

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 bidding and tendering in China, the 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 the platform of bidding and tendering of government projects. Upon winning the bid, both parties will enter into a specific construction contract, in which the payment arrangement on the construction price will be specified. Specifically, both parties will make engineering payments in various methods according to the terms of the contract, including but not limited to progress payments based on engineering milestones or monthly completion progress. Projects requiring specialized expertise may be subcontracted to the relevant connected person by the Company by entering into a subcontracting contract, and the contract price will be determined based on an agreed price. The reasonable cost in the agreed price is calculated based on actual labor, material, and machinery expenses. Engineering payments will be made using various methods, including but not limited to progress payments based on engineering milestones or monthly completion progress.

Term

The New Framework Agreement will be valid for a term of one year from 1 January 2024 to 31 December 2024, subject to the approval by the Independent Shareholders at the AGM.

Historical Data

The historical amounts of transactions of sale and purchase of materials (income and expenditure) and engineering construction (income) between the Group and China Minmetals Group (including CMGC) for the two years ended 31 December 2022 and for the period from 1 January 2023 to 30 April 2023 are as follows:

Transaction type	For the year ended 31 December 2021		For the year ended 31 December 2022		For the period from 1 January 2023 to 30 April 2023	
	Amount incurred (RMB'000)	Utilization rate of existing annual cap (%)	Amount incurred (RMB'000)	Utilization rate of existing annual cap (%)	Amount incurred (RMB'000)	Utilization rate of existing annual cap (%)
Sale and purchase of materials						
Income	2,731,835	51.33	3,095,249	38.19	903,771	14.40
Expenditure	12,721,297	75.93	11,446,053	47.03	3,104,372	12.27
Engineering construction						
Income	943,145	5.12	3,619,922	19.20	1,394,455	11.70

LETTER FROM THE BOARD

Annual Caps

The Company estimates that the annual caps for transactions of sale and purchase of materials (income and expenditure) and engineering construction (income) under the New Framework Agreement for the year ending 31 December 2024 are as follows:

Unit: RMB'000

Transaction type	For the year ending 31 December 2024
Sale and purchase of materials	
Income	6,067,440
Expenditure	23,537,130
Engineering construction	
Income	14,290,870

The annual caps for the year ending 31 December 2024 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, will be selected through the public tender process. The historical number of tenders for China Minmetals Group's bidding projects submitted by the Group and the number and proportion of China Minmetals Group's bidding projects won by the Group for the two years ended 31 December 2022 and for the period from 1 January 2023 to 31 March 2023 are as follows:

Transaction type	For the year ended 31 December 2021			For the year ended 31 December 2022			For the period from 1 January 2023 to 31 March 2023		
	Number of tenders for China Minmetals bidding projects submitted by the Group	Number of projects won by the Group	Tender success rate (%)	Number of tenders for China Minmetals bidding projects submitted by the Group	Number of projects won by the Group	Tender success rate (%)	Number of tenders for China Minmetals bidding projects submitted by the Group	Number of projects won by the Group	Tender success rate (%)
Sale and purchase of materials									
Income	19	11	57.89	18	13	72.22	5	3	60.00
Engineering construction									
Income	85	64	75.29	92	57	61.96	13	9	69.23

LETTER FROM THE BOARD

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 2024, the Company has made reference to the existing and expected bidding projects of the Group and China Minmetals Group, assumed that the Group would win the bid for all bidding projects of China Minmetals Group, or China Minmetals Group would win all bidding projects of the Group that China Minmetals Group is eligible to participate, and taken into consideration the estimated amount of the bidding projects as the basis for determining the annual caps. As of the Latest Practicable Date, (i) the value of signed contracts for sale and purchase of materials (income) amounted to approximately RMB 59.64 million, the value of contracts under negotiation amounted to approximately RMB 820 million, the value for cooperation with confirmed intention amounted to approximately RMB 3,927 million, the value for projects which were being followed-up amounted to approximately RMB 689 million, the value of projects proposed to be developed amounted to approximately RMB 20 million, and the aggregate value after adding a 10% buffer amounted to approximately RMB 6,067 million; (ii) the value of signed contracts for sale and purchase of materials (expenditure) amounted to approximately RMB 10,725 million, the value of contracts under negotiation amounted to approximately RMB 80 million, the estimated amount based on the amount of sale and purchase of materials (expenditure) transactions executed in the previous years was approximately RMB 7,209 million, the estimated amount of purchase of materials from China Minmetals Group for 2024 was approximately RMB 2,156 million, the estimated demand of steel for 2024 was approximately RMB 1,228 million, and the aggregate value after adding a 10% buffer amounted to approximately RMB 23,537 million; (iii) the value of contracts of successful bids for engineering construction (income) amounted to approximately RMB 545 million, the value of signed contracts amounted to approximately RMB 6,318 million, the value of contracts under negotiation amounted to approximately RMB 380 million, the estimated amount of engineering construction transactions with China Minmetals Group for 2024 was approximately RMB 3,457 million, the value for projects which were being followed-up amounted to approximately RMB 2,139 million, the estimated value of projects to be signed based on the tenders submitted amounted to approximately RMB 154 million, and the aggregate value after adding a 10% buffer amounted to approximately RMB 14,290 million. In addition, as certain projects of the Group and China Minmetals Group relating to engineering construction (income) in previous years have not been carried out as scheduled and are expected to be delayed to the future, in estimating the annual cap for engineering construction (income) transactions for the year ending 31 December 2024, the Company has also taken these projects into consideration. The Company expects that as COVID-19 is no longer being categorized as Class A infectious disease, business activities are expected to gradually resume to normal. As such, it is expected that there will be an increase in demand for the Group's engineering contracting business in 2024.

LETTER FROM THE BOARD

According to the 2022 annual report of the Company, the Company's operating income for 2022 was approximately RMB 592.7 billion, representing a year-on-year increase of 18.4%. The Directors expect that the Company's operating revenue will continue to increase in 2023 and 2024. Subsequently, the demand for sale and purchase of materials (income and expenditure) and engineering construction transactions (expenditure) is expected to increase. Based on the above, the Directors consider the estimation of the annual caps for transactions of sale and purchase of materials (income and expenditure) and engineering construction (income) under the New Framework Agreement for the year ending 31 December 2024 is fair and reasonable.

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 purchase plan of the Group for each type of materials for the coming year, particularly the demand of construction projects (such as EPC and PPP projects) for steel and equipment, as well as the latest purchase and sale 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 2024. 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 2022. 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). Mysteel (www.mysteel.com) is a comprehensive website dedicated to providing information, trading and services for the steel industry, the information provided by Mysteel (www.mysteel.com) includes, but is not limited to, steel prices, market trends, market analysis, and supply and demand information. Mysteel (www.mysteel.com) is the first commodity data service provider in the PRC certified by IOSCO, a data cooperation platform for the Price Monitoring Centre of the National Development and Reform Commission, a typical statistical survey enterprise of the Ministry of Commerce, a big data strategic cooperation platform of the National Bureau of Statistics, a strategic cooperation department of the Development Research Center, a cooperation department of the Price and Cost Investigation Center of the National Development and Reform Commission, and the Shanghai Bulk Commodity Information Center. Based on the above, the Directors consider Mysteel (www.mysteel.com) to be a reliable source of reference for steel prices. 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.

LETTER FROM THE BOARD

In determining the annual caps for the transactions of engineering construction, the Company has mainly made reference to the investment plan and tendering plan formulated under the strategic development plan of China Minmetals Group and the expected building cost of such engineering projects for which the Group has won the bid or 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 caps 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 open 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 (the employees are independent of China Minmetals and its associates), together with the tender and procurement management center, will establish a tender evaluation committee. The total number of tender evaluation committee members shall be an odd number of 5 or more, and it shall generally be composed of personnel from the procurement demand department (not exceeding 1/3 of the total members) and experts selected from the Group's expert pool (not less than 2/3 of the total members). The Group's expert pool generally consists of (i) employees of the Group who have at least three years of relevant working experience in the relevant industry and (ii) external advisers who have at least five years of relevant working experience in the relevant industry. The tender evaluation committee will select the suppliers or service providers and determine the transaction prices with reference to, among others, the previous performance results, bidding prices and service quality of the bidders. If the bid winner is confirmed, the Group will issue a notice of bidding award to the relevant bid winner. The Group generally shall not cancel its qualification as the bid winner unless for the scenarios where the bid winner voluntarily withdraws from the bid, refuses to sign the contract, proposes additional conditions at the time of signing the contract and force majeure events. 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 published and updated 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.

LETTER FROM THE BOARD

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 so as to ensure that the price of transactions under the New Framework Agreement will be no less favourable to those available from independent third parties. If there were no references for a similar transaction between the Group and an independent third party, before such negotiation, both parties will first learn the price level of similar products or services in the market, and shall also analyze the cost of products or services and negotiate the prices based on the cost. In addition, the commercial value of the products or services could be evaluated to negotiate prices based on its commercial value. In any case, both parties will conduct sufficient communication and negotiation to determine a fair and reasonable price. After obtaining the reference price, 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 transactions 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. The legal affairs department of the Group adopts a unified review standard for contracts in relation to connected transaction and non-connected transaction, specifically reviewing contracts for feasibility of contract terms, sophistication of the terms of the contract, equality of contract rights, completeness of contractual procedures and whether risks arising from the contracts are undercontrol, while ensuring that pricing terms, payment methods, etc. are consistent with that of the New Framework Agreement.

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 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

LETTER FROM THE BOARD

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. 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.

The Directors (excluding Mr. Chen Jianguang, Mr. Zhang Mengxing and Mr. Yan Aizhong who abstained from voting on the relevant resolution as they are deemed to be interested in the New Framework Agreement) consider that the transactions under the New Framework Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and that the annual caps for the transactions under the New Framework Agreement are fair and reasonable.

Mr. Chen Jianguang, Mr. Zhang Mengxing and Mr. Yan Aizhong, who hold positions in China Minmetals and/or CMGC, have abstained from voting on the resolution of the Board approving the entering into of the New Framework Agreement.

C. *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.

LETTER FROM THE BOARD

D. Independent Board Committee and Independent Financial Adviser

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders in respect of the new annual cap for the transactions under the Framework Agreement in relation to engineering construction (income) 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 the relevant annual caps).

The Company has appointed Gram Capital Limited (a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) as the independent financial adviser which shall advise the Independent Board Committee and the Independent Shareholders in respect of the new annual cap for the transactions under the Framework Agreement in relation to engineering construction (income), 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 the relevant annual caps).

Therefore, your attention is drawn to the Letter from the Independent Board Committee on pages 64 to 65 of this circular, as well as the Letter from the Independent Financial Adviser on pages 66 to 92. Your attention is also drawn to the general information contained on pages 138 to 141 of this circular.

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

LETTER FROM THE BOARD

7. PROPOSED APPROVAL OF THE PROPOSAL OF THE CLOSURE OF PART OF THE COMPANY'S A-SHARE FUND RAISING PROJECT AND THE USE OF THE SURPLUS PROCEEDS FOR PERMANENT REPLENISHMENT OF LIQUIDITY

In order to improve the efficiency of the use of the funds raised and to activate the stock of idle funds in a reasonable manner, in accordance with the progress of the A-share IPO project and the relevant regulatory requirements for A-shares, the Board of Directors proposed to close the “National Steel Structure Engineering Technology Research Centre Innovation Base Project”, an investment project of the funds raised from the A-share IPO of the Company, and to permanently replenish the working capital with the surplus funds raised of approximately RMB 140 million (including interest).

The proposal was considered and approved at the 46th meeting of the third session of the Board, which is now proposed for consideration and approval at the AGM.

8. PROPOSED APPROVAL OF THE PROPOSAL OF THE AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Reference is made to the announcement of the Company dated 20 July 2022. Pursuant to the provisions and regulatory requirements of the Administrative Measures for the Formulation of the Articles of Association of State-owned Enterprises (《國有企業公司章程制定管理辦法》), the Guidelines on Articles of Association of Central State-owned Enterprises (for Trial Implementation) (《中央企業公司章程指引(試行)》), the Opinions on Strengthening Party Leadership by Central Enterprises in Improving Corporate Governance (《關於中央企業在完善公司治理中加強黨的領導的意見》), the Sample List of Matters for the Communist Party Committee (Party Groups) of Central State-owned Enterprises for Discussion of Major Operation and Management Issues in Advance (for Trial Implementation) (《中央企業黨委黨組前置研究討論重大經營管理事項清單示範文本(試行)》), the Guidelines on Articles of Association of Listed Companies (《上市公司章程指引》), the Rules Governing Shareholders' General Meetings of Listed Companies (《上市公司股東大會規則》) and the Shanghai Stock Exchange Self-Regulatory Supervision Guidelines for Listed Companies No. 1 – Standardized Operation (《上海證券交易所上市公司自律監管指引第1號—規範運作》) and other laws, regulations and regulatory documents and according to the actual operational and management needs of the Company, the Company proposes to amend the Articles of Association as follows:

LETTER FROM THE BOARD

Existing Articles	Articles after the Proposed Amendment
<p>Article 26 If the Directors, Supervisors and senior management members of the Company as well as the Shareholders holding more than 5% of the Company Shares sell the Company Shares they hold within six months after purchase or buy Company Shares within six months after the sale, the gains generated from such trade shall be disgorged and paid to the Company. The Board of Directors of the Company shall forfeit such gains from the abovementioned parties. Where the aforementioned restrictions on transfer involve H Shares, approval by Hong Kong Stock Exchange is required. Nevertheless, if a securities company holds more than 5% of the Company Shares by buying the remaining Shares pursuant to an underwriting arrangement, the six-month limitation for selling the said Shares shall not apply.</p> <p>Should the Board of Directors of the Company does not observe the provisions set forth in the preceding article, the Shareholders shall be entitled to require the Board to effect the same within 30 days. If the Board of Directors of the Company fails to do so within the aforesaid time limit, the Shareholders may directly initiate court proceedings in their own name for the interests of the Company.</p> <p>.....</p>	<p>Article 26 If the Directors, Supervisors and senior management members of the Company as well as the Shareholders holding more than 5% of the Company Shares sell the Company Shares they hold <u>or other equity securities</u> within six months after purchase or buy Company Shares within six months after the sale, the gains generated from such trade shall be disgorged and paid to the Company. The Board of Directors of the Company shall forfeit such gains from the abovementioned parties. Where the aforementioned restrictions on transfer involve H Shares, approval by Hong Kong Stock Exchange is required. Nevertheless, if a securities company holds more than 5% of the Company Shares by buying the remaining Shares pursuant to an underwriting arrangement, the six-month limitation for selling the said Shares shall not apply.</p> <p><u>The Shares or other equity securities held by Directors, Supervisors, senior management and individual Shareholders referred to in the preceding provisions include the Shares or other equity securities held by their spouses, parents, children and accounts of other people.</u></p> <p>Should the Board of Directors of the Company does not observe the provisions set forth in the <u>first paragraph</u>, the Shareholders shall be entitled to require the Board to effect the same within 30 days. If the Board of Directors of the Company fails to do so within the aforesaid time limit, the Shareholders may directly initiate court proceedings in their own name for the interests of the Company.</p> <p>.....</p>

LETTER FROM THE BOARD

<p>Article 42 The Company may keep overseas the register of holders of overseas listed foreign shares and entrust it to the care of an overseas agency in accordance with the understanding and agreement reached between the securities regulatory authority under the State Council and the overseas securities regulatory authority. The original of the H shareholders' register shall be kept in Hong Kong.</p> <p>The Company shall keep at its domicile a copy of the register of holders of overseas listed foreign shares; the entrusted overseas agency shall always ensure that the original and copies of the register of holders of overseas listed foreign shares are consistent.</p> <p>When there is a discrepancy between the original and copies of the register of holders of overseas listed foreign shares, the original shall prevail.</p>	<p>Article 42 The Company may keep overseas the register of holders of overseas listed foreign shares and entrust it to the care of an overseas agency in accordance with the understanding and agreement reached between the securities regulatory authority under the State Council and the overseas securities regulatory authority. The original of the H shareholders' register shall be kept in Hong Kong.</p> <p>The Company shall keep at its domicile a copy of the register of holders of overseas listed foreign shares; the entrusted overseas agency shall always ensure that the original and copies of the register of holders of overseas listed foreign shares are consistent.</p> <p>When there is a discrepancy between the original and copies of the register of holders of overseas listed foreign shares, the original shall prevail.</p> <p><u>Any register of Shareholders kept by the Company in Hong Kong shall be available for inspection by any Shareholder during business hours, except during the period when the registration of the Shares is suspended. The registration of the Shares of the Company may be suspended in a manner that complies with the Companies Ordinance.</u></p>
<p>Article 60 The controlling Shareholders or actual controllers of the Company shall not use their connected relationships to harm the interests of the Company. These persons shall be liable for the compensation of any losses of the Company, if any, caused by such violation.</p> <p>.....</p>	<p>Article 60 The controlling Shareholders or actual controllers of the Company shall not use their connected relationships to harm the interests of the Company. These persons shall be liable for the compensation of <u>any losses to the Company, if any, caused by such violation.</u></p> <p>.....</p>

LETTER FROM THE BOARD

<p>Article 62 The General Meeting performs the following authorities:</p> <p>.....</p> <p>(7) to make resolutions on the merger, separation, dissolution, liquidation or changes in the organizational structure of the Company;</p> <p>.....</p> <p>(9) to make resolutions on the appointment or dismissal of accounting firms by the Company;</p> <p>.....</p> <p>(14) to examine and approve the share incentive plan;</p> <p>.....</p>	<p>Article 62 The General Meeting performs the following authorities:</p> <p>.....</p> <p>(7) to make resolutions on the merger, <u>spin-off</u>, separation, dissolution, liquidation, <u>voluntary liquidation</u> or changes in the organizational structure of the Company;</p> <p>.....</p> <p>(9) to make resolutions on the appointment or dismissal of accounting firms <u>and the remuneration of the accounting firms</u> by the Company;</p> <p>.....</p> <p>(Newly added) <u>(12) to examine matters relating to connected transactions, financial assistance and external donations which require approval by the General Meeting;</u></p> <p>.....</p> <p>(15) to examine and approve the share incentive plan <u>and employee stock ownership plan;</u></p> <p>.....</p>
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LETTER FROM THE BOARD

<p>Article 63 The following guarantees conducts of the Company shall be reviewed and approved at the General Meeting:</p> <p>(1) any guarantee provided after the total amount of external guarantees of the Company and its controlled subsidiaries reaches or exceeds 50% of the latest audited net assets;</p> <p>(2) any guarantee provided by the Company after the total external guarantee reaches or exceeds 30% of the latest audited total assets value;</p> <p>.....</p>	<p>Article 63 The following guarantees conducts of the Company shall be reviewed and approved at the General Meeting:</p> <p>(1) any guarantee provided after the total amount of external guarantees of the Company and its controlled subsidiaries reaches or exceeds 50% of the latest audited net assets;</p> <p>(2) any guarantee provided by the Company after the total external guarantee reaches or 30% of the latest audited total assets value;</p> <p>(Newly added) <u>(3) any guarantee provided by the Company within one year exceeds 30% of the Company's latest audited total assets;</u></p> <p>.....</p> <p><u>The Company shall be entitled to hold the relevant persons accountable for any losses to the Company in the event of violation of requirements as to approval authority and procedure of providing external guarantees.</u></p>
<p>Article 65 General meetings shall be classified as annual general meetings and extraordinary general meetings. Annual general meetings shall be convened once a year within 6 months of the end of the previous fiscal year.</p>	<p>Article 65 General meetings shall be classified as annual general meetings and extraordinary general meetings. Annual general meetings shall be convened once a fiscal year within 6 months of the end of the previous fiscal year.</p>

LETTER FROM THE BOARD

<p>Article 72 If the Board of Supervisors or Shareholders decide to hold the General Meeting themselves, they shall notify the Board of Directors in writing and file the meeting at the local office of the CSRC in the place where the Company is based and at the stock exchange.</p> <p>The convening Shareholders shall hold at least 10% of the Company Shares before the resolution of the General Meeting is announced.</p> <p>When distributing the notice of the General Meeting and the announcement of the resolution made by the General Meeting, the convening Shareholders shall submit relevant evidences to the local office of the CSRC in the place where the Company is based and to the stock exchange.</p>	<p>Article 72 If the Board of Supervisors or Shareholders decide to hold the General Meeting themselves, they shall notify the Board of Directors in writing and file the meeting <u>notice with the stock exchange</u>.</p> <p>The convening Shareholders shall hold at least 10% of the Company Shares before the resolution of the General Meeting is announced.</p> <p>When distributing the notice of the General Meeting and the announcement of the resolution made by the General Meeting, the convening Shareholders shall submit relevant evidences to the <u>stock exchange</u>.</p>
<p>Article 76……</p> <p>Shareholders independently or collectively holding more than 3% of the Company Shares may come up with special proposals and submit them to the convener 15 business days before the General Meeting. The convener shall serve a supplementary notice on the General Meeting within 5 business days after receipt of such proposals and announce the contents of such special proposals.</p> <p>……</p>	<p>Article 76……</p> <p>Shareholders independently or collectively holding more than 3% of the Company Shares may come up with special proposals and submit them to the convener <u>10 days</u> before the General Meeting. The convener shall serve a supplementary notice on the General Meeting within <u>2 days</u> after receipt of such proposals and announce the contents of such special proposals.</p> <p>……</p>

LETTER FROM THE BOARD

<p>Article 77 Before holding an Annual General Meeting, the Company shall issue a prior written notice 20 business days before the meeting to the Shareholders registered in the list of Shareholders. Before holding an Extraordinary General Meeting, the Company shall issue a prior written notice 15 days or 10 business days (whichever is longer) before the meeting to the Shareholders registered in the list of Shareholders.</p>	<p>Article 77 Before holding an Annual General Meeting, the Company shall issue a prior written notice <u>21 days</u> before the meeting to the Shareholders registered in the list of Shareholders. Before holding an Extraordinary General Meeting, the Company shall issue a prior written notice <u>15 days</u> before the meeting to the Shareholders registered in the list of Shareholders.</p>
<p>Article 79 The notice of the General Meeting shall be made in writing, and shall contain the following information:</p> <p>.....</p> <p>If the General Meeting is to be convened through network or otherwise, the voting time and procedures through network or otherwise shall be clearly stated in the notice of the General Meeting. No voting at the General Meeting through network or otherwise shall commence earlier than 3:00 pm on the day preceding the date of an on-site General Meeting, and later than 9:30 am on the date of the on-site General Meeting, and shall end earlier than 3:00 pm on the date of conclusion of the on-site General Meeting.</p>	<p>Article 79 The notice of the General Meeting shall be made in writing, and shall contain the following information:</p> <p>.....</p> <p>(Newly added) (10) <u>the time and procedures of voting conducted through network or through other means.</u></p> <p>.....</p> <p><u>No voting at the General Meeting conducted through network or other means shall commence earlier than 3:00 pm on the day preceding the date of an on-site General Meeting, and later than 9:30 am on the date of the on-site General Meeting, and shall end earlier than 3:00 pm on the date of conclusion of the on-site General Meeting.</u></p>

LETTER FROM THE BOARD

<p>Article 84 All shareholders whose names appear on the register of members on the date of registration of equity entitlements shall be entitled to attend the general meeting and exercise their voting rights in accordance with relevant laws, regulations and the Articles of Association.</p> <p>.....</p>	<p>Article 84 All Shareholders whose names appear on the register of members on the date of registration of equity entitlements shall be entitled to attend <u>and speak at the General Meeting</u> and exercise their voting rights in accordance with relevant laws, regulations and the Articles of Association, <u>except where a Shareholder is required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited to abstain from voting to approve the matter under consideration.</u></p> <p>.....</p>
<p>If the aforesaid Shareholder happens to be a recognized settlement and clearing institution (or its agent), he/she may authorize one or more persons he/she deems fit to represent himself at any General Meeting or Class Meeting. However, if more than one person is authorized as such, the authorization shall specify the number and category of the Shares that are specifically relevant to the said representatives as a result of the authorization. The person authorized as such may exercise powers on behalf of the settlement and clearing institution (or its agent) as if he/she was one of the individual Shareholders of the Company. The settlement and clearing institution mentioned in this paragraph includes Hong Kong Exchanges and Clearing Limited.</p>	<p><u>If such Shareholder is a corporation, it may appoint a representative to attend and vote at any General Meeting. If the corporation does so, it should be regarded as attendance in-person.</u></p> <p>If the aforesaid Shareholder happens to be a recognized settlement and clearing institution (or its agent), he/she may authorize the <u>company representative or</u> one or more persons he/she deems fit to represent himself at any General Meeting or Class Meeting <u>or Creditors' Meeting, and such representatives shall have the same legal rights as other Shareholders, including the right to speak and vote;</u> however, if more than one person is authorized as such, the authorization shall specify the number and category of the Shares that are specifically relevant to the said representatives as a result of the authorization. The person authorized as such may exercise powers on behalf of the settlement and clearing institution (or its agent), <u>including the right to attend and speak,</u> as if he/she was one of the individual Shareholders of the Company. The settlement and clearing institution mentioned in this paragraph includes Hong Kong Exchanges and Clearing Limited.</p>

LETTER FROM THE BOARD

<p>Article 99 The convener shall ensure that the contents of the minutes are reliable, accurate and complete. The minutes shall be signed by the Directors, Supervisors, Secretary to the Board of Directors, the convener or his/her representative, and the chairperson. The minutes shall be kept together with the signature list of shareholders attending the on-site meeting, the proxy form and valid information concerning voting through internet and other methods for a term of at least ten (10) years.</p>	<p>Article 99 The convener shall ensure that the contents of the minutes are reliable, accurate and complete. The minutes shall be signed by the Directors, Supervisors, Secretary to the Board of Directors, the convener or his/her representative, and the chairperson. The minutes shall be kept together with the signature list of shareholders attending the on-site meeting, the proxy form and valid information concerning voting through internet and other methods for a permanent term.</p>
<p>Article 102 When voting at the General Meeting, the Shareholders (including proxies) shall exercise the voting rights according to the number of Shares with voting rights they represent, with each Share representing a voting right of one vote.</p> <p>The Company Shares held by the Company shall have no voting rights, and shall not be included in the total Shares with voting rights present at the General Meeting.</p> <p>The Board of Directors, Independent Directors and Shareholders who meet the relevant specified conditions may solicit the voting rights of Shareholders. The Company shall not impose any limitation related to minimum shareholdings on the collection of voting rights.</p> <p>.....</p>	<p>Article 102 When voting at the General Meeting, the Shareholders (including proxies) shall exercise the voting rights according to the number of Shares with voting rights they represent, with each Share representing a voting right of one vote.</p> <p>The Company Shares held by the Company shall have no voting rights, and shall not be included in the total Shares with voting rights present at the General Meeting.</p> <p>The Board of Directors, Independent Directors, <u>Shareholders holding more than 1% of the voting shares or investment protection institutions established in accordance with laws, administrative regulations or the provisions of the CSRC</u> may solicit the voting rights of Shareholders. <u>Except for statutory conditions</u>, the Company shall not impose any limitation related to minimum shareholdings on the collection of voting rights.</p> <p>.....</p>

LETTER FROM THE BOARD

<p>Article 105 Among the authorities exercised by the General Meeting specified under Article 62, those issues set forth under (1), (2), (3), (4), (5), (9), (11), (13) and (16) or issues other than those that shall be adopted through a special resolution according to the laws, regulations or these Articles of Association, shall be handled by the General Meeting through an ordinary resolution.</p>	<p>Article 105 Among the authorities exercised by the General Meeting specified under Article 62, those issues set forth under (1), (2), (3), (4), (5), (9), (11); (13) and (16) or issues other than those that shall be adopted through a special resolution according to the laws, regulations or these Articles of Association, shall be handled by the General Meeting through an ordinary resolution.</p>
<p>Article 106 Among the authorities exercised by the General Meeting specified under Article 62, those issues set forth under (6), (7), (8), (10), (12) and (14), or those issues that shall be adopted through a special resolution according to the laws, regulations or these Articles of Association or that the General Meeting considers will have a material impact on the Company through an ordinary resolution, shall be treated by the General Meeting through a special resolution. Those issues set forth under (15) shall be governed by the provisions hereto concerning ordinary resolution and special resolution according to the concrete contents of the proposal of the Shareholder.</p>	<p>Article 106 Among the authorities exercised by the General Meeting specified under Article 62, those issues set forth under (6), (7), (8), (10), (12), <u>(13)</u> and (14), or those issues that shall be adopted through a special resolution according to the laws, regulations or these Articles of Association or that the General Meeting considers will have a material impact on the Company through an ordinary resolution, shall be treated by the General Meeting through a special resolution. Those issues set forth under <u>(11) and</u> (15) shall be governed by the provisions hereto concerning ordinary resolution and special resolution according to the concrete contents of the proposal of the Shareholder.</p>
<p>Article 109 The Company shall provide modern information technology measures, including an online voting platform, through various means and methods, for the purpose of providing convenience to Shareholders attending the General Meeting, while ensuring the legality and validity of the General Meeting.</p>	<p>Deleted</p>
<p>Article 110……When the shareholding of the controlling shareholder exceeds 30%, the accumulative voting system shall be adopted to elect two or more Directors or Supervisors at the General Meeting.……</p>	<p>Article 109……When the shareholding of <u>a single Shareholder and the persons acting in concert with him/her/it</u> exceeds 30%, the accumulative voting system shall be adopted to elect two or more Directors or Supervisors at the General Meeting.……</p>

LETTER FROM THE BOARD

<p>Article 115 Before the general meeting votes on a motion, two shareholder representatives shall be elected to participate in the vote counting and vote scrutiny. When a shareholder has a material interest in a matter being considered, he or she and his or her proxies may not participate in the vote counting or vote scrutiny.</p> <p>.....</p>	<p>Article 114 Before the General Meeting votes on a motion, two Shareholder representatives shall be elected to participate in the vote counting and vote scrutiny. When a Shareholder is related to a matter being considered, he or she and his or her proxies may not participate in the vote counting or vote scrutiny.</p> <p>.....</p>
<p>None</p>	<p>(Newly added) Article 136 <u>The senior management of the Company shall faithfully perform their duties and safeguard the best interests of the Company and all Shareholders. The senior management of the Company shall be liable for compensation due to damages to the interests of the Company and public Shareholders in accordance with the law if they fail to faithfully perform their duties or breach their duty of good faith.</u></p>
<p>Article 142 The Company shall have a Board of Directors, which shall be accountable to the General Meeting.</p> <p>Article 143 The Board of Directors shall be composed of 5 to 11 Directors. The Board of Directors shall have 1 Chairman, and may have 1 Vice Chairman.</p>	<p>Article 142 The Company shall have a Board of Directors, which shall be accountable to the General Meeting. <u>The Board of Directors of the Company plays a decision-making role to formulate strategies, make decisions and prevent risks.</u></p> <p>The Board of Directors shall be composed of 5 to 11 Directors. The Board of Directors shall have 1 Chairman, and may have 1 Vice Chairman. <u>In principle, the number of external Directors shall exceed half of the number of members of the Board of Directors.</u></p> <p><u>The term “external Directors” as referred to in this Article refers to non-executive Directors who do not hold other positions in the Company except for the positions of Directors and members of special committees of the Board of Directors.</u></p>

LETTER FROM THE BOARD

<p>Article 144 The Board of Directors performs the following duties:</p> <p>(1) to convene the General Meeting and report its work to the General Meeting;</p> <p>(2) to implement the resolution of the General Meeting;</p> <p>(3) to decide on the business plans and investment plans of the Company;</p> <p>(4) to decide on the external investment, acquisition or disposal of assets, asset mortgage, consignment wealth management and connected transactions within the scope of the authorization of the General Meeting;</p> <p>.....</p> <p>(13) to appoint or dismiss senior management members such as the Vice President and the Person in-charge of Finance upon the nomination of the President, and decide their remunerations, incentives and punishments;</p> <p>.....</p>	<p>Article 144 The Board of Directors performs the following duties:</p> <p>(1) to convene the General Meeting and report its work to the General Meeting;</p> <p>(2) to implement the resolution of the General Meeting;</p> <p>(3) <u>to determine the strategic planning of the Company, and</u> to decide on the business plans and investment plans of the Company;</p> <p>(4) to decide on <u>major investment and financing projects</u>, acquisition or disposal of assets, asset mortgage, <u>financial assistance</u>, consignment wealth management, <u>external donations</u> and connected transactions within the scope of the authorization of the General Meeting;</p> <p>.....</p> <p>(13) to appoint or dismiss senior management members such as the Vice President and the Person in-charge of Finance upon the nomination of the President, <u>to arrange and implement assessments, and decide on matters relating to the assessment proposals, assessment results, remuneration distribution, incentives and punishments</u>;</p> <p>.....</p>
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LETTER FROM THE BOARD

<p>(26) to appoint or replace the Directors and Supervisors in the fully-owned subsidiaries who are not employee representatives, recommend candidates for Directors and Supervisors who are not employee representatives in the controlled subsidiaries or subsidiaries with equity participation, and recommend candidates for senior management members in the fully-owned or controlled subsidiaries;</p> <p>.....</p> <p>(29) conduct management of records of persons in charge of the functional departments of the Company headquarters;</p> <p>.....</p> <p>A resolution made by the Board of Directors over the aforesaid issues shall be voted and agreed upon by more than two-thirds of the Directors for items (7), (8), (9) and (15), voted and approved by more than two-thirds of the Directors present at the Board of Directors for item (21), and voted and approved by more than half of all Directors for other items.</p>	<p>(26) to appoint or replace the Directors and Supervisors in the fully-owned subsidiaries who are not employee representatives, recommend candidates for Directors and Supervisors who are not employee representatives in the controlled subsidiaries or subsidiaries with equity participation, and recommend candidates for senior management members in the fully-owned or controlled subsidiaries;</p> <p>.....</p> <p>(29) conduct management of records of persons in charge of the functional departments of the Company headquarters;</p> <p><u>(Newly added) (30) to decide on the Company's legal compliance management system, and conduct overall monitoring and assessment of the Company's legal compliance management system and its effectiveness;</u></p> <p><u>(Newly added) (31) to formulate major reform plans of the Company in accordance with the Articles of Association and the Rules of Procedure for the Board Meetings;</u></p> <p>.....</p> <p>A resolution made by the Board of Directors over the aforesaid issues shall be voted and agreed upon by more than two-thirds of the Directors for items (7), (8), (9) and (15), <u>financial assistance in item (4) and</u> voted and approved by more than two-thirds of the Directors present at the Board of Directors for item (21), and voted and approved by more than half of all Directors for other items.</p>
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LETTER FROM THE BOARD

<p>Article 145 The opinions of the Party Committee of the Company shall be heard before the Board decides on material issues of the Company.</p>	<p>Article 145 <u>Major business and management matters shall be studied and discussed by the Party Committee before the Board of Directors makes decisions based on its functions and powers and according to specified procedures.</u></p>
<p>Article 147 The Board of Directors established special committees to provide the Board of Directors with advice and recommendations on material decisions. The Board of Directors of the Company has the Strategy Committee, the Finance and Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee.</p> <p>Such committees are accountable to the Board and are all composed of members of the Board. In particular, in the Finance and Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee, Independent Directors shall represent a majority of committee members and serve as the conveners, ……</p>	<p>Article 147 The Board of Directors established special committees to provide the Board of Directors with advice and recommendations on material decisions. The Board of Directors of the Company has the Strategy Committee, the Finance and Audit Committee, <u>the Nomination Committee, the Remuneration and Appraisal Committee and the Sustainable Development Committee.</u></p> <p>Such committees are accountable to the Board and are all composed of members of the Board. In particular, in the Finance and Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee <u>and the Sustainable Development Committee</u>, Independent Directors shall represent a majority of committee members and serve as the conveners, ……</p>

LETTER FROM THE BOARD

None	<p>(Newly Added) Article 152 <u>The main duties of the Sustainable Development Committee of the Board of Directors are as follows:</u></p> <p>(1) <u>to provide recommendations to the Board of Directors about the objectives, strategies, plans and material decisions relating to sustainable development of the Company (including environment, social, and governance);</u></p> <p>(2) <u>to supervise the progress of implementation of strategies and plans for sustainable development of the Company;</u></p> <p>(3) <u>to supervise the Company’s commitments and performance on key issues such as climate change, protection of health and performance of social responsibilities and to provide recommendations to the Board of Directors;</u></p> <p>(4) <u>to focus on key information on sustainable development related to the business of the Company and study relevant sustainable development matters of the Company, and to provide recommendations to the Board of Directors;</u></p> <p>(5) <u>to consider the Environment, Social and Governance report (ESG report) of the Company or social responsibility report and to provide recommendations to the Board of Directors;</u></p>
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LETTER FROM THE BOARD

	<p>(6) <u>other duties exercisable by the Sustainable Development Committee specified or recommended by the listing rules of the place where the Company’s shares are listed (including but not limited to the duties recommended by the provisions in the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the listing rules of the HKEX);</u></p> <p>(7) <u>to guide the formulation of the legal system and compliance management system; to regularly receive compliance management briefings; to conduct regular inspections and evaluations on the compliance management system and its implementation;</u></p> <p>(8) <u>other responsibilities and duties assigned by the Board of Directors.</u></p>
<p>Article 159 A meeting of the Board of Directors shall not be held unless more than half of the Directors are in attendance.</p> <p>Each Director shall have one vote to cast on the resolutions of the Board. When the number of negative votes and affirmative votes are equal, the Chairman shall have the right to cast one more vote.</p>	<p>Article 160 A meeting of the Board of Directors shall not be held unless more than half of the Directors are in attendance.</p> <p><u>The Board of Directors implements a decision-making system of collective deliberation, independent voting and individual accountability.</u> Each Director shall have one vote to cast on the resolutions of the Board. When the number of negative votes and affirmative votes are equal, the Chairman shall have the right to cast one more vote.</p>

LETTER FROM THE BOARD

<p>Article 163 The Board of Directors shall record the decision made on the issue discussed at the meeting in the minutes, which shall be signed by the Directors present at the meeting, the Secretary to the Board of Directors, and the recording person.</p> <p>.....</p> <p>The minutes of the Board of Directors shall be kept in the documents of the Company for a period of at least 10 years.</p>	<p>Article 164 The Board of Directors shall record the decision made on the issue discussed at the meeting in the minutes, <u>which shall be signed by the Directors present at the meeting.</u></p> <p>.....</p> <p>The minutes of the Board of Directors shall be kept in the document of the Company for a <u>permanent term.</u></p>
<p>Article 170 The Company shall have a management team, which shall execute the resolutions of the Board of Directors under the leadership of the Board of Directors, and shall take charge of the daily operations and management of the Company. The management team shall be under the charge of the President.</p>	<p>Article 171 The Company shall have a management team, which shall execute the resolutions of the Board of Directors under the leadership of the Board of Directors, and shall take charge of the daily operations and management of the Company. <u>The management plays a key role to manage the operation, implement plans and enhance management. The Company signs contracts with members of management with tenures, conducts assessments as required, implements an appointment and removal system and pays remuneration.</u> The management team shall be under the charge of the President.</p>
<p>Article 172 A person holding any executive position other than director or supervisor in the controlling Shareholder of the Company shall not be appointed as a senior management member of the Company.</p>	<p>Article 173 A person holding any executive position other than director or supervisor in the controlling Shareholder of the Company shall not be appointed as a senior management member of the Company.</p> <p><u>The senior management of the Company shall receive wages from the Company instead of the Controlling Shareholders.</u></p>

LETTER FROM THE BOARD

<p>Article 173 The President shall be accountable to the Board of Directors and exercise the following authorities:</p> <p>.....</p>	<p>Article 174 The President shall be accountable to the Board of Directors and exercise the following authorities:</p> <p>.....</p> <p>(Newly added) <u>(14) to formulate the proposal for establishing a legal compliance management system of the Company, and arrange its implementation after approval by the Board of Directors;</u></p>
<p>Article 181 Supervisors shall guarantee the truth, accuracy and integrity of the information disclosed by the Company.</p>	<p>Article 182 Supervisors shall guarantee the truth, accuracy and integrity of the information disclosed by the Company, <u>and sign written confirmations for periodic reports.</u></p>
<p>Article 191.....The minutes of the Board of Supervisors shall be saved in the archives of the Company for a period of at least 10 years</p>	<p>Article 192.....The minutes of the Board of Supervisors <u>shall be kept as the archives of the Company for a permanent term.</u></p>
<p>Article 193 The Company shall establish an organization of the Communist Party of China in accordance with the Constitution of the Communist Party of China. The Party organization shall play the core leadership role and core political role, providing direction, managing the overall situation and ensuring implementation. The Company shall also establish the working organs of the Party, which shall be equipped with sufficient staff to deal with Party affairs and provided with sufficient funds to operate the Party organization.</p>	<p>Article 194 The Company shall establish an organization of the Communist Party of China in accordance with the Constitution of the Communist Party of China, <u>the Opinions on Strengthening Party Leadership by Central Enterprises in Improving Corporate Governance and relevant provisions. The Party Committee shall play the leadership role to steer the Company’s direction of development, manage the overall situation and promote the implementation of plans.</u> The Company shall also establish the working organs of the Party, which shall be equipped with sufficient staff to deal with Party affairs and provided with sufficient funds to operate the Party organization.</p>

LETTER FROM THE BOARD

Article 194 The Company shall establish the Party Committee. The number of secretary, deputy secretary and members shall be determined in accordance with the approval from the Party organizations of higher levels and they shall be elected or appointed pursuant to relevant requirements of the Constitution of the Communist Party of China and other regulations. Eligible members of the Party Committee may take seats in the Board of Directors, the Board of Supervisors and the senior management through legal procedures, while eligible members of the Board of Directors, the Board of Supervisors and the senior management may take seats in the Party Committee in accordance with relevant rules and procedures. Meanwhile, a discipline inspection committee shall be established in accordance with relevant requirements. The secretary of the discipline inspection committee may attend meetings of the Board of Directors and the special committees of the Board of Directors of the Company.

Article 195 The Company shall establish the Party Committee. The number of secretary, deputy secretary and members shall be determined in accordance with the approval from the Party organizations of higher levels and they shall be elected or appointed pursuant to relevant requirements of the Constitution of the Communist Party of China and other regulations. **The Company shall adhere to and improve the leadership system of “cross appointment”, and** eligible members of the Party Committee may take seats in the Board of Directors, the Board of Supervisors and the senior management through legal procedures, while eligible members of the Board of Directors, the Board of Supervisors and the senior management may take seats in the Party Committee in accordance with relevant rules and procedures. Meanwhile, a discipline inspection committee shall be established in accordance with relevant requirements. The secretary of the discipline inspection committee may attend meetings of the Board of Directors and the special committees of the Board of Directors of the Company.

LETTER FROM THE BOARD

Article 195 The Party Committee of the Company shall perform its duties pursuant to the Constitution of the Communist Party of China and other regulations of the Party.

- (I) To ensure and supervise the Company's implementation of policies and guidelines of the Party and the State, and implement major strategic decisions of the Central Committee of the Party and the State Council, as well as important work arrangements of the Party organizations of higher levels.
- (II) To adhere to the principle of the Party supervising the performance of officials while ensuring the lawful selection by the Board of Directors of the senior management and the lawful exercise of the power of the senior management in the employment of personnel. The Party Committee shall consider and provide comments and suggestions on the proposed candidates nominated by the Board of Directors or the general manager, or recommend candidates to the Board of Directors or the general manager; evaluate the proposed candidates in conjunction with the Board of Directors, collectively study and provide comments and suggestions.
- (III) To study and discuss the stability of reform and development of the Company, major 59 operational and management issues and major issues concerning employees' interests, and provide comments and suggestions.

Article 196 The Party Committee of the Company shall perform its duties pursuant to the Constitution of the Communist Party of China and other regulations of the Party.

- (I) To strengthen the political role of the Party in the Company, adhere to and implement the fundamental, basic and important systems of socialism with Chinese characteristics, and educate and guide all Party members to follow suit with the Central Committee of the Party with comrade Xi Jinping at the core in terms of political orientation, direction, principles and path;**
- (II) To thoroughly study and implement the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, learn to promote the Party's theories, adhere to the Party's values, principles and policies, supervise and ensure the implementation of major decisions and arrangements of the Central Committee of the Party and the resolutions of the Party organizations of higher levels in the Company;**
- (III) To study and discuss major business management matters of the Company and support the General Meeting, the Board of Directors, the Board of Supervisors (Supervisors) and the management in exercising their functions and powers in accordance with the laws. Major business management matters of the Company should be studied and discussed by the Party Committee before being decided by the Board of Directors in accordance with relevant regulations;**

LETTER FROM THE BOARD

<p>(IV) To undertake the main responsibility of comprehensive and strict Party management; to lead the Company's ideological and political work, the united front work, the spiritual civilization construction, the corporate culture cultivation as well as the work of groups such as the labor union and the Communist Youth League; to lead the construction of the Party's working style and its clean and honest administration, and support the discipline inspection committee in earnestly performing its supervisory responsibilities.</p> <p>(V) To handle other important matters within the scope of duties of the Party Committee.</p>	<p><u>(IV) To strengthen the management of and review the selection and employment of the Company's personnel, and build and cultivate the leadership, cadres and talents of the Company;</u></p> <p><u>(V) To fulfil the responsibilities of the Company for building a healthy culture, lead and support internal discipline inspection organizations to fulfill their duties of supervision, discipline and accountability, strictly implement political disciplines and rules, and penetrate all-round and strict administration of the Party into the grassroots level;</u></p> <p><u>(VI) To study and formulate major systems for party building work and plans for the establishment and adjustment of party organizations, strengthen the establishment of grass-roots Party organizations and Party members, unite and lead the employees to actively participate in the reform and development of the Company;</u></p> <p><u>(VII) To lead the ideological and political work, spiritual civilization and united front work of the Company, and lead mass organizations such as the labor union, the Communist Youth League and women's organizations of the Company;</u></p> <p>(VIII) To handle other important matters within the scope of duties of the Party Committee.</p>
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LETTER FROM THE BOARD

None	<p>(Newly Added) <u>Chapter 16 Democratic Staff Management and Labor and Personnel System</u></p> <p><u>Article 216 The Company shall, in accordance with the laws and regulations, improve the democratic management system with the employees' representatives conference as the basis, promote the transparency of factory and business operations, and grant the employees the rights to be informed, participate, express views and supervise the operation. Major decisions should be made after listening to the opinions of the employees, and major issues involving the vital interests of the employees must be considered by the employees' representatives conference or the employees' meeting. The employee representative director system should be adhered to and improved to safeguard the rights and interests of employees' representatives to participate in corporate governance in an orderly manner.</u></p> <p><u>Article 217 The employees of the Company shall organize a trade unions in accordance with the Trade Union Law of the People's Republic of China to carry out trade union activities and safeguard the legitimate rights and interests of the employees. The Company shall provide necessary conditions for the activities of the trade union.</u></p> <p><u>Article 218 The Company shall abide by relevant national laws and administrative regulations on labor protection and production safety, implement relevant national policies, and safeguard the legitimate rights and interests of workers. In accordance with the relevant national laws, administrative regulations and policies on labor and personnel, the labor, personnel and wage systems shall be formulated in light of the needs of production and operation.</u></p>
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LETTER FROM THE BOARD

	<p><u>Article 219 Establish and implement a market-oriented employment system with labor contract management as the key and post management as the basis, and implement systems such as open recruitment of employees, promotion of competent employees as managers, and demotion and firing of incompetent employees.</u></p> <p><u>Article 220 Establish a competitive remuneration distribution system for key and core talents to actively and orderly carry out medium-and long-term incentive work.</u></p>
<p>Article 218 The Company shall submit its annual financial report to the CSRC and the stock exchange within 4 months after the close of each accounting year; submit the interim financial report to the branch of the CSRC and the stock exchange within 2 months after the end of the first 6 months of each accounting year; and submit the quarterly financial reports to the branch of the CSRC and the stock exchange within 1 month after the end of the first 3 months and the first 9 months.</p>	<p>Article 224 The Company shall submit and disclose its annual report to the CSRC and the stock exchange within 4 months after the end of each accounting year; submit and disclose its interim report to the competent branch of the CSRC and the stock exchange within 2 months after the end of the first half of each accounting year.</p> <p><u>The above-mentioned annual report and interim report are prepared in accordance with relevant laws, administrative regulations and the provisions of the CSRC and the stock exchange.</u></p>
<p>Chapter 16 Financial and Accounting System and Profit Distribution</p> <p>Section 2 Internal Audit</p>	<p>Chapter 17 Financial and Accounting System, Profit Distribution, Audit and Counsel System</p> <p>Section 2 Internal Audit and General Counsel System</p> <p>(Newly Added) <u>Article 242 The legal representative is responsible for the compliance management of the Company to promote compliance management of the Company. By implementing the general counsel system, the Company has one general counsel to serve as a gatekeeper to supervise the Company's operation and management, to promote the Company's operation in accordance with the laws and facilitate the Company's compliance management.</u></p>

LETTER FROM THE BOARD

<p>Article 243 The notices of the Company shall be sent out in the following ways:</p> <p>.....</p> <p>Unless otherwise specified in the context, the term “announcement” under these Articles of Association means publishing an announcement in the Chinese newspapers which shall be specified by the laws and regulations of China or designated by the securities regulator of the State Council, if such announcement is sent to the domestic Shareholders or shall be published within the Chinese territory according to relevant provisions and these Articles of Association. If an announcement is sent to H Shareholders or shall be published in Hong Kong according to relevant provisions and these Articles of Association, such announcement must be published in Hong Kong newspapers as required by relevant listing rules. All the notices or other documents that the Company shall submit to the HKEX subject to Chapter 13 of the listing rules of the HKEX shall be written in English or affixed with the signed and certified English translations.</p>	<p>Article 250 The notices of the Company shall be sent out in the following ways:</p> <p>.....</p> <p>Unless otherwise specified in the context, the term “announcement” under these Articles of Association means publishing an announcement in the Chinese newspapers which shall be <u>a media outlet that meets the conditions prescribed by the CSRC</u>, if such announcement is sent to the domestic Shareholders or shall be published within the Chinese territory according to relevant provisions and these Articles of Association. If an announcement is sent to H Shareholders or shall be published in Hong Kong according to relevant provisions and these Articles of Association, such announcement must be published in Hong Kong newspapers as required by relevant listing rules. All the notices or other documents that the Company shall submit to the HKEX subject to Chapter 13 of the listing rules of the HKEX shall be written in English or affixed with the signed and certified English translations.</p>
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Note: Except for the above table, the serial numbers of other relevant provisions in the Articles of Association are adjusted accordingly.

Except for the above amendments, the contents of other articles remain unchanged.

The proposed amendments to the Articles of Association have been prepared in Chinese and the English version is therefore a translation only. In the event of any discrepancy between the English and Chinese versions of the Articles of Association, the Chinese version shall prevail.

The proposal has been considered and approved at the 40th meeting of the third session of the Board of the Company, which is now proposed for consideration and approval at the AGM.

LETTER FROM THE BOARD

9. PROPOSED APPROVAL OF THE PROPOSAL OF AMENDMENTS TO THE RULES OF PROCEDURE FOR THE GENERAL MEETINGS

Reference is made to the announcement of the Company dated 20 July 2022. Pursuant to the above amendments to the Articles of Association, the Company proposes to simultaneously amend the relevant articles of the Rules of Procedure for the General Meetings. Details of the proposed amendments to the Rules of Procedure for the General Meetings are as follows:

Articles of the Existing Rules of Procedure for the General Meetings	Articles after the Proposed Amendment
<p>Article 3 General meetings shall be classified as annual general meetings and extraordinary general meetings. Annual general meetings shall be convened once a year within 6 months of the end of the previous fiscal year.</p>	<p>Article 3 General meetings shall be classified as annual general meetings and extraordinary general meetings. Annual general meetings shall be convened once a fiscal year within 6 months of the end of the previous fiscal year.</p>
<p>Article 4 The General Meeting shall be an empowered authority of the Company, exercising the following authorities according to the laws.</p> <p>.....</p> <p>(7) to make resolutions on the merger, separation, dissolution, liquidation or changes in the organizational structure of the Company;</p> <p>.....</p> <p>(9) to make resolutions on the appointment or dismissal of accounting firms by the Company;</p> <p>.....</p>	<p>Article 4 The General Meeting shall be an empowered authority of the Company, exercising the following authorities according to the laws.</p> <p>.....</p> <p>(7) to make resolutions on the merger, spin-off, separation, dissolution, liquidation, voluntary liquidation or changes in the organizational structure of the Company;</p> <p>.....</p> <p>(9) to make resolutions on the appointment or dismissal of accounting firms and the remuneration of the accounting firms by the Company;</p> <p>.....</p> <p>(Newly added) (12) to examine matters relating to the connected transactions, financial assistance and external donations which require approval by the General Meeting;</p>

LETTER FROM THE BOARD

<p>(14) to examine the share incentive plan;</p> <p>.....</p>	<p>.....</p> <p>(15) to examine and approve the share incentive plan <u>and the employee stock ownership plan</u>;</p> <p>.....</p>
<p>Article 12 If the Board of Supervisors or Shareholders decide to hold the General Meeting themselves, they shall notify the Board of Directors in writing and file the meeting at the local office of the CSRC in the place where the Company is based and at the stock exchange.</p> <p>The convening Shareholders shall hold at least 10% of the Company Shares before the resolution of the General Meeting is announced.</p> <p>When distributing the notice and of the General Meeting and the announcement of the resolution made by the Board of Supervisors or the General Meeting, the convening Shareholders shall submit relevant evidences to the local office of the CSRC in the place where the Company is based and to the stock exchange.</p>	<p>Article 12 If the Board of Supervisors or Shareholders decide to hold the General Meeting themselves, they shall notify the Board of Directors in writing and file the meeting <u>notice with the stock exchange</u>.</p> <p>The convening Shareholders shall hold at least 10% of the Company Shares before the resolution of the General Meeting is announced.</p> <p>When distributing the notice and of the General Meeting and the announcement of the resolution made by the Board of Supervisors or the General Meeting, the convening Shareholders shall submit relevant evidences to <u>the stock exchange</u>.</p>
<p>Article 18 Shareholders independently or collectively holding more than 3% of the Company Shares may come up with special proposals and submit them to the convener 15 business days before the General Meeting. The convener shall serve a supplementary notice on the General Meeting within 5 business days after receipt of such proposals and announce the contents of such special proposals.</p>	<p>Article 18 Shareholders independently or collectively holding more than 3% of the Company Shares may come up with special proposals and submit them to the convener <u>10</u> days before the General Meeting. The convener shall serve a supplementary notice on the General Meeting within <u>2</u> days after receipt of such proposals and announce the contents of such special proposals.</p>

LETTER FROM THE BOARD

<p>Article 19 Before holding an Annual General Meeting, the Company shall issue a prior written notice 20 business days before the meeting to the Shareholders registered in the list of Shareholders. Before holding an Extraordinary General Meeting, the Company shall issue a prior written notice 15 days or 10 business days (whichever is longer) before the meeting to the Shareholders registered in the list of Shareholders. The Shareholders planning to attend the General Meeting shall give a written reply on their participation in the meeting to the Company within the period specified in the notice.</p>	<p>Article 19 Before holding an Annual General Meeting, the Company shall issue a prior written notice 21 days before the meeting to the Shareholders registered in the list of Shareholders. Before holding an Extraordinary General Meeting, the Company shall issue a prior written notice 15 days before the meeting to the Shareholders registered in the list of Shareholders. The Shareholders planning to attend the General Meeting shall give a written reply on their participation in the meeting to the Company within the period specified in the notice.</p>
<p>Article 21 The notice of the General Meeting shall be made in writing, and shall contain the following information:</p> <p>.....</p> <p>(10) name and phone number of the resident contact person for the meeting.</p>	<p>Article 21 The notice of the General Meeting shall be made in writing, and shall contain the following information:</p> <p>.....</p> <p>(Newly added) <u>(10) the time and procedures of voting conducted online or through other means;</u></p> <p>.....</p>
<p>Article 25 The Company shall hold the General Meeting in the address of the Company or such other place specifically notified by the convener of the General Meeting.</p> <p>The General Meeting will set the meeting venue and take place in the form of site meeting. The Company will also provide online or otherwise to facilitate the Shareholders’ participation in the General Meeting. When attending the General Meeting in the aforesaid manner, the Shareholders shall be considered as present at the General Meeting.</p>	<p>Article 25 The Company shall hold the General Meeting in the address of the Company or such other place specifically notified by the convener of the General Meeting.</p> <p>The General Meeting will set the meeting venue and take place in the form of site meeting. The Company will also provide online or otherwise to facilitate the Shareholders’ participation in the General Meeting. When attending the General Meeting in the aforesaid manner, the Shareholders shall be considered as present at the General Meeting.</p>
<p>Article 26 If the General Meeting is to be convened through network or otherwise, the voting time and procedures through network or otherwise shall be clearly stated in the notice of the General Meeting.</p> <p>No voting at the General Meeting through network or otherwise shall commence earlier than 3:00 pm on the day preceding the date of an on-site General Meeting, and later than 9:30 am on the date of the on-site General Meeting, and shall end earlier than 3:00 pm on the date of conclusion of the on-site General Meeting.</p>	<p>Article 26 <u>No voting at the General Meeting conducted online or through other means shall commence earlier than 3:00 pm on the day preceding the date of an on-site General Meeting, and later than 9:30 am on the date of the on-site General Meeting, and shall end earlier than 3:00 pm on the date of conclusion of the on-site General Meeting.</u></p>

LETTER FROM THE BOARD

Article 28 All shareholders whose names appear on the register of members on the date of registration of equity entitlements shall be entitled to attend the general meeting and exercise their voting rights in accordance with relevant laws, regulations, the listing rules of the listing place and the Articles of Association.

Any shareholder entitled to attend the general meeting and vote has the right to appoint one or several persons (who is not necessary to be a shareholder) as his shareholder agent to attend and vote on his/her behalf. A proxy is entitled to exercise the following rights pursuant to the appointment made by the appointing shareholder:

- (I) same right as the shareholder to speak at the general meeting;
- (II) requesting to vote by ballot separately or jointly with others;
- (III) to exercise voting rights in accordance with relevant laws and regulations and the Articles of Association.

Provided that when more than one Shareholder's agent is appointed, such Shareholder's agent can only exercise the voting right by voting.

Article 28 All shareholders whose names appear on the register of members on the date of registration of equity entitlements shall be entitled to attend **and speak at** the general meeting and exercise their voting rights in accordance with relevant laws, regulations, the listing rules of the listing place and the Articles of Association, **except where a shareholder is required by the listing rules of the HKEX to abstain from voting to approve the matter under consideration.**

Any shareholder entitled to attend the general meeting and vote has the right to appoint one or several persons (who is not necessary to be a shareholder) as his shareholder agent to attend and vote on his/her behalf. A proxy is entitled to exercise the following rights pursuant to the appointment made by the appointing shareholder:

- (I) same right as the shareholder to speak at the general meeting;
- (II) requesting to vote by ballot separately or jointly with others;
- (III) to exercise voting rights in accordance with relevant laws and regulations and the Articles of Association.

Provided that when more than one Shareholder's agent is appointed, such Shareholder's agent can only exercise the voting right by voting.

If such Shareholder is a corporation, it may appoint a representative to attend and vote at any General Meeting. If the corporation does so, it should be regarded as attendance in-person.

LETTER FROM THE BOARD

<p>If the aforesaid Shareholder happens to be a recognized settlement and clearing institution (or its agent), he/she may authorize one or more persons he/she deems fit to represent himself at any General Meeting or Class Meeting. However, if more than one person is authorized as such, the authorization shall specify the number and category of the Shares that are specifically relevant to the said representatives as a result of the authorization. The person authorized as such may exercise powers on behalf of the settlement and clearing institution (or its agent) as if he/she was one of the individual Shareholders of the Company. The settlement and clearing institution mentioned in this paragraph includes Hong Kong Exchanges and Clearing Limited.</p>	<p>If the aforesaid Shareholder happens to be a recognized settlement and clearing institution (or its agent), he/she may authorize <u>the company representative or</u> one or more persons he/she deems fit to represent himself at any General Meeting or Class Meeting <u>or Creditors' Meeting, and such representatives shall have the same legal rights as other Shareholders, including the right to speak and vote.</u> However, if more than one person is authorized as such, the authorization shall specify the number and category of the Shares that are specifically relevant to the said representatives as a result of the authorization. The person authorized as such may exercise powers on behalf of the settlement and clearing institution (or its agent), <u>including the right to attend and speak,</u> as if he/she was one of the individual Shareholders of the Company. The settlement and clearing institution mentioned in this paragraph includes Hong Kong Exchanges and Clearing Limited.</p>
<p>Article 42</p> <p>The Board of Directors, Independent Directors and Shareholders who meet the relevant specified conditions may solicit the voting rights of Shareholders. The Company shall not impose any limitation related to minimum shareholdings on the collection of voting rights</p> <p>.....</p>	<p>Article 42</p> <p>The Board of Directors, Independent Directors and <u>Shareholders holding more than 1% of the voting Shares or investment protection institutions established in accordance with laws, administrative regulations or the provisions of the CSRC</u> may solicit the voting rights of Shareholders. <u>Except for statutory conditions,</u> the Company shall not impose any limitation related to minimum shareholdings on the collection of voting rights.</p> <p>.....</p>

LETTER FROM THE BOARD

<p>Article 45 When the shareholding of the controlling shareholder exceeds 30%, the accumulative voting system shall be adopted to elect two or more Directors or Supervisors at the General Meeting.</p> <p>.....</p>	<p>Article 45 When the shareholding of <u>a single Shareholder and the persons acting in concert with him/her/it</u> exceeds 30%, the accumulative voting system shall be adopted to elect two or more Directors or Supervisors at the General Meeting.</p> <p>.....</p>
<p>Article 50 Shareholders present at the General Meeting shall express one of the following opinions on each proposal submitted for voting: affirmative, negative or abstain, unless securities registration and settlement institutions, as the nominal holders of Shares that can be traded through the Stock Connect Program between Mainland China and Hong Kong, make declarations according to the intention of actual holders.</p> <p>Subject to the provisions of Article 38, if a vote is not filled out, or filled out incorrectly, or is indecipherable, or not cast at all, the voter of such vote shall be deemed to have waived their voting right, the voting result for the Shares held by such voter shall be considered as “abstained”.</p>	<p>Article 50 Shareholders present at the General Meeting shall express one of the following opinions on each proposal submitted for voting: affirmative, negative or abstain, unless securities registration and settlement institutions, as the nominal holders of Shares that can be traded through the Stock Connect Program between Mainland China and Hong Kong, make declarations according to the intention of actual holders.</p> <p><u>If a vote is not filled up, or filled up incorrectly, or is illegible, or not cast at all, the voter of such vote shall be deemed to have waived his/her voting right, the voting result for the Shares held by such voter shall be considered as “abstained”.</u></p>
<p>Article 51 The General Meeting shall elect the Shareholder representatives to participate in the vote counting and supervising before the voting starts. If the proposal concerns the interests of relevant Shareholders, such Shareholders and their proxies shall not participate in the vote count and supervise.</p>	<p>Article 51 The General Meeting shall elect the Shareholder representatives to participate in the vote counting and supervising before the voting starts. If the proposal <u>is related to</u> relevant Shareholders, such Shareholders and their proxies shall not participate in the vote count and supervise.</p>
<p>Article 55</p> <p>The minutes shall be kept for a period of at least 10 years together with the book of signatures of the Shareholders attending the meeting on the site, the letter of attorney and the effective materials concerning the voting through the Web and other methods.</p>	<p>Article 55</p> <p>The minutes shall be kept <u>permanently</u> together with the book of signatures of the Shareholders attending the meeting on the site, the letter of attorney and the effective materials concerning the voting through the Web and other methods.</p>

LETTER FROM THE BOARD

<p>Article 65 Written notice of a Class Shareholders' meeting convened by the Company shall be dispatched with reference to the notice period for general meetings under Article 19 of these Rules of Procedure, to all Shareholders of such class whose names appear on the register of Shareholders, specifying the matters to be considered and the date and place of the meeting. Shareholders who intend to attend the meeting shall serve on the Company written replies of their intention to attend 20 days before the meeting.</p>	<p>Article 65 Written notice of a Class Shareholders' meeting convened by the Company shall be dispatched with reference to the notice period for general meetings under Article 19 of these Rules of Procedure, to all Shareholders of such class whose names appear on the register of Shareholders, specifying the matters to be considered and the date and place of the meeting. Shareholders who intend to attend the meeting shall serve on the Company written replies of their intention to attend <u>within the period specified in the notice.</u></p> <p>.....</p>
<p>Article 74 The announcement or notice mentioned in these Rules refers to the publication of relevant information disclosure contents on the newspapers designated by securities regulatory authorities. In case of long announcement or notice, the listed company may choose to make a summary disclosure of relevant contents on the newspapers designated by the securities regulatory authority, but the full text shall be published on the website designated by the securities regulatory authority at the same time.</p>	<p>Article 74 The announcement or notice mentioned in these Rules refers to the publication of relevant information disclosure contents on the newspapers designated by securities regulatory authorities, <u>and the relevant newspapers shall be a media outlet that meets the conditions prescribed by the CSRC.</u> In case of long announcement or notice, the listed company may choose to make a summary disclosure of relevant contents on the newspapers designated by the securities regulatory authority, but the full text shall be published on the website designated by the securities regulatory authority at the same time.</p>

Note: Except for the above table, the serial numbers of other relevant provisions in the Rules of Procedure for the General Meetings are adjusted accordingly.

Except for the above amendments, the contents of other articles remain unchanged.

The proposal has been considered and approved at the 40th meeting of the third session of the Board of the Company, which is now proposed for consideration and approval at the AGM.

LETTER FROM THE BOARD

10. PROPOSED APPROVAL OF THE PROPOSAL OF AMENDMENTS TO THE RULES OF PROCEDURE FOR THE BOARD MEETINGS

Reference is made to the announcement of the Company dated 20 July 2022. Pursuant to the above amendments to the Articles of Association, the Company proposes to simultaneously amend the relevant articles of the Rules of Procedure for the Board Meetings. Details of the proposed amendments to the Rules of Procedure for the Board Meetings are as follows:

Articles of the Existing Rules of Procedure for Board Meetings	Articles after the Proposed Amendment
<p>Article 3 The Board of Directors is a permanent establishment for operation and decision-marking of the Company, and shall be accountable to the shareholders' general meeting. The Board performs its duties in accordance with the provisions of the Company Law, the Articles of Association and other relevant laws, and shall report its work to the shareholders' general meeting.</p>	<p>Article 3 The Board of Directors is a permanent establishment for operation and decision-marking of the Company, and shall be accountable to the shareholders' general meeting. <u>The Board of Directors of the Company plays a decision-making role to formulate strategies, make decisions and prevent risks.</u> The Board performs its duties in accordance with the provisions of the Company Law, the Articles of Association and other relevant laws, and shall report its work to the shareholders' general meeting.</p>
<p>Article 4 The Board of Directors shall exercise the following functions and powers in accordance with the provisions of the Articles of Association:</p> <p>.....</p> <p>(3) to determine the operation plans and investment plans of the Company, specific annual operation target, investment, financing proposals other than issue of corporate bonds or other securities and listing;</p> <p>(4) to decide on the external investment, acquisition or disposal of assets, asset mortgage, consignment wealth management and connected transactions within the scope of the authorization of the General Meeting;</p> <p>.....</p>	<p>Article 4 The Board of Directors shall exercise the following functions and powers in accordance with the provisions of the Articles of Association:</p> <p>.....</p> <p>(3) <u>to determine the strategic planning of the Company, and</u> to determine the operation plans and investment plans of the Company, specific annual operation target, investment, financing proposals other than issue of corporate bonds or other securities and listing;</p> <p>(4) to decide on <u>major investment and financing projects</u>, acquisition or disposal of assets, asset mortgage, <u>financial assistance</u>, consignment wealth management, <u>external donations</u> and connected transactions within the scope of the authorization of the General Meeting;</p> <p>.....</p>

LETTER FROM THE BOARD

<p>(13) to appoint or dismiss senior management members such as the Vice President and the Person in-charge of Finance upon the nomination of the President, and decide their remunerations, incentives and punishments;</p> <p>.....</p> <p>(25) to determine the Company’s risk management and internal control systems, including risk assessment, financial controls, internal audit, and legal risk controls, and monitor the implementation thereof;</p> <p>(26) to appoint or replace directors and supervisors of wholly-owned subsidiaries of the Company who are not employee representatives, to recommend the candidates of directors and supervisors of the Company’s holding subsidiaries and participating subsidiaries who are not employee representatives, and to recommend the candidates of senior management of wholly-owned or holding subsidiaries;</p> <p>.....</p> <p>(30) to be responsible for the management of the dossiers of the persons-in-charge of functions department for the head office of the Company;</p>	<p>(13) to appoint or dismiss senior management members such as the Vice President and the Person in-charge of Finance upon the nomination of the President, <u>to arrange and implement assessments, and decide on matters relating to the assessment proposals, assessment results, remuneration distribution, rewards and penalties;</u></p> <p>.....</p> <p>(25) to determine the Company’s risk management and internal control systems, including risk assessment, financial controls, internal audit <u>and internal control assessment,</u> and legal risk controls, and monitor the implementation thereof;</p> <p>(26) to appoint or replace directors and supervisors of wholly-owned subsidiaries of the Company who are not employee representatives, to recommend the candidates of directors and supervisors of the Company’s holding subsidiaries and participating subsidiaries who are not employee representatives, and to recommend the candidates of senior management of wholly-owned or holding subsidiaries;</p> <p>.....</p> <p>(30) to be responsible for the management of the dossiers of the persons-in-charge of functions department for the head office of the Company.</p> <p>(Newly added) <u>(30) to decide on the Company’s legal compliance management system, and conduct overall monitoring and assessment of the Company’s legal compliance management system and its effectiveness;</u></p>
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LETTER FROM THE BOARD

<p>(31) to determine the annual extra costs and expenses at the Company;</p> <p>(32) Other powers or authority specified in applicable laws and regulations or the Articles of Association and authorized by the general meetings.</p> <p>In exercising the aforesaid powers and functions, the Board shall also comply with applicable domestic and over-seas laws and regulations and the listing rules of the stock exchange(s) where the shares of the Company were listed. The Board shall hear the opinions of the Party Committee before making decisions.</p>	<p>(Newly added) <u>(31) to formulate major reform plans of the Company in accordance with the Articles of Association and the Rules of Procedure for the Board Meetings;</u></p> <p>(32) Other powers or authority specified in applicable laws, administrative regulations, <u>departmental rules</u> or the Articles of Association and authorized by the general meeting of shareholders.</p> <p>In exercising the aforesaid powers and functions, the Board shall also comply with applicable domestic and over-seas laws and regulations and the listing rules of the stock exchange(s) where the shares of the Company were listed. <u>Major business and management matters shall be studied and discussed by the Party Committee before the Board of Directors makes decisions based on its functions and powers and according to specified procedures.</u></p>
<p>Article 9 The Board of Directors may within its terms of reference authorize the president (the specific authorization matters are set out in the appendix) and may from time to time check the scope of authorization for the president to meet the actual needs of the Company.</p> <p>The authority granted by the Board of Directors to the president shall not be exercised unless discussed and certified at the president’s work meeting.</p>	<p><u>Article 9</u> <u>The Board of Directors may delegate part of its powers and functions to the Chairman and the President in accordance with relevant regulations and according to the actual needs for the Company to make business decisions. For the matters to be decided on by the Chairman after the Board of Directors’ authorization, they shall be studied and discussed at special meetings presided over by the Chairman, and for the matters to be decided on by the President after the Board of Directors’ authorization, they shall be studied and discussed at special meetings presided over by the President. The specific matters under authorization of the Board of Directors are set out in the appendix to the Rules of Procedure.</u></p>

LETTER FROM THE BOARD

<p>Article 10 The chairman of the Board of Directors and the president shall responsively file the exercise of the authority with the Board of Directors. The Board of Directors may if necessary adjust the authorization matter and authority in accordance with Article 7 and Article 9. Where the laws and regulations have other provisions on matters to be considered and adjusted at general meetings, such provisions shall apply.</p>	<p>Article 10 The chairman of the Board of Directors and the president shall responsively file the exercise of the authority with the Board of Directors. <u>The Board of Directors may if necessary adjust the matters for authorization and authority.</u> Where the laws and regulations have other provisions on matters to be considered and adjusted at general meetings, such provisions shall apply.</p>
<p>Article 11 The Board shall be composed of 5 to 11 Directors. The Board shall have 1 Chairman and may have 1 Vice Chairman.</p>	<p>Article 11 The Board shall be composed of 5 to 11 Directors. The Board shall have <u>1</u> Chairman and may have <u>1</u> Vice Chairman. <u>In principle, the number of external Directors shall exceed half of the number of members of the Board of Directors.</u></p> <p><u>The term “external Directors” as referred to in this Article refers to non-executive Directors who do not hold other positions in the Company except for the positions of Directors and members of special committees of the Board of Directors.</u></p>
<p>Article 12 The directors shall be elected and replaced at general meetings for a term of three years and may be re-elected upon expiry of their term of office. The chairman and vice chairman of the Board of Directors shall be the directors of the Company, and elected and removed by a majority of all directors.</p>	<p>Article 12 The directors shall be elected and replaced at general meetings for a term of three years and may be re-elected upon expiry of their term of office. The chairman and vice chairman of the Board of Directors shall be the directors of the Company, <u>and elected and removed by a majority of all Directors.</u></p>
<p>Article 13 The Board of Directors shall have a Board office as a permanent working body of the Board. The secretary of the Board, securities affair representative, or the person-in-charge of the relevant department shall serve concurrently as the officer in charge of the Board office and keep the seals of the Board and the Board office.</p>	<p>Article 13 The <u>Company</u> shall have a Board office as a permanent working body of the Board <u>in charge of day-to-day duties including clerical, secretarial and research tasks, keeping the seals of the Board and the Board office, facilitating communication between the staff and providing services to Directors.</u></p>

LETTER FROM THE BOARD

<p>Article 14 The Board of the Company has the Strategy Committee, the Finance and Audit Committee, the Nomination Committee and the Remuneration Committee.</p> <p>.....</p>	<p>Article 14 The Board of the Company has the Strategy Committee, the Finance and Audit Committee, the Nomination Committee, the Remuneration Committee <u>and the Sustainable Development Committee.</u></p> <p>.....</p>
<p>Article 16 The main responsibilities of the Strategy Committee of the Board of Directors are:</p> <p>.....</p>	<p>Article 16 The Strategy Committee of the Board of Directors <u>shall be comprised of 3 to 5 Directors, the meeting of which shall be convened by the Chairman. The Director who concurrently serves as the president is a member of the Strategy Committee.</u></p> <p><u>The main responsibilities of the Strategy Committee of the Board of Directors</u> are:</p> <p>.....</p>
<p>Article 17 The majority of the Finance & Audit Committee of the Board of Directors shall be Independent Directors and the meeting of which shall be convened by Independent Directors. At least one Independent Director shall possess the appropriate professional qualification or expertise required by relevant supervision laws and administrations in the region where the shares of the Company are listed.</p> <p>Its main responsibilities are:</p> <p>.....</p>	<p>Article 17 The Finance & Audit Committee of the Board of Directors <u>shall be comprised of at least 3 non-executive Directors,</u> the majority <u>of which</u> shall be Independent Directors and the meeting of which shall be convened by Independent Directors. At least <u>1</u> Independent Director shall possess the appropriate professional qualification or expertise required by relevant supervision laws and administrations in the region where the shares of the Company are listed.</p> <p><u>The main responsibilities of the Finance & Audit Committee of the Board of Directors</u> are:</p> <p>.....</p>

LETTER FROM THE BOARD

<p>Article 18 The majority of the Nomination Committee of the Board of Directors shall be Independent Directors and the meeting of which shall be convened by Independent Directors.</p> <p>Its main responsibilities are:</p> <p>.....</p>	<p>Article 18 The Nomination Committee of the Board of Directors <u>shall be comprised of 3 to 5 Directors, the majority of which</u> shall be Independent Directors and the meeting of which shall be convened by Independent Directors.</p> <p><u>The main responsibilities of the Nomination Committee of the Board of Directors</u> are:</p> <p>.....</p>
<p>Article 19 The majority of the Remuneration and Appraisal Committee of the Board of Directors shall be Independent Directors and the meeting of which shall be convened by Independent Directors.</p> <p>Its main responsibilities are:</p> <p>.....</p>	<p>Article 19 The Remuneration and Appraisal Committee of the Board of Directors <u>shall be comprised of 3 to 5 Directors, the majority of which</u> shall be Independent Directors and the meeting of which shall be convened by Independent Directors.</p> <p><u>The main responsibilities of the Remuneration and Appraisal Committee of the Board of Directors</u> are:</p> <p>.....</p>

LETTER FROM THE BOARD

None	<p><u>(Newly added) Article 20 The Sustainable Development Committee of the Board of Directors consists of 3 to 5 Directors, and the Director who also serves as the president is a member of the Sustainable Development Committee.</u></p> <p><u>The main responsibilities of the Sustainable Development Committee of the Board of Directors are:</u></p> <p><u>(1) to provide recommendations to the Board of Directors about the objectives, strategies, plans and material decisions relating to sustainable development of the Company (including Environment, Social, and Governance);</u></p> <p><u>(2) to supervise the progress of implementation of strategies and plans for sustainable development of the Company;</u></p> <p><u>(3) to supervise the Company's performance of commitments on key issues such as climate change, protection of health and performance of social responsibilities and to provide recommendations to the Board of Directors;</u></p> <p><u>(4) to focus on key information on sustainable development related to the business of the Company and study relevant sustainable development matters of the Company, and to provide recommendations to the Board of Directors;</u></p>
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LETTER FROM THE BOARD

	<p>(5) <u>to consider the Environment, Social and Governance report (ESG report) of the Company or social responsibility report and to provide recommendations to the Board of Directors;</u></p> <p>(6) <u>other duties exercisable by the Sustainable Development Committee specified or recommended by the listing rules of the place where the Company's shares are listed (including the duties recommended by the provisions in the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the listing rules of the HKEX);</u></p> <p>(7) <u>to guide the formulation of the legal system and compliance management system; to regularly receive compliance management briefings; to conduct regular inspections and evaluations on the compliance management system and its implementation;</u></p> <p>(8) <u>other responsibilities and duties assigned by the Board of Directors.</u></p> <p><u>The detailed responsibilities of the Sustainable Development Committee of the Board of Directors and other relevant matters are stipulated in the Working Rules for the Sustainable Development Committee of the Board of Directors of the Metallurgical Corporation of China Ltd.</u></p>
<p>Article 38 After adequate discussion of each proposal, the presider shall submit it to voting by the attending directors.</p> <p>Each attendant shall cast one vote by open ballot.</p>	<p>Article 39 After adequate discussion of each proposal, the presider shall submit it to voting by the attending directors.</p> <p><u>The Board of Directors implements a decision-making system of collective deliberation, independent voting and individual accountability.</u></p> <p>Each attendant shall cast one vote by open ballot.</p>

LETTER FROM THE BOARD

<p>Article 44 Saved as specified in Article 48 of these Rules, adoption of or resolution on any proposal shall be subject to approval of more than half of all the directors of the Company. Where the relevant laws, administrative regulations and Articles of Association have any provisions on approval of more directors, such provisions shall apply.</p> <p>Any resolution made by the Board on any guarantee within its scope of authority in accordance with Articles of Association shall be subject to the approval of more than half of all the directors of the Company and more than two thirds of the attending directors. Where the listing rules at the location where the shares of the Company are listed have special requirements for disclosure of guarantee related matters, such requirements shall apply.</p> <p>If different resolutions conflict with each other in contents and meanings, the resolutions formed later in time shall prevail.</p>	<p>Article 45 Saved as specified in Article 47 of these Rules, adoption of or resolution on any proposal shall be subject to approval of more than half of all the directors of the Company. Where the relevant laws, administrative regulations and Articles of Association have any provisions on approval of more directors, such provisions shall apply.</p> <p>Any resolution made by the Board on financial assistance and any guarantee within its scope of authority in accordance with Articles of Association shall be subject to the approval of more than half of all the directors of the Company and more than two thirds of the attending directors. Where the listing rules at the location where the shares of the Company are listed have special requirements for disclosure of guarantee related matters, such requirements shall apply.</p> <p>If different resolutions conflict with each other in contents and meanings, the resolutions formed later in time shall prevail.</p>
<p>Article 50 The Secretary to the Board of Directors shall arrange Board office staff to record the minutes of the Board meeting, which shall be signed by the Directors present at the meeting, the Secretary to the Board of Directors, and the recording person.</p>	<p>Article 51 The Secretary to the Board of Directors shall arrange Board office staff to record the minutes of the Board meeting, <u>which shall be signed by the Directors present at the meeting.</u></p> <p>.....</p>
<p>Article 56.....</p> <p>The archives of the Board of Directors shall be kept for a period of at least 10 years.</p>	<p>Article 57.....</p> <p>The archives of the Board of Directors shall be kept for a <u>permanent term.</u></p>

Note: Except for the above table, the serial numbers of other relevant provisions in the Rules of Procedure for the Board Meetings are adjusted accordingly.

Except for the above amendments, the contents of other articles remain unchanged.

The proposal has been considered and approved at the 40th meeting of the third session of the Board of the Company, which is now proposed for consideration and approval at the AGM.

LETTER FROM THE BOARD

11. 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 2022" (see Appendix IV)
- (2) the proposal in relation to the "Work Report of the Supervisory Committee of MCC for the Year 2022" (see Appendix V)
- (3) the proposal in relation to the report on final accounts of the Company for the year 2022 (as set out in the 2022 annual report of the Company)
- (4) the proposal in relation to the profit distribution plan of the Company for the year 2022
- (5) the proposal in relation to the emoluments of Directors and Supervisors of the Company for the year 2022
- (6) the proposal in relation to the plan of guarantees to be provided by the Company for the year 2023
- (7) the proposal in relation to the appointment of the Company's auditor and internal control auditor for the year 2023
- (8) the proposal in relation to the adjustment of 2023 annual cap for transactions under the Framework Agreement and the entering into of the New Framework Agreement with China Minmetals and the setting of 2024 annual caps
 - (i) the proposal in relation to the Company's adjustment of annual cap for 2023 for engineering construction (income) transactions under the Framework Agreement

LETTER FROM THE BOARD

- (ii) the proposal in relation to the entering into of the New Framework Agreement with China Minmetals and the setting of 2024 annual caps
- (9) the proposal in relation to the closure of part of the Company's A-share fund raising project and the use of the surplus proceeds for permanent replenishment of liquidity
- (10) the proposal in relation to the amendments to the Articles of Association
- (11) the proposal in relation to the amendments to the Rules of Procedure for the General Meetings of the Company
- (12) the proposal in relation to the amendments to the Rules of Procedure for the Board Meetings of the Company

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 Monday, 19 June 2023 to Monday, 26 June 2023 (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 Friday, 16 June 2023 for registration. Details of the AGM are set out in the notice dated 25 May 2023.

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 Wednesday, 21 June 2023 by hand, by post or by fax (Fax: (852) 2865 0990).

LETTER FROM THE BOARD

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) and the website of the Hong Kong Stock Exchange (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 engineering construction (income) under the Framework 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 Adviser to advise the Independent Board Committee and the Independent Shareholders on the same. The full text of the letter from the Independent Financial Adviser is set out on pages 66 to 92 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 cap for the engineering construction (income) under the Framework Agreement, (ii) 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 revision of the annual cap for the engineering construction (income) under the Framework Agreement, the transactions relating to the sale and purchase of materials (income and expenditure) and engineering construction (income) under the New Framework Agreement (including the relevant annual caps).

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)

25 May 2023

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 25 May 2023 (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 engineering construction (income) under the Framework Agreement; (ii) the sale and purchase of materials (income and expenditure) under the New Framework Agreement as well as (iii) 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 engineering construction (income) under the Framework Agreement and the sale and purchase of materials (income and expenditure) and engineering construction (income) under the New Framework Agreement (including the relevant annual caps).

We wish to draw your attention to the letter from the Board set out on page 1 to page 63 of this Circular and the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders set out on page 66 to page 92 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 engineering construction (income) under the Framework Agreement and the sale and purchase of materials (income and expenditure) and engineering construction (income) under the New Framework Agreement (including the relevant annual caps).

APPENDIX I LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 engineering construction (income) under the Framework Agreement 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 engineering construction (income) under the Framework Agreement 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 purposes 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

25 May 2023

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

Dear Sir/Madam,

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 revision of annual cap for engineering construction (income) transactions under the Framework Agreement; and (ii) the sale and purchase of materials (income and expenditure) transactions and engineering construction (income) transactions under the New Framework Agreement (including the relevant annual caps) (collectively, the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 25 May 2023 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 and take into account the related new projects that were successfully bid from China Minmetals, the Group will expand its trading scale with China Minmetals Group in 2023. As a result, the annual caps for transactions under the Framework Agreement for the year ending 31 December 2023 could not meet the business needs of the Group. Therefore, the Company plans to increase the annual caps for, among other things, engineering construction (income) transactions for the year ending 31 December 2023.

On 29 March 2023 (the “**Announcement Date**”), the Board approved the Company to enter into the New Framework Agreement with China Minmetals, so as to continue to conduct various types of transactions (including sale and purchase of materials (income and expenditure) transactions and engineering construction (income) transactions) with China Minmetals Group. The New Framework Agreement was signed on 10 May 2023. The New Framework Agreement will be valid for a term of one year from 1 January 2024 to 31 December 2024, subject to the approval by the Independent Shareholders at the annual general meeting.

With reference to the Board Letter, the Transactions constitute continuing connected transactions and are subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapters 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 (i) continuing connected transactions, details of which are set out in the Company’s circular dated 25 May 2021; and (ii) discloseable and continuing connected transactions, details of which are set out in the Company’s circular dated 31 May 2022. Save for the aforesaid engagements, 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 engagements, 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 2022, the Framework Agreement, the New Framework Agreement, certain individual contracts regarding sale and purchase of materials (income and expenditure) transactions and engineering construction (income) transactions entered into between the Group and China Minmetals Group (together with relevant individual contracts entered into between the Group and independent third parties for similar transactions (where applicable) and the relevant tender award documents (where applicable)), the calculation for the relevant proposed/revised annual caps; and discussion with the Directors) 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 therein or 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 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 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 2022 as extracted from the Company's annual report for the year ended 31 December 2022 (the "2022 Annual Report"):

	For the year ended 31 December 2022	For the year ended 31 December 2021	Year on year change
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
Total operating revenue	592,669,072	500,571,647	18.40
– Engineering contracting	546,133,307	458,550,611	19.10
– Property development	22,617,623	21,409,733	5.64
– Equipment manufacture	12,131,885	11,435,613	6.09
– Resource development	8,836,703	6,656,964	32.74
– Others	2,949,554	2,518,726	17.10
Net profit	12,927,472	11,607,194	11.37

As shown in the above table, the Group's total operating revenue was approximately RMB592.67 billion for the year ended 31 December 2022 ("FY2022"), representing an increase of approximately 18.40% as compared to that for the year ended 31 December 2021 ("FY2021"). The Group generated majority of its revenue from engineering contracting. Revenue from the engineering contracting segment were approximately RMB546.13 billion for FY2022 and RMB458.55 billion for FY2021, representing approximately 92.15% and 91.61% of the Group's revenue for FY2022 and FY2021 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.

Reasons for and benefits of the Transactions

As illustrated 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, 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 sale and purchase of materials (income and expenditure) transactions and engineering construction (income) transaction) will be no less favourable to the Group than those entered into between the Group and independent third parties.

Based on our discussion with the Directors and according to the 2022 Annual Report:

- (i) 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 nonferrous metals (being the products to be sold under the sale and purchase of material (income) transactions);
- (ii) revenue generated from the Group's engineering construction segment accounted for over 90% of the total operating revenue of the Group for both FY2021 and FY2022. Revenue generated/to be generated from the engineering construction (income) transactions pursuant to the Framework Agreement and the New Framework Agreement has been/will be recorded in this segment; and
- (iii) the Company's engineering contracting business require raw materials including, among other things, steel, while the Company's equipment manufacture business requires steel and electronic parts, where the Company will, as a purchaser, purchase steel from China Minmetals Group (under the sale and purchase of materials (expenditure) transactions) according to the New Framework Agreement.

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 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 2023 may exceed the existing limit. Details of the status of the Group's projects and their respective aggregate amount are set out in the sub-section headed "Reasons for and Benefits for the Adjustment of Annual Cap" under the section headed "A. The Proposal in Relation to the Adjustment of 2023 Annual Cap for Engineering Construction (Income) Transactions under the Framework Agreement" of the Board Letter. Please also refer to our analyses on the revised annual cap of the engineering construction (income) for the year ending 31 December 2023 in the section headed "(2) Engineering construction (income) transactions" below.

Given (i) that the revenue generated/to be generated from the engineering construction (income) transactions pursuant to the Framework Agreement and the New Framework Agreement will be recorded in the Group's engineering construction segment (being the largest revenue contributor of the Group); and (ii) our analyses on new annual cap of the engineering construction (income) for the year ending 31 December 2023, we are of the view that it is reasonable to revised the annual cap for the engineering construction (income) transactions to cater for the Group's business needs.

Having considered the above factors, we are of the view that the Transactions 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.

Principal terms of the Transactions

With reference to the Board Letter, the Company plans to increase the annual cap for engineering construction (income) transactions for the year ending 31 December 2023 from approximately RMB11,923.4 million to approximately RMB13,447.1 million. Furthermore, as the annual cap for each type of the transactions under the Framework Agreement will expire on 31 December 2023, on 29 March 2023, the Board approved the Company to enter into the New Framework Agreement with China Minmetals, so as to continue to carry out various types of transactions (including sale and purchase of materials (income and expenditure) transactions and engineering construction (income) transactions) with China Minmetals Group. The New Framework Agreement will be valid for a term of one year from 1 January 2024 to 31 December 2024, subject to the approval by the Independent Shareholders at the AGM.

Set out below are the principal terms of the sale and purchase of materials (income and expenditure) transactions and engineering construction (income) transactions contemplated under the New Framework Agreement, details of which are set out under the section headed “B. The Proposal in Relation to the Entering Into of the New Framework Agreement With China Minmetals and the Setting of Annual Caps for 2024” of the Board Letter:

Date

10 May 2023

Parties

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

Transaction types***(1) Sale and purchase of materials (income and expenditure) transactions***

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

With reference to the Board Letter, as far as the purchase of equipment used by both parties for general construction contracting and production and operation is concerned, the equipment (i) purchased by the Company from China Minmetals Group includes but not limited to vertical mills, scrapers, etc.; and (ii) sold by the Company to China Minmetals Group includes but not limited to loaders, crawler hydraulic excavators, coarse particle separators, etc..

(2) Engineering construction transactions

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) Sale and purchase of materials (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, both 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, zinc, copper and lead) offered by the Company to China Minmetals Group will be determined by both parties through negotiation with reference to the average monthly price of relevant bulk raw materials announced by The London Metal Exchange and Shanghai Metals Market (SMM) (www.smm.cn). Both parties will specify the payment arrangement, as well as the standards relating to logistics transportation and product testing, in the specific purchase contract. Among them, the sales of resource products are negotiated by both parties based on the current prices of international bulk raw materials to determine the purchase contract, the payment schedule in the contract in accordance with international practice and relevant standards such as logistics transportation and product testing.

(2) *Engineering construction transactions*

The price of engineering construction projects will be determined through open tender. Pursuant to the relevant laws and regulations for bidding and tendering in China, the 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 the platform of bidding and tendering of government projects. Upon winning the bid, both 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. Specifically, both parties will make engineering payments in various methods according to the terms of the contract, including but not limited to progress payments based on engineering milestones or monthly completion progress. Engineering payments will be made using various methods, including but not limited to progress payments based on engineering milestones or monthly completion progress.

With reference to the Board Letter, in order to ensure that the prices and terms of each type of the transactions (including sale and purchase of materials (income and expenditure) transactions and engineering construction (income) transactions) under 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 in the sub-section headed "Pricing and Internal Control Procedures" under the section headed "B. The Proposal in Relation to the Entering Into of the New Framework Agreement With China Minmetals and the Setting of Annual Caps for 2024" of the Board Letter.

Having considered that:

- (i) for transactions which the suppliers or service providers are determined through the open tender process, if the Group is the tenderer, the Group will invite no less than three entities to participate in the bidding and the total number of tender evaluation committee members shall be an odd number of 5 or more and shall generally be composed of personnel from the procurement demand department (not exceeding one-third of the total members) and experts selected from the Group's expert pool (not less than two-third of the total members); 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, 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. If there is no reference for a similar transaction between the Group and an independent third party, before such negotiation, both parties will first learn the price level of similar products or services in the market, and shall also analyze the cost of products or services and negotiate prices based on the costs. In any case, both parties will conduct sufficient communication and negotiation to determine a fair and reasonable price. After obtaining the reference price, 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,

we are of the view that the effective implementation of the internal control measures will ensure the fair pricing of the transactions (including sale and purchase of materials (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 from the Company a list of contracts entered into between the Group and China Minmetals Group regarding sale and purchase of materials (income) transactions during the three years ending 31 December 2023 (the “**Sale of Materials List**”). From the Sale of Materials List, we randomly selected and obtained 3 sets of individual contracts for each of (i) FY2021; (ii) FY2022; and (iii) the period from 1 January 2023 to the Announcement Date (the “**2023 Period**”). We obtained 9 sets of individual contracts in total, the contract values of which accounted for over 10% of the total contractual value of contracts entered into between the Group and China Minmetals Group for the corresponding periods, respectively, together with 3 sets of individual contracts entered into between the Group and independent third parties regarding the sale of material for each of (i) FY2021; (ii) FY2022; and (iii) the 2023 Period (9 sets of individual contracts in total).

As the contract values of the selected individual contracts accounted for over 10% of the total contract values of all contracts for each of (i) FY2021; (ii) FY2022; and (iii) the 2023 Period, we consider the samples reviewed are sufficient, adequate and representative for us to assess the effectiveness of the internal control measures.

We noted that the pricing mechanism for the sale and purchase of materials (income) transactions were the same as those between the Group and independent third parties for the same material during the comparable period.

- We obtained from the Company (i) a list of contracts entered into between the Group and China Minmetals Group regarding sale and purchase of materials (expenditure) transactions during the three years ending 31 December 2023 (the “**Purchase of Materials List**”); and (ii) a list of contracts entered into between the Group and China Minmetals Group regarding engineering construction (income) transactions during the three years ending 31 December 2023. From the aforesaid lists of contracts, we randomly selected and obtained the following documents:
 - (i) 3 sets of individual contracts and related tendered award documents regarding sale and purchase of materials (expenditure) transactions for each of (a) FY2021; (b) FY2022; and (c) the 2023 Period. We obtained 9 sets of individual contracts and tender related documents in total, the contract values of which accounted for over 10% of the total contractual value of contracts entered into between the Group and China Minmetals Group for the corresponding periods, respectively; and
 - (ii) 3 sets of individual contracts and tender related documents regarding engineering construction (income) transactions for each of the two years ended 31 December 2022 and 2 sets of individual contracts and tender related documents regarding engineering construction (income) transactions for the 2023 Period (being the only 2 individual contracts entered into between the Group and China Minmetals Group during 2023 Period). We obtained 8 sets of individual contracts and related tender award documents in total, the contract values of which accounted for over 10% of the total contractual value of contracts entered into between the Group and China Minmetals Group for the corresponding periods, respectively.

As the contract values of the selected individual contracts (together with the tender award documents) accounted for over 10% of the total contract values of all contracts for (i) FY2021; (ii) FY2022; and (iii) the 2023 Period respectively, we consider the samples reviewed are sufficient, adequate and representative for us to assess the effectiveness of the internal control measures.

As confirmed by the Directors, these individual contracts were all entered into through bidding process. With key terms being fixed based on the requirements of the tender process.

- We also discussed with staffs of 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.

With reference to the 2022 Annual Report, the Company's independent non-executive directors have reviewed the continuing connected transactions (including, among other things, the sale and purchase of materials (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.

In addition, the Company's auditor was engaged to report on the continuing connected transactions (including, among other things, the sale and purchase of materials (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 sale and purchase of materials (income and expenditure) transactions and engineering construction (income) transactions) in accordance with Rule 14A.56 of the Listing Rules, stating that, during FY2022: (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.

In light of our works as mentioned above, we consider the internal control measures in place are effective to ensure that the prices and terms of the sale and purchase of materials (income and expenditure) transactions and the engineering construction (income) transactions under the New Framework Agreements will not be less favourable to the Group than those entered into between the Group and independent third parties.

Annual caps**(1) Sale and purchase of materials (income and expenditure) transactions**

Set out below are (i) the historical transaction amounts of sale and purchase of materials (income and expenditure) transactions for the three years ending 31 December 2023; (ii) the existing/previous annual caps and relevant utilisation rates; and (iii) the proposed annual caps for the year ending 31 December 2024.

	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2022 RMB'000	For the year ending 31 December 2023 ("FY2023") RMB'000
Sale and purchase of materials (income) transactions:			
Historical transaction amounts	2,731,835	3,095,249	903,771 <i>(Note)</i>
Existing/previous annual caps	5,322,000	8,104,530	6,274,780
Utilisation rate (%)	51.33	38.19	N/A
Sale and purchase of materials (expenditure) transactions:			
Historical transaction amounts	12,721,297	11,446,053	3,104,372 <i>(Note)</i>
Existing/previous annual caps	16,753,000	24,340,290	25,307,130
Utilisation rate (%)	75.93	47.03	N/A

**For the year
ending
31 December
2024
("FY2024")
RMB'000**

Proposed annual caps:

Sale and purchase of materials (income) transactions	6,067,440
Sale and purchase of materials (expenditure) transactions	23,537,130

Note: The figures are for the four months ended 30 April 2023.

As depicted in the above table, the historical transaction amounts for (i) sale and purchase of materials (income) transactions were approximately RMB2,732 million and RMB3,095 million for FY2021 and FY2022 respectively, representing utilization rates of approximately 51.33% and 38.19% respectively; and (ii) sale and purchase of materials (expenditure) transactions were approximately RMB12,721 million and RMB11,446 million for FY2021 and FY2022 respectively, representing utilization rates of approximately 75.93% and 47.03% respectively. The proposed annual cap for FY2024 for (i) sale and purchase of materials (income) transactions represented a decrease of approximately 3.30% as compared to the existing annual cap; and (ii) sale and purchase of materials (expenditure) transactions represented a decrease of approximately 6.99% as compared to the existing annual cap.

As advised by the Directors, the difference between the previous 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 tender process, and certain transactions might still be under negotiation and there might be delay in execution), in particular, the occasional reoccurrence of the COVID-19 pandemic which affected the progression of the relevant projects, thereby resulting in decrease in demand for the sale and purchase of materials (income and expenditure) transactions.

With reference to the Board Letter, as at the Latest Practicable Date:

- (i) the value of signed contracts for sale and purchase of materials (income) transactions amounted to approximately RMB59.64 million, while the value of contracts under negotiation amounted to approximately RMB820 million, the value for cooperation with confirmed intention amounted to approximately RMB3,927 million, the value for projects which were being followed-up amounted to approximately RMB689 million, value of projects proposed to be developed amounted to approximately RMB20 million, and the aggregate value after adding a 10% buffer amounted to approximately RMB6,067 million (i.e. the proposed annual cap for FY2024); and

- (ii) the value of signed contracts for sale and purchase of materials (expenditure) transactions amounted to approximately RMB10,725 million, while the value of contracts under negotiation amounted to approximately RMB80 million, the estimated amount of materials to be purchased based on the historical amount of transactions in the previous years was approximately RMB7,209 million, the estimated amount of purchase of materials from China Minmetals Group for 2024 based on the materials procure plan was approximately RMB2,156 million, the estimated demand of steel for 2024 was approximately RMB1,228 million, and the aggregate value after adding a 10% buffer amounted to approximately RMB23,537 million (i.e. the proposed annual cap for FY2024).

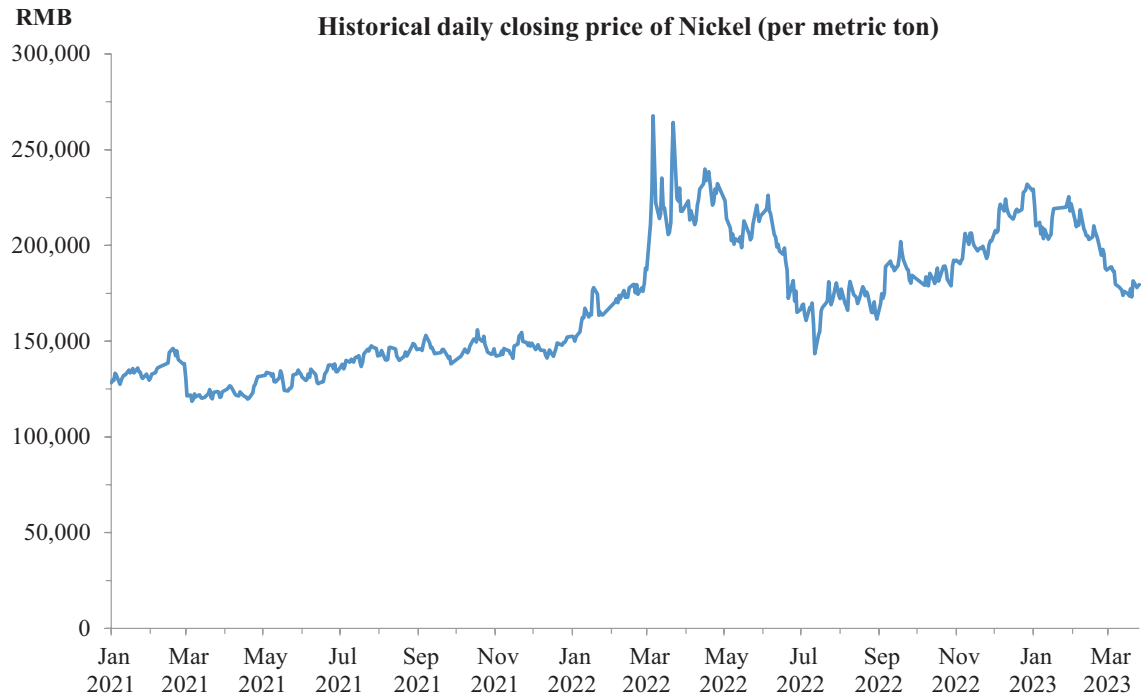
Estimated transaction amounts in relation to the sale and purchase of materials (income) transactions

For our due diligence purpose, we obtained and reviewed the calculation of the proposed annual caps of the transaction for FY2024. We noted that the calculation included estimated transactions of 9 subsidiaries of the Company. During FY2024, the estimated transaction amounts was 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 accounted for approximately 71% of the total estimated transaction amounts for FY2024, and such amount were formulated based on the estimated nickel price of around US\$20,000 per metric ton (equivalent to approximately RMB140,000 per metric ton based on the exchange rate of US\$1:RMB7, the “**Estimated Unit Price of Nickel**”). The remaining transaction amounts represented the sale of other 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.

We noted from the Sale of Materials List that approximately 65%, 51% and 69% of the individual contracts (in terms of contract values of individual contracts) entered into between the Group and China Minmetals Group were for the sale of nickel related products for (i) FY2021; (ii) FY2022; and (iii) the 2023 Period respectively.

For our due diligence purposes, we examined the prices of nickel during the period from 4 January 2021 to the Announcement Date (the “**Review Period**”), based on information obtained from Wind Financial Terminal. As the Review Period represents approximately two-year period prior to the Announcement Date, we consider such period to be fair and representative.



Source: Wind Financial Terminal

The closing price of nickel increased from RMB128,210 per metric ton as recorded on 4 January 2021 to RMB179,550 per metric ton as recorded on the Announcement Date, representing an increase of approximately 40.04%. The closing prices of nickel fluctuated between the range of RMB118,600 per metric ton to RMB179,620 per metric ton during the period from January 2021 to February 2022. The closing prices of nickel surged significantly during early-March 2022 and reached RMB267,700 per metric ton on 9 March 2022. Thereafter, the closing prices of nickel formed a general decreasing trend and fluctuated between the range of RMB143,430 per metric ton to RMB239,830 per metric ton from mid-March 2022 to mid-July 2022 before it rebounded and reached RMB232,000 per metric ton on 30 December 2022. From the start of 2023, the closing price of nickel formed a general decreasing trend and fluctuated between the range of RMB173,060 per metric ton to RMB229,420 per metric ton and reached RMB179,550 per metric ton on the Announcement Date.

We understood from the Directors that the aforesaid surge in prices of nickel in 2022 was temporary and is expected to remain at a reasonable level in the future. We searched through the internet and 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 in March 2022 was triggered by a short squeeze involving a PRC steel producer and such blistering market price of nickel may not be sustainable. In addition, we noted from an article dated 29 September 2022 published by Reuters that the price of nickel is expected to go down with the supply surge by Indonesia, being the largest supplier of nickel in the world.

To further assess the fairness and reasonableness of the Estimated Unit Price of Nickel, we searched for the annual output volume of nickel mines in the world (including the PRC and Indonesia) on Wind Financial Terminal. Set out below are the relevant statistics for the five years ended 31 December 2022, being the latest five full-year statistics as extracted from Wind Financial Terminal:

	2018	2019	2020	2021	2022
	<i>tons</i>	<i>tons</i>	<i>tons</i>	<i>tons</i>	<i>tons</i>
Annual output of nickel mines in the world					
(including the PRC and Indonesia)	2,400,000	2,610,000	2,510,000	2,730,000	3,300,000
Annual output of nickel mines in the PRC	110,000	120,000	120,000	109,000	110,000
Annual output of nickel mines in Indonesia	606,000	853,000	771,000	1,040,000	1,600,000

As shown in the above table, along with the year-on-year increases in the annual output of nickel mines in the world, the annual output of nickel mines in the PRC had remained stable while the annual output of nickel mines in Indonesia had increased significantly during the year 2021 and 2022. The annual output of nickel mines in Indonesia increased from approximately 606,000 tons for the year 2018 to approximately 1,600,000 tons for the year 2022, representing an annual compound growth rate of approximately 27.47%.

Given the above, we do not doubt the reasonableness of the Estimated Unit Price of Nickel, despite it being lower than the closing prices of nickel for 415 days out of the total of 541 days during the Review Period and lower than the closing price of nickel on the Announcement Date.

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 proposed annual cap for FY2024, the Company made reference to the existing and estimated projects/transactions of the China Minmetals Group, assuming the Group would win the bid of such projects/transactions, and taken into consideration the estimated amount of such projects/transactions.

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 movement in closing prices of nickel during the Review Period, in particular, after the surge in closing prices of nickel in early-March 2022; and (iii) the assumptions that the Group would win all bid of projects/transactions issued by China Minmetals Group for FY2024, we consider the estimated price level of nickel for FY2024 for the purpose of formulating the proposed annual cap and the estimated amounts of sale and purchase of materials (income) transactions for FY2024 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 FY2024 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 2023 to the Announcement Date. We noted that out of the 14 circulars published by other Hong Kong listed companies that incorporated buffer in their proposed annual caps regarding continuing connected transactions, 5 of which incorporated buffer of around 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 sale and purchase of materials (income) transactions for FY2024 is justifiable; (ii) the buffer of 10% is justifiable; and (iii) the estimated transaction amounts were formulated on the basis that the existing and estimated bidding projects of China Minmetals Group that the Group intends to participate would be won by the Group, which coincide with basis of the revised/annual caps to cater for the possible business needs of the Group, we are of the view that the proposed annual cap for FY2024 is fair and reasonable.

Estimated transaction amounts in relation to the sale and purchase of materials (expenditure) transactions

For our due diligence purpose, we obtained and reviewed the calculation of the proposed annual cap of the transaction for FY2024. We noted that the calculation included estimated projects/transactions of 31 subsidiaries of the Company. We noted that during FY2024, majority of the estimated transaction amounts (over 90% of total estimated transaction amounts) were determined to cater for the purchase of steels from certain 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 were formulated based on the potential business needs of the relevant operating subsidiaries.

We noted from the Purchase of Materials List that approximately 97%, 94% and 92% of the individual contracts (in terms of contract values of individual contracts) entered into between the Group and China Minmetals Group were for the purchase of steels for (i) FY2021; (ii) FY2022; and (iii) the 2023 Period respectively.

For our due diligence purposes, we examined the prices of stainless steel during the Review Period, based on information obtained from Wind Financial Terminal. As the Review Period represents approximately two-year period prior to the Announcement Date, we consider such period to be fair and representative.



Source: Wind Financial Terminal

The closing price of stainless steel increased from RMB13,735 per metric ton as recorded on 4 January 2021 to RMB15,080 per metric ton as recorded on the Announcement Date, representing an increase of approximately 9.79%. From the start of the Review Period, the closing prices of stainless steel formed a general increasing trend before it fluctuated between RMB15,810 per metric ton to RMB19,295 per metric ton during the period from 1 November 2021 to 28 February 2022. Thereafter, the closing price of stainless steel surged and reached the highest price of RMB22,125 per metric ton on 8 March 2022. Thereafter, the closing prices of stainless steel formed a general decreasing trend after reaching its peak and reached RMB15,080 per metric ton on the Announcement Date.

According to the above table, the average closing price of steel for the period from 1 March 2023 to Announcement Date (being the recent approximately one-month period immediately before the Announcement Date) represented a decrease of approximately 5.36% as compared to the average price of stainless steel for the period from 1 February 2023 to 28 February 2023 (being the one-month period immediately before March 2023).

We also noted that the historical transaction amounts for sale and purchase of materials (expenditure) transactions decreased from approximately RMB12,721 million for FY2021 to RMB11,446 million for FY2022, representing a decrease of approximately 10%.

As illustrated in the section headed “Information on the Group” above, the Group recorded total operating revenue of approximately RMB592.67 billion for FY2022, representing an increase of approximately 18.40% as compared to that for FY2021. Revenue from engineering contracting segment amounted to approximately RMB546.13 billion for FY2022, representing an increase of approximately 19.10% as compared to that for FY2021.

Despite the increase in the Group’s total operating revenue and revenue from engineering contracting segment for FY2022, which indicates the increasing demand for sale and purchase of materials (expenditure) transactions, given (i) the decrease in historical transaction amounts for sale and purchase of materials (expenditure) transactions for FY2022; (ii) that majority of the estimated transaction amounts were determined to cater for the purchase of steels from certain subsidiaries of China Minmetals and the price movement of stainless steel; and (iii) that the purchase of materials such as steels and equipment is to satisfy the Group’s needs for engineering construction and production operation, we consider the estimated amounts of sale and purchase of materials (expenditure) transactions for FY2024, representing a decrease of approximately 6.99% as compared to that for FY2023, 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 FY2024 to cater for any unforeseeable circumstances such as the unexpected increase in demand of products and the unexpected increase in price of the products. As mentioned above, 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 sale and purchase of materials (expenditure) transactions for FY2024 is justifiable; (ii) the buffer of 10% is justifiable; and (iii) the estimated transaction amounts were formulated on the basis that the existing and estimated bidding projects of China Minmetals Group that the Group intends to participate would be won by the Group, which coincide with basis of the revised/annual caps to cater for the possible business needs of the Group, we are of the view that the proposed annual cap for FY2024 is fair and reasonable.

Shareholders should note that as the 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 2024, and they do not represent forecasts of revenue to be recognised or costs to be incurred from the sale and purchase of materials (income and expenditure) transactions. Consequently, we express no opinion as to how closely the actual transaction amount to be incurred from the sale and purchase of materials (income and expenditure) transactions will correspond with the proposed annual caps.

In light of the above, we consider that the terms of the sale and purchase of materials (income and expenditure) transactions (including the proposed annual caps for FY2024) are on normal commercial terms and are fair and reasonable.

(2) Engineering construction (income) transactions

Set out below are (i) the historical transaction amounts of engineering construction (income) transactions for the three years ending 31 December 2023; (ii) the existing/previous annual caps; and (iii) the revised/proposed annual cap for the two years ending 31 December 2024.

	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2022 RMB'000	For the year ending 31 December 2023 RMB'000
Historical transaction amounts	943,145	3,619,922	1,394,455 (Note)
Existing/previous annual caps	18,420,000	18,850,000	11,923,370
Utilisation rate (%)	5.12	19.20	N/A
		For the year ending 31 December 2023 RMB'000	For the year ending 31 December 2024 RMB'000
Existing annual cap		11,923,370	N/A
Revised/proposed annual caps		13,447,080	14,290,870

Note: the figure is for the four months ended 30 April 2023.

As depicted in the above table, the historical transaction amounts for engineering construction (income) transactions were approximately RMB943 million and RMB3,620 million for FY2021 and FY2022 respectively, representing utilization rates of approximately 5.12% and 19.20% respectively. Despite the significant increase in historical transaction amounts for FY2022 as compared to that for FY2021, the utilizations of the previous annual caps were at low levels.

With reference to the Board Letter, the Group's tender success rates for China Minmetals Group's bidding projects were 75.29%, 61.96% and 69.23% for FY2021, FY2022 and for the period from 1 January 2023 to 31 March 2023, respectively. Despite the relatively high tender success rates of the Group for China Minmetals Group's bidding projects, the utilisation rates of the previous annual caps were relatively low. As such, we enquired into the Directors regarding the low utilisation rates for both FY2021 and FY2022 and understood that the low utilisation rates were mainly due to (i) the suspension or cancellation of some of the projects which the Group intends to participate, as a result of changes in market environment and the decision of the tenderers; (ii) the fact that the Group did not progress further on the bidding process of some of the projects which the Group intended to participate, as they were not as feasible/profitable as originally expected; and (iii) the construction progress of some of the projects were prolonged as a result of changes in the market environment, fiscal policies and/or other influencing factors given the long construction period.

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 FY2023, the Company made reference to: (i) the existing and estimated bidding projects of China Minmetals Group assuming that the Group would 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 estimated 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.

With reference to the Board Letter, the revised/proposed annual caps for engineering construction (income) transactions are determined based on the annual business needs reported by each subsidiary (i.e. approximately RMB12.225 billion for FY2023 and approximately RMB12.992 billion for FY2024). In addition, the Company has added a 10% buffer on top of the expected total business demand in both 2023 and 2024 for engineering construction (income) transactions of the Group considering the unanticipated business needs that may arise during the business operation.

With reference to the Board Letter, the estimated total business demand for engineering construction (income) transactions as reported by the Group's subsidiaries are expected to increase to approximately RMB12.225 billion for FY2023, as compared to previous estimations. Such increase was mainly because (i) project companies, which are associates of China Minmetals, had been awarded a number of newly bid-won projects by the Group; and (ii) the expectation of an increase in business demand for engineering construction (income) transactions following the gradual improvement of global business environment as COVID-19 is no longer categorized as a pandemic, control and business activities are expected to gradually resume to normal. The Group

will carry out transactions with the project companies to implement the newly bid-won projects in 2023. According to the annual investment, production and construction plan, it is estimated that additional income to be generated from these newly bid-won projects in 2023 will amount to approximately RMB2.75 billion. As China Minmetals Group holds more than 30% of the shares in these project companies, the project companies are connected persons of the Company and the Company's contracting of works from the project companies constitutes connected transaction, thus resulting in an increase in the estimated annual amount of engineering construction (income) transactions in 2023.

With reference to the Board Letter, as at the Latest Practicable Date, the value of contracts of successful bids for engineering construction (income) amounted to approximately RMB545 million, and the value of signed contracts amounted to approximately RMB6,318 million, while the value of contracts under negotiation amounted to approximately RMB380 million, the estimated amount of engineering construction transactions with China Minmetals Group for 2024 based on the business plan of China Minmetals Group was approximately RMB3,457 million, the value for projects which were being followed-up amounted to approximately RMB2,139 million, the estimated value of projects to be signed based on the tenders submitted amounted to approximately RMB154 million and the aggregate value after adding a 10% buffer amounted to approximately RMB14,290 million.

With reference to the Board Letter, in addition, the property development market in the PRC experienced a slowdown during the past few years. In 2022, the Company successfully won bids for a series of high-end housing construction projects. Since the end of 2022, the central and local governments had gradually relaxed the property regulation policies and stabilized market expectations. As advised by the Directors, it is expected that as business gradually resumes to normal, coupled with the relaxation of the property regulation policies, the property development market and PRC economy is expected to recover, which will in turn result in increase in business demand for engineering construction (income) transactions. The Company expects that as COVID-19 is no longer being categorized as a pandemic, the business activities are expected to gradually resume to normal. As such, it is expected that there will be an increase in demand for the Group's engineering contracting business in 2024.

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

For our due diligence purpose, we obtained and reviewed the calculations of the revised/proposed annual caps for the engineering construction (income) transactions for the two years ending 31 December 2024. We noted the calculation was based on the estimated transactions of the Company's 25 subsidiaries for FY2023 and 24 subsidiaries for FY2024. As advised by the Directors, the estimated transaction amounts were estimated by the Company's relevant subsidiaries taking into account (1) the estimated engineering construction projects which the Group won the bid already or intends to participate in bidding during both FY2023 and FY2024; (2) the subsidiaries' understanding on the strategic development plan of China Minmetals Group; and (3) the estimated building cost of such engineering projects. The estimation was approved by the relevant subsidiaries before submitting to the Company for consolidation and review.

We noted from the calculations that the estimated transaction amounts were based on the consideration under various agreements and projects involvement of the Company's subsidiaries. The types of services to be provided under these projects include engineering, procurement and construction (EPC) services and engineering construction services. 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.

We further noted from the calculations that the estimated transactions amounts 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) (the "**Committed Value**") were approximately RMB8,572 million for FY2023 and RMB8,362 million for FY2024, representing approximately 70% and 64% of the estimated transactions amounts for FY2023 and FY2024 respectively.

Upon our request, the Company also provided supporting documents for the Group's three largest projects in terms of the Committed Value for each of FY2023 and FY2024 (the "**Sampled Projects**"), including successful bidding notice and signed contracts by various parties including the Group and the China Minmetals Group. Despite that we only selected three projects for each of FY2023 and FY2024, we consider the Sampled Projects are sufficient for us to form our view given that:

- (i) the Sampled Projects are the largest three projects in terms of the Committed Value for each of FY2023 and FY2024 which accounted for (a) approximately 30% and 40% of the estimated transaction amounts in relation to the engineering construction (income) transactions for FY2023 and FY2024, respectively; and (b) approximately 42% and 59% of the Committed Value for FY2023 and FY2024, respectively;
- (ii) as aforementioned, the estimated transaction amounts were estimated by the Company's relevant subsidiaries taking into account, among other things, the estimated engineering construction projects and the estimated building cost of such engineering projects; and
- (iii) we understood from the Directors that the bases for estimating such transaction amounts by other subsidiaries of the Company are the same as the Sampled Projects based on our understanding from the Company.

We noted from the supporting documents of the Sampled Projects that the Committed Value for FY2023 and FY2024 were either less than or the same as the total value showing in the successful bidding notices or the signed contracts. As advised by the Directors, the time schedule of the project was also considered as such projects will not be completed within one year. As such, we consider that the estimated transaction amounts for Sampled Projects in terms of the Committed Value for each of FY2023 and FY2024 to be reasonable.

Based on our further review of the Sampled Projects, we do not doubt the estimated transaction amounts for the two years ending 31 December 2024 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; (ii) the estimated transaction amounts of the Company's subsidiaries were determined based on their understanding on the strategic development plan of China Minmetals Group and the estimated building cost of such projects; (iii) 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 Company's subsidiaries would be involved; and (iv) our due diligence performed on the Sampled Projects, we are of the view that the estimated transaction amounts in relation to the engineering construction (income) transactions for the two years ending 31 December 2024 are justifiable.

Buffer of 10%

As detailed above, the Company applied a buffer of 10% to the sum of estimated transaction amounts to cater for any unanticipated business needs that may arise during the Group's business operation. As mentioned above, we consider the incorporation of buffer of 10% in the revised/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 two years ending 31 December 2024 are justifiable; (ii) the buffer of 10% is justifiable; and (iii) the estimated transaction amounts were formulated on the basis that the existing and estimated bidding projects of China Minmetals Group that the Group intends to participate would be won by the Group, which coincide with basis of the revised/annual caps to cater for the possible business needs of the Group, we consider that the revised/proposed annual caps for the two years ending 31 December 2024 are fair and reasonable.

Shareholders should note that as the revised/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 2024, and they do not represent forecasts of revenue to be recognised 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 revised/proposed annual caps.

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 of sale and purchase of materials (income and expenditure) transactions and engineering construction (income) transactions must be restricted by the revised/proposed annual caps; (ii) the terms of the sale and purchase of materials (income and expenditure) transactions and engineering construction (income) transactions must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the sale and purchase of materials (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 sale and purchase of materials (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 total amounts of the sale and purchase of materials (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 sale and purchase of materials (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 sale and purchase of materials (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 annual caps of the sale and purchase of materials (income and expenditure) transactions and the revised/proposed annual caps of the engineering construction (income) transactions) 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 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 2022**

Dear Shareholders and Shareholders' representatives,

In 2022, 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 “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 of the Company, 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 2022 is summarized as follows:

I. BASIC INFORMATION ABOUT INDEPENDENT DIRECTORS

(I) Appointment of independent Directors

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 currently serves as a non-executive director of Freetech Road Recycling Technology (Holdings) Limited and an independent non-executive director of Zhejiang Communications Technology Co., Ltd.

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 currently serves as an independent director of China International Capital Corporation 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 currently serves as an independent non-executive director of China Petroleum & Chemical Corporation, China Vanke Co., Ltd. and China Telecom Corporation Limited.

The detailed biographical details of the independent Directors are set out in the 2022 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 2022, 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. In 2022, the independent Directors attended 4 training sessions organized by the Shanghai Stock Exchange and Beijing Securities Regulatory Bureau.

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

1. Board meeting

In 2022, the Company convened 12 Board meetings in total, including 7 meetings held by way of on-site meeting (including a combination of on-site and virtual meeting) and 5 meetings held through virtual meeting. The Board considered proposals and heard reports with a total of 98 resolutions and passed 83 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	12	12	5	0	0
Liu Li	11	11	4	0	0
Ng, Kar Ling Johnny	12	12	5	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

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:

Special Committee	Members	Independent board	Convener
		members	
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 2022, the third session of special committees held 18 meetings in total, at which 53 topics were discussed, among which, the Finance and Audit Committee held 10 meetings, at which 39 issues were considered and discussed; the Nomination Committee held 1 meetings, at which 1 issues were considered and discussed; and Remuneration and Appraisal Committee held 2 meetings, at which 3 issues were studied and discussed; the Sustainable Development Committee held 2 meetings, at which 4 issues were considered and discussed.

APPENDIX III PERFORMANCE REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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	Finance	Nomination	Remuneration	Sustainable
		and Audit Committee <i>(Times)</i>	Committee <i>(Times)</i>	and Appraisal Committee <i>(Times)</i>	Development Committee <i>(Times)</i>
Zhou Jichang	13	10	1	2	–
Liu Li	13	10	1	2	–
Ng, Kar Ling Johnny	12	10	–	–	2

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 2022, each independent Director earnestly reviewed various resolutions of the Board. For the connected 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 “Independent Opinion of the Independent Directors of Metallurgical Corporation of China Ltd. on the Nomination of Candidates for Independent Directors” (the 34th Meeting of the Third Session of the Board);
2. The “Letter of Confirmation from Independent Directors in relation to Continuing Connected Transactions for 2021” (the 37th Meeting of the Third Session of the Board);
3. The “Independent Opinion of the Independent Directors on the Temporary Use of Idle Funds Raised of A Shares as Supplementary Working Capital” (the 37th Meeting of the Third Session of the Board);
4. The “Independent Opinion of the Independent Directors on the Permanent Replenishment of Working Capital from the Surplus Proceeds of the Non-public Offering” (the 37th Meeting of the Third Session of the Board);
5. The “Independent Opinion of the Independent Directors on the Idle Proceeds of H Shares as Supplementary Working Capital” (the 37th Meeting of the Third Session of the Board);
6. The “Independent Opinion of the Independent Directors on the Distribution of the Company’s Profit for the Year 2021” (the 37th Meeting of the Third Session of the Board);
7. The “Independent Opinion of the Independent Directors on the Company’s 2022 Annual Guarantee Plan” (the 37th Meeting of the Third Session of the Board);

APPENDIX III PERFORMANCE REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

8. The “Independent Opinion of the Independent Directors on the Special Explanation of the Guarantee Status of MCC for 2021” (the 37th Meeting of the Third Session of the Board);
9. The “Independent Opinion of the Independent Directors on the Remuneration of the Directors and Supervisors of the Company for the Year 2021” (the 37th Meeting of the Third Session of the Board);
10. The “Independent Directors’ Prior Audit Opinion on the Appointment of the Financial Report Lead Reviewer and Internal Control Audit Firm for the Year 2022” (the 37th Meeting of the Third Session of the Board);
11. The “Independent Opinion of the Independent Directors on the Appointment of the Financial Report Lead Reviewer and Internal Control Audit Firm for the Year 2022” (the 37th Meeting of the Third Session of the Board);
12. The “Independent Directors’ Prior Audit Opinion on Adjusting and Setting Annual Caps for Daily Related Party Transactions/Continuing Connected Transactions in 2022 and 2023” (the 37th Meeting of the Third Session of the Board);
13. The “Independent Directors’ Review Opinion on Adjusting and Setting Annual Caps for Daily Related Party Transactions/Continuing Connected Transactions in 2022 and 2023” (the 37th Meeting of the Third Session of the Board);
14. The “Independent Directors’ Prior Audit Opinion on MCC’s Application for Signing the Financial Services Agreement with CMC Finance Co., Ltd.” (the 37th Meeting of the Third Session of the Board);
15. The “Independent Directors’ Review Opinion on the Signing of the Financial Services Agreement between MCC and CMC Finance Co., Ltd.” (the 37th Meeting of the Third Session of the Board);

APPENDIX III PERFORMANCE REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

16. The “Independent Opinion of the Independent Directors on the Provision of Impairment of Assets in 2021” (the 37th Meeting of the Third Session of the Board);
17. The “Independent Opinion of the Independent Directors on the Report on the Evaluation of Internal Control of MCC for the Year 2021” (the 37th Meeting of the Third Session of the Board);
18. The “Independent Directors’ Prior Audit Opinion on the Appointment of the Financial Report Lead Reviewer and Internal Control Audit Firm for the Year 2022” (the 39th Meeting of the Third Session of the Board);
19. The “Independent Opinion of the Independent Directors on the Appointment of the Financial Report Lead Reviewer and Internal Control Audit Firm for the Year 2022” (the 39th Meeting of the Third Session of the Board);
20. The “Independent Directors’ Prior Audit Opinion on the “Report on the 2022 Half-Year Risk Continuity Assessment by MCC on CMC Finance Co., Ltd.,” (the 41st Meeting of the Third Session of the Board);
21. The “Independent Directors’ Review Opinion on <MCC’s Half-Yearly Risk Continuity Assessment Report for 2022 for CMC Finance Co., Ltd.,>” (41st Meeting of the Third Session of the Board of Directors);
22. The “Independent Directors’ Prior Audit Opinion on the Adjustment of the Annual Cap Amount for Continuing Connected Transactions of Daily Related Party Transactions” (43rd Meeting of the Third Session of the Board);
23. The “Independent Directors’ Review Opinion on the Adjustment of the Annual Cap Amount for Continuing Connected Transactions of Daily Related Party Transactions” (43rd Meeting of the Third Session of the Board).
24. The “Independent Directors’ Independent Opinion on the Appointment of the Secretary to the Board of Directors of the Company (44th Meeting of the Third Session of the Board).

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

In 2022, with the theme of “Stabilizing Growth, Fighting against Pandemic, Ensuring Safety and Preventing Risks”, the directors of MCC launched two collective investigation and research activities. During the investigation and research activities, the directors overcame the difficulties of the pandemic, penetrated into the grassroots and studied six subsidiaries, including ACRE, NETC, Shanghai Baoye Changchun Company and MCCT, MCC Jinji and NCMCC, and visited two key projects under construction in Changchun Longxiang International Business Center (長春龍翔國際商務中心) and Changchun Aerospace Expo Park (長春市航天博覽園). We also listened to the comprehensive reports of the relevant subsidiaries, had in-depth exchanges with the leading cadres and technical experts of the relevant enterprises, conducted in-depth analysis and systematic research on the development status, difficulties and problems of the research and design enterprises, regional companies and resource segments, put forward clear work requirements for the next step of development, and compiled a high-quality investigation report for the reference of the management, relevant functional departments and subsidiaries of the company. In addition, independent directors Liu Li and Ng, Kar Ling Johnny also made use of their official activities to conduct research on the company’s local branches and key projects in Shangrao, Jiangxi and Zhuhai, Guangdong respectively.

During the investigation, the directors combined national policies, industry development trends and the current status of the Company’s development, focusing on the theme of “Stabilizing Growth, Fighting against Pandemic, Ensuring Safety and Preventing Risks”, and put forward the following work requirements for the Company in terms of improving the quality of development, guiding research and design enterprises, increasing the construction of regional companies, clarifying the positioning of the resource segment, and strengthening party building work:

First, we should adhere to the priority of efficiency with appropriate scale, and firmly achieve high quality progress. Amidst the severe and complex international context and the increasing downward pressure on the economy, the Company should thoroughly implement the important instructions of General Secretary Xi Jinping on “preventing the pandemic, stabilizing the economy and securing the development”, adhered to the principle of “steadiness and seeking progress while maintaining stability”, and focus on the central task of “stabilizing growth” to correctly handle the relationship between scale and quality, take multiple measures to expand the market and enhance profitability, continue to vigorously reduce the “two reserves” (兩金), thus to improve the overall management level, and further prevent and control various risks.

Second, we should guide the research and design enterprises to increase innovation and enhance core competitiveness. Research and design enterprises should be based on traditional technology and project experience, and constantly enrich the business connotation, innovative business model, combined with industry development trends, the use of their own technology to cultivate technology leadership, good benefits, stable development of new business and profit growth points, in order to achieve the long-term well-being of enterprises and enhance the presence of corporate brand.

Third, we should strengthen the physical development of regional companies, strengthen policy support and guidance to drive the overall marketing level of the Group. By further defining the positioning of regional companies, we will increase the support to the regional development of subsidiaries, combined with the strategic layout of the Company, give policy support to the regional companies with good market development, many projects in hand and strong performance ability, so as to deeply cultivate the regional market, improve the market competitiveness and brand influence of the region and maintain the good image of MCC.

Fourth, we should raise our political stance by looking at the work of the resource segment from the perspective of safeguarding national resource security, identifying our orientation, planning our development and actively assuming the mission and responsibility of a central enterprise. By carefully studying the positioning and development of the resource sector from the strategic level, we will make a comprehensive review of the input, output and revenue of the existing resource projects throughout their life cycle, conduct rigorous calculations, analyze systematically, coupled with thorough research and objective conclusions, and further clarify the development direction and strategic measures of the resource sector in the 14th Five-Year Plan and the three-year rolling plan.

Fifth, we should further improve the quality of Party building work, to strengthen the selection and nurturing of talents, and promote the deep integration of Party building and production and operation. We will lead all party members and cadres to unify their thoughts and actions to the major decisions and deployments of the Party Central Committee, and provide a strong guarantee for the sustainable and healthy development of the enterprise with high-quality Party building. In addition, we will insist on the principal of “retain talents with better system, career, affection and treatment”, further improve the talent selection and cultivation mechanism, and stimulate the work of the grass-roots cadres and employees.

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

In 2022, 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 2022 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 connected persons.

(2) External guarantees

The independent Directors considered the annual guarantee plan of the Company and reviewed its external guarantees in accordance with the relevant regulatory provisions. 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 2022 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 reappointment of the Company's financial reporting auditor and internal control auditor and conducted an audit of the business qualifications, investor protection capabilities, integrity record and independence of Ernst & Young, the accounting firm to be appointed. The independent directors are of the opinion that Ernst & Young is qualified to engage in securities and futures-related audits, has the experience and ability to provide audit services to listed companies, with good independence and integrity, and is able to meet the requirements of financial audits and internal control audits of the Company and its subsidiaries for the year 2022, and that the decision-making procedures for the appointment are in compliance with the laws, regulations and the Articles of Association of the Company, without prejudice to the interests of the Company and its shareholders. Therefore, the Company agrees to appoint Ernst & Young as the auditor of the Company's financial report and internal control audit for 2022.

(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 2022 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 2022, the Company seriously organized and completed the work of information disclosure in strict compliance with relevant requirements of regulatory authorities, such as the CSRC, the SSE and the Hong Kong Stock Exchange. It made the information disclosure through statutory channels including designated newspapers and websites in a truthful, accurate, complete, timely and fair manner, according to the principle of simultaneous disclosure in both listed jurisdictions. As of the end of 2022, the Company has been awarded by the SSE as the Level A (the best) listed company in information disclosure for six 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 2022, 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 advisers independently.

In 2023, 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

26 June 2023

**WORK REPORT OF THE BOARD OF METALLURGICAL
CORPORATION OF CHINA LTD. FOR THE YEAR 2022**

In 2022, despite the strong impact of changes not seen in a century and the downward pressure on the economy, MCC stood up to the pressure and strived to be a leader by doing a good job of “stabilizing growth, fighting against the pandemic, ensuring safety and preventing risks”. Its operating results hit a new record high, its development quality steadily improved, and it delivered a high-quality answer sheet that was inspiring. During the Reporting Period, resolutely implementing the major principle of two “consistent implementation principles”, the Company comply strictly with the laws and regulations including the Company Law, the Securities Law, the relevant requirements of regulatory authorities such as the CSRC, as well as the relevant requirements of the SSE and the Hong Kong Stock Exchange, constantly optimized the establishment and operation of governance system of the general meeting, the Board, the Supervisory Committee, as well as the management and its subsidiaries. As an important part of the corporate governance structure, following a strict positioning of the function of “making strategy, making decisions and preventing risks”, the Board, the Party Committee, the Supervisory Committee and the management of the Company discharge their own duties under respective terms of reference, take full responsibility for their own responsibilities and communicate in a timely and effective manner, thus a regulatory mechanism for the coordination and efficient operation of all aspects of decision-making, management and supervision has been formed.

In the annual routine work, the Board and its subordinate special committees discharge their duties in strict compliance with the duties and work requirements as authorized by regulatory requirements, and carried out their work pursuant to the Company Law, regulatory rules of the listing place(s), Articles of Association, Rules of Procedures for General Meeting and the Board of Directors and other relevant requirements. For the purpose of maintaining and increasing the value of the state-owned assets and maximizing Shareholders’ interests, the Company captures the development opportunity to target strategic layout to dedicate in reform and innovation, continues to strictly control the risks and facilitates the development principle of “seeking progress while maintaining stable” of the Company.

I. OPERATING RESULTS OF THE COMPANY

During the Reporting Period, MCC achieved an operating revenue of RMB 592.669 billion, representing a year-on-year increase of 18.40%; total profit of RMB 15.392 billion, representing a year-on-year increase of 9.85%; and net profit attributable to the parent company of RMB 10.272 billion, representing a year-on-year increase of 22.66%. The value of newly signed contracts reached RMB 1,343.574 billion, representing an increase of 11.50% over the same period of last year. The quality of its marketing greatly improved, the contract conversion rate and the proportion of public tendering projects were further increased, the dominant position of the metallurgical engineering business in the market was continuously consolidated, the optimization and improvement of the housing construction engineering business was accelerated, and the infrastructure construction business was continuously expanded and enhanced; among which, the value of newly signed metallurgical contracts increased by 21.67% year-on-year, basically achieving the “Grand Slam” in terms of major metallurgical engineering projects. We achieved fruitful performances in excellence and awards, with 10 projects winning Luban Prize for Construction Project, hitting a record high in terms of the number of prizes. Despite 20% and 30% reductions in the numbers of National Quality Project Award and National Excellent Project Gold Award, 23 projects were awarded the National Quality Project Award, of which 3 were awarded the National Excellent Project Gold Award, and the number of projects we undertook hit a record high. The targets set for the deepening of the reform were successfully achieved, remarkable achievements were made in “promoting healthy development by streamlining organization (瘦身健體)”, the regional professional integration continued, and our corporate governance became more standardized. The quantity and quality of our scientific and technological achievements both increased and we obtained the accreditation for a national enterprise technical center; we took the lead in undertaking 3 projects and 5 programs under the national key research and development plan project; made 12,020 new patent applications and were granted 8,963 new patents, with a cumulative total of 47,120 valid patents; obtained the approval for the release of an international standard of which we led in the preparation and 11 national standards for which we acted as the chief editor; were awarded 20 metallurgical science and technology awards from China Iron and Steel Industry Association and 9 science and technology awards from China Nonferrous Metals Industry Association. The foundation of steady improvement of MCC has been strengthened, with stronger momentum of long-term improvement.

(I) Engineering Contracting Business

During the Reporting Period, operating revenue of the engineering contracting business amounted to RMB 550,441 million, representing an increase of RMB 88,151 million or 19.07% from RMB 462,290 million in 2021. In 2022, the Company adhered to the marketing goal and direction of “consolidating and improving metallurgical business, optimizing and improving housing construction business, expanding and improving infrastructure business”, focused on high-quality markets, projects and customers, and strove to develop domestic and foreign engineering markets, realizing the rapid growth of the value of new contracts. The number of orders of the Company set a new high and the newly signed engineering contracts amounted to RMB 1,300.449 billion, representing a year-on-year increase of 12.03%, and the year-on-year growth rates for three consecutive years exceeded 12%. Among them, the newly signed metallurgical engineering contracts amounted to RMB 191.995 billion, representing a year-on-year increase of 21.67%, and accounted for 14.76% of the value of newly signed engineering contracts. The value of newly signed non-steel engineering contracts amounted to RMB 1,108.454 billion, representing a year-on-year increase of 10.52%, and accounted for 85.24% of the value of newly signed engineering contracts. The value of newly signed overseas engineering contracts amounted to RMB 41.405 billion, representing a year-on-year increase of 19.23%.

1. Metallurgical Engineering Construction Business

In the field of metallurgical engineering, the Company relied on the irreplaceable advantages of the whole metallurgical industry chain, by accelerating the research and development of core key equipment technology, new technology and new processes, constantly innovated the business model, accelerated the commercialization of core technologies, and actively developed new equipment and new materials technology around the goal of green, low consumption, intelligence and efficiency, seized market opportunities of green and low-carbon projects, and continued to promote the steady implementation of the “181” key research plan. During the Reporting Period, the Company signed a large number of contracts for major metallurgical projects, each with a value of more than RMB 1 billion, such as the Upgrading Integration Project of Yunnan Qujing Steel Group Shuangyou Steel Co., Ltd., which basically included major domestic metallurgical construction projects, consolidating the absolute leading position of the Company as the national metallurgical construction team on an ongoing basis.

In the field of overseas metallurgical engineering, the Company continued to deepen its efforts in the markets of the “Belt and Road”-participating countries under the Regional Comprehensive Economic Partnership (RCEP), focused on key markets and cultivated potential markets, adhered to the development strategy of internationalization and localization, and achieved many highlights in the field of overseas metallurgy: the contract for the iron-smelting, steel-making, sintering and raw material plant project of Vietnam Hoa Phat Dung Quat Steel and Iron Phase II (越南和發榕橋鋼鐵二期煉鐵、煉鋼、燒結和原料廠項目) with a contract value of RMB 4.02 billion was successfully signed, which becomes another comprehensive steel base construction project secured in a “Belt and Road” -participating country; the contract for the Kazakhstan ArcelorMittal coke oven project was signed, laying an important foundation for expanding the overseas high-end coking market; after the first bid section of the Indonesia OBI Island Nickel-Cobalt Project and the phase I of the Indonesia OBI Nickel-Iron Project, the Company successfully signed the contract for the RKEF Phase II project of Indonesia OBI Nickel-Iron Project, laying a solid foundation for the Company to continue to explore the Indonesian market in-depth, further polishing the brand of “Metallurgical Construction National Team” and demonstrating the Company’s global influence.

2. *Non-Steel Engineering Construction Business*

(1) Housing Construction and Infrastructure Construction

The Company continued to develop its housing construction and infrastructure construction businesses, actively implemented the “135 business strategy” of expanding infrastructure business, actively integrated and served the national development strategy deployment, and seized the window period of infrastructure business investment and construction. By strengthening high-end leadership, optimizing top-level design, improving its own advantages, and innovating business models, the Company has continuously improved its capacity for public bidding, and focused on contracting influential projects that were “high-tech, comprehensive and big”. During the Reporting Period, the value of newly signed contracts in the housing construction and infrastructure construction business of the Company was RMB 911.576 billion, up by 4.56% year-on-year, accounting for 70.10% of the total engineering contract amount. Among them, the municipal business has lived up to the expectations of the public, and achieved another good result, contributing half of the results in the infrastructure segment. The signing of contracts for municipal infrastructure projects represented by Deyang Tianfu Jingcheng Zhichuang Business District, Hengshui-Xiyang Expressway Zhaoxian-Zanhuang (boundary between Hebei and Shanxi) Section Franchise Project EPC, and Yichang High-speed Railway

New City and other large-scale projects have greatly enhanced the market influence of the Company's infrastructure brand.

The Company accurately optimized the marketing structure of the housing construction business, focusing on the super high-rise, large complex, high-end housing construction and other segmented sectors. During the Reporting Period, the Company successfully won bids for a series of high-end housing construction projects, such as the Guangzhou International Financial Trade Plaza, the Business Center of the Xingdong New District High-speed Railway Station, the Maoming Olympic Sports Center, the Phase II expansion EPC of the Tianjin Hospital Project of the Beijing Union Medical College, and the contract structure of the housing construction business was further optimized.

In terms of overseas business, the non-steel market, as a potential area for overseas market development, contains huge market opportunities and room for increments. During the Reporting Period, the Company successfully signed the general contracting project of the highest landmark building in Cambodia – Golden Gateway Complex (金匯大廈綜合體總承包項目), which refreshed the new height of the super-high-rise landmark in Cambodia by more than 200 meters; the Algerian Oran Stadium project, which was contracted by the Company, was completed in 2022 and successfully hosted the 19th Mediterranean Games, showing the magnificent atmosphere of “built by China”.

(2) *Emerging Industries*

In accordance with the strategic positioning of “being the front runner and vanguard of emerging industries”, relying on the leading professional and technical advantages of the professional technology research institute, the Company made remarkable achievements in the fields of ecological environmental protection, cultural and tourism projects, new energy projects, etc., and it constantly upgrade itself with a new “name card” for promoting sustainable development.

In terms of eco-environmental protection industry, relying on strong scientific research capabilities and extensive engineering experience, we gained scale advantages in water and solid waste treatment, mine restoration, ecological and environmental management etc., and expanded our market share. During the Reporting Period, the Company successfully signed contracts for a number of representative projects, including the Contract for Ecologic Oriented Development (EOD) Project of Huangshi Section of Yangtze River (長江黃石段生態環境導向開發項目(EOD)) and the Green and Low-carbon Industrial

Park Project (Phase I) in Sanjiang New District, Yibin City (宜賓市三江新區綠色低碳優勢產業園項目一期) and Construction Project (Section I) of Eco-Smart City of Economic Development Zone in Eastern Part of Dazhou City (達州東部經開區生態智慧城綜合開發建設項目(一標段)).

In terms of cultural tourism projects, MCC, the world's largest contractor for theme park construction and the only professional design institute for theme parks in China, is the country's one and only enterprise qualified for both theme park design and the execution of the entire construction project. It has accumulated extensive experience in technological breakthroughs, management approaches, and business models, and developed its unique path of theme park development. During the Reporting Period, the Company successfully signed contracts for a series of theme park projects, including the Infrastructure Upgrade and Overall Renovation Project of the Historic and Cultural District in the Old City District of Luoyang City (洛陽老城區歷史文化街區基礎設施提升和整體改造項目) and the Rural Revitalization Project (Section II) of Liubao Tea Special Town in Cangwu County, Wuzhou City (梧州市蒼梧縣六堡茶特色小鎮鄉村振興項目第二標段)), which demonstrated the Company's brand influence and industry competitiveness in the field of theme parks.

In terms of new energy industry, the Company actively seized the new opportunities brought by energy transformation and low-carbon economy, accelerated the development and construction of clean energy businesses such as photovoltaic and wind power, and actively promoted the realization of the national "dual-carbon" goal while achieving its own business development. During the Reporting Period, the Company has newly signed a number of largescale projects, including the Fishery and Photovoltaic Complementary Power Generation Project in Kongdian Township, Datong District (淮南大通區孔店鄉漁光互補光伏發電項目), and the EPC Contract for Qinchuangyuan-Shuiguang Intelligent Manufacturing Industrial Base Project (秦創原•水光智造產業基地項目設計、採購、施工總承包). The Company's market share has been increasing continuously.

(II) Property Development Business

During the Reporting Period, operating revenue of the property development business amounted to RMB 22,727 million, representing an increase of RMB 1,311 million or 6.12% from RMB 21,416 million in 2021. The Company adopted different policies according 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 Circum-Bohai Sea Region are taken as core development areas with coverage nationwide. In 2022, the Company acquired 5 projects with 7 land parcels in aggregate, covering a site area of 237,400 sq.m. and permissible gross floor area of 487,900 sq.m..

In 2022, MCC Real Estate, a subsidiary of the Company, ranked 36th among the Top 100 Real Estate Developers in China with its brand value jumping to RMB 30.6 billion and has been ranked among the Top 10 in Profitability and Stability of Top 100 Real Estate Developers in China for seven consecutive years, and has also been awarded the “Annual Social Responsibility Enterprises of Property Services in China”, “Outstanding Real Estate Product Capability Enterprise in China”, and “Real Estate Operation Outstanding Enterprise with Chinese Characteristic – Urban Development Operator”. The long-term credit rating of MCC Real Estate was AAA with stable outlook. MCC Real Estate, a subsidiary of the Company, ranked 52nd in the “2022 China’s Top 100 Property Service Enterprises” with a brand value of RMB 2.3 billion. The two research and development achievements of “MCC Real Estate Product Technology and Service System” and “Research on Performance Testing and Optimization Design of Fume Exhaust System in Kitchen of Residential Building” won the “China Real Estate Association Science and Technology Award” in 2022; and the Dexian Huafu Project developed by MCC Real Estate in Tianjin won the 19th “Jingrui Science and Technology Award”.

During the Reporting Period, the amount invested by the Company in property development was RMB 28.949 billion, representing a year-on-year increase of 89.71%; the construction area was 9.0991 million sq.m., representing a year-on-year decrease of 1.61%; of which the new construction area was 1.8902 million sq.m., representing a year-on-year increase of 137.46%, while completed area was 3.71 million sq.m., representing a year-on-year increase of 54.2%; contracted gross floor area sold amounted to 0.4801 million sq.m. with contracted sales of RMB 9.33 billion.

(III) Equipment Manufacturing Business

During the Reporting Period, operating revenue of the Company's equipment manufacturing business amounted to RMB 12,319 million, representing an increase of RMB 696 million or 5.99% from RMB 11,623 million in 2021.

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 widely used in international and domestic large steel engineering projects. As one of the largest steel structure manufacturing enterprises in China, the Company has established 32 steel structure manufacturing bases in China, covering almost all economic hotspots in China. With a design capacity of 1.65 million tonnes, the Company ranks among the top in the industry in China in terms of steel structure manufacturing (including base and on-site fabrication), industrial scale and manufacturing volume. The Company optimised the steel structure production capacity layout by integrating the its internal and external steel structure business resources. Adhering to the path of "specialization, branding and regionalization", it achieved steady and rapid development. In 2022, the Company has successively won the bids for the steel structure construction of the first tender section of the Xi'an Eastern Air Harbor Headquarters Protection Base Project (Commercial Services) (西安東航空港總部保障基地項目商服)一標段鋼結構工程), the steel structure construction for the hub area of the Transportation Hub Project of Beijing Xinghuo Station (北京星火站交通樞紐工程樞紐區鋼結構工程), and other iconic and significant projects.

(IV) Resources Development Business

During the Reporting Period, operating revenue of the Company's resources development business amounted to RMB 8,866 million, representing an increase of RMB 2,197 million or 32.94% from RMB 6,669 million in 2021.

The Company's resources development business 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.

In 2022, the three key mineral resources projects in production have successfully made through the Pakistan flood and the 7.6 magnitude earthquake in Papua New Guinea in succession. They completed self-rescue and resumed production in the shortest possible time, and helped surrounding communities and villages in emergency rescues and disaster relief, supplied manpower and equipment, donated money and materials, which showed outstanding fulfillment of corporate social responsibility and was highly praised by the local people and the government and the embassies. At the same time, the Company adhered to the prevention of pandemic and terrorism to ensure double prevention and control, insisted on safe production, environmental protection and energy saving to ensure zero accidents and zero casualties, made efforts to optimize production and organization and improve production efficiency to ensure stable and high output, insisted on quick digging and selling to ensure max output and full sales, and further stabilized the fundamentals of production and operation of resource development business. All production and operation indexes greatly exceeded the budget target and the Company continued to play its role as a major profit maker.

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

(1) Papua New Guinea Ramu Nico Project

During the Reporting Period, the project achieved an annual average production rate of 105%, exceeding its production target again, and produced Ni-Co hydroxide containing 34,302 tons of nickel and 2,987 tons of cobalt in aggregate with a year-on-year growth of 9%. The Company strived to overcome the negative impact of the short-selling event in the international nickel metal futures market, optimized and adjusted its sales strategy and intensified its sales efforts. The project sold NiCo hydroxide that contained 37,249 tons of nickel and 3,289 tons of cobalt in aggregate with a year-on-year growth of 14%. The annual operating revenue was RMB 4.746 billion, increased by 21% year-on-year. The project achieved net profit of RMB 1.267 billion, representing a year-on-year decrease of 15.72%. Due to the continuous increase in the supply of intermediate products of hydrometallurgy in the nickel market and intensifying competition, coupled with the impact of the price difference between domestic and foreign nickel markets, the discount coefficient of nickel and cobalt sales dropped significantly, resulting in a year-on-year decrease in net profit of the project by approximately RMB 236 million.

(2) Pakistan Saindak Copper-Gold Mine Project

During the Reporting Period, the project successfully completed the signing of the fourth 15-year lease renewal agreement, and successfully withstood multiple challenges such as the terrorism prevention, and heavy rainfall and flooding, and was awarded the "Outstanding Practice of Overseas Security" in 2022, and the "Outstanding Unit of Chinese Enterprises" by the All Pakistan Chinese Enterprises Association, and received written praise from the Chinese Consulate General in Karachi. In 2022, the project achieved a 21% overproduction of ore mining target, and affected by a significant drop in the grade of raw ore in the East Ore Body, 16,346 tons of crude copper was produced with a year-on-year decrease of 13%. The project achieved an operating revenue of RMB 1.508 billion throughout the year, representing a year-on-year increase of 12.62%. The project has commenced mining and beneficiation expansion project and is expected to increase crude copper production to 24,000 tons per annum upon commissioning in the fourth quarter of 2023, so as to generate good economic and social benefits for both China and Pakistan on an ongoing basis.

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

During the Reporting Period, the project withstood the continuous impact of the heavy rainfall and flooding, resumed production within the shortest possible time, and reduced the damage and loss to the lowest level. At the same time, it withstood the huge pressure of security and terrorism prevention, and exceeded the production target again, and the operating efficiency maintained rapid growth for two consecutive years. It was awarded the Pakistan Academy of Engineering Quality Project Award, the 8th “Outstanding Achievement Award” of the business industry of Pakistan, and the “Outstanding Unit of Chinese Enterprises” of the All Pakistan Chinese Enterprises Association, and received a written commendation from the Chinese Consulate General in Karachi. The project mined 513,000 tons of ore, produced 42,349 tons of zinc in zinc concentrate and 8,886 tons of lead in lead concentrate, representing a year-on-year increase of 20% and 22% respectively, and sold 36,730 tons of zinc in zinc concentrate and 7,881 tons of lead in lead concentrate, representing a year-on-year increase of 15% and 20% respectively. The project achieved operating revenue of RMB 823 million throughout the year, representing a year-on-year increase of 51.54%, and achieved net profit of attributable to the PRC of RMB 281 million, representing a year-on-year increase of 38.24%.

(4) ***Pakistan Sialdik Copper Project***

During the Reporting Period, the Company completed the acquisition of three mining rights under the Sialdik copper project in Balochistan and carried out a detailed survey of the core area. Based on the results of the stage drilling, the copper ore resources of the project were estimated at 1,014 million tons, with 3,278,700 tons of copper metal and an average copper grade of 0.32%. The Company will continue with the exploration work and conduct a scientific feasibility study for the development of the project.

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

During the Reporting Period, the Company conducted negotiations with Afghanistan on the solution regarding significant issues that hinder project progress under the principle of equality and mutual benefits and safeguard the legitimate rights and interests of the Company in a reasonable and orderly manner. The Company will continue to strive to improve the effectiveness of its investment in the project through contract negotiations and to promote actual progress of the project.

(6) Luoyang Silicon Polysilicon Project

During the Reporting Period, the Company's subsidiary Luoyang Silicon High Technology Company Limited ("Luoyang Silicon") produced 6,508 tons of polysilicon and sold 6,585 tons of polysilicon. It produced 11,435 tons of new silicon-based materials. It achieved sales revenue of RMB 1,789 million, representing a year-on-year increase of 104%, including sales revenue from new products of more than RMB 290 million, representing a year-on-year increase of 164%, and realised net profit of RMB 422 million, representing a year-on-year increase of 269%. The project is an "import substitution" project that fills the gap in the market of high-end silicon based materials in China. The technology comes from the achievements of the national industrial foundation project and the major projects of Zheng-Luo-Xin Independent Innovation Demonstration Zone undertaken by Luoyang Silicon. Many achievements have reached the international leading level through appraisal, meaning a broad development prospect.

II. DETAILS OF THE BOARD' STANDARDIZED OPERATION

(I) Changes in the Members of the Board of Directors

At the beginning of 2022, the members of the third session of the Board were: Mr. Guo Wenqing as the Chairman and an executive Director, 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, Mr. Yu Hailong resigned from his position as an independent non-executive Director. On the same day, Mr. Guo Wenqing, the Chairman of the Board, tendered his resignation as a Director and the Chairman of the Company due to work requirements. 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 of the Company were changed to: Mr. Chen Jianguang as the Chairman and an executive Director, Mr. Zhang Mengxing as an executive Director and the President, 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.

The above adjustments further improved the construction of the Board, and ensured the integrity, standardized setting, reasonable structure and compliant operation of the Board.

(II) Improvement of Corporate Governance System

In 2022, in accordance with the relevant work deployment of the three-year state-owned enterprise reform and in combination with the recent revision of the securities regulatory system, the Company made amendments to the Articles of Association. At the same time, in accordance with the revised articles of the Articles of Association, the Procedural Rules of the Board and the working rules for each special committee, was reorganized to ensure the effective connection of the system documents. The corporate governance system complies with the requirements of both state-owned assets regulatory authorities and securities regulatory.

In 2022, in order to implement the work requirements of the three-year state-owned enterprise reform by the State-owned Assets Supervision and Administration Commission, a special meeting of the Chairman of the Board was added and the “Working Methods of the Special Meeting of the Chairman of MCC” was formulated to clarify the duties, proceedings and working procedures of the special meeting of the Chairman of the Board. In 2022, 8 special meetings of the Chairman of the Board were held, and 9 major special matters were studied, which strongly promoted the Company to make significant progress in key and difficult work.

In 2022, in order to play the complementary decision-making function of special committees of the Board, the Sustainable Development Committee of the Board, in accordance with the latest regulatory requirements and capital market trends, was established and the Working Rules of the Sustainable Development Committee were formulated to increase the attention and research on safety, environmental protection and health, ESG and sustainable development at the strategic level. At the same time, in accordance with the work requirements of three-year state-owned enterprise reform and the Company’s compliance management, compliance management has been added to the duties of the Sustainable Development Committee.

(III) Meetings of the Board of Directors and Special Committees

In 2022, the Board of the Company attached great importance to and continuously strengthened the standardized governance of the Company, and ensured that the scientific decisions of the Board were accurately implemented through “Six Compliance and One Implementation”, forming a complete closed-loop management and continuously improving the standardized operation level. The “Six Compliance and One Implementation “that is, before the meeting to ensure compliance with the proposal procedure and meeting organization process; during the meeting to ensure compliance with the meeting convening procedure, resolution consideration procedure and resolution voting procedure; after the meeting to ensure compliance with the meeting documents and effective implementation of meeting requirements. In 2022, the Company convened 12 Board meetings in total, including 7 meetings held by way of on-site meeting (including a combination of on-site and communication conference) and 5 meetings held through communication conference. The Board considered proposals and heard reports with a total of 98 resolutions and passed 83 resolutions.

In 2022, the Board continued to play the complementary decision-making function and the professional procedural and advisory functions of each specialized committees. Before the professional issues are submitted to the Board for consideration, the relevant specialized committees will conduct thorough studies to form specific opinions to provide the Board with the basis for decision-making. In 2022, the special committees held 18 meetings in total, at which 53 topics were discussed, among which, the Strategy Committee held 3 meetings, at which 6 issues were considered and discussed; the Finance and Audit Committee held 10 meeting, at which 39 issues were considered and discussed; and the Nomination Committee held 1 meeting, at which 1 issue was considered and discussed; Remuneration and Appraisal Committee held 2 meetings, at which 3 issues were studied and discussed; and Sustainable Development Committee held 2 meetings, at which 4 issues were studied and discussed.

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

Name of Director	Number of attendance at Board meetings required for the year	Attendance at Board Meetings			Number of absence	Attendance at General Meetings
		Number of meetings attended in person	Number of meetings attended via communication	Number of meetings attended by proxy		Number of general meetings attended
Chen Jianguang	11	10	4	1	0	2
Zhang Mengxing	12	12	5	0	0	1
Zhou Jichang	12	12	5	0	0	1
Lang Jia	11	11	4	0	0	1
Liu Li	11	11	4	0	0	2
Ng, Kar Ling						
Johnny	12	12	5	0	0	0
Yan Aizhong	12	11	5	1	0	1

(V) Performance of Resolutions Passed at General Meetings by the Board

In 2022, the Company held 2 general meetings. 11 ordinary resolutions were considered and approved at the meeting, including the election of Directors, the work report of the Board, the final accounts, the profit distribution, the emoluments of Directors and Supervisors, the guarantee plan, connected transactions, the appointment of the auditor and internal control bodies; 2 special resolution was considered and approved for the plan of the registration and issuance of bonds, the general mandate to issue shares and receive the annual performance report of the independent non-executive Directors.

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 of the Company earnestly implemented all the resolutions passed at general meetings in strict accordance with the resolutions passed at and authorization given by the general meetings.

(VI) Information Disclosure and Investor Relations

During the Reporting Period, the Company attached great importance to information disclosure, strictly complied with the regulations and requirements of the listing rules of the place where its shares are listed, and conscientiously fulfilled its information disclosure obligations and disclosed the company information in a truthful, accurate, complete, timely and fair manner. Meanwhile, the Company continued to improve the quality of the information disclosure work and, in accordance with the principle of combining statutory disclosure with voluntary disclosure, fully delivered the Company's operation information from multiple perspectives to pursue clarity and understandability, ensuring the specificity and effectiveness of information disclosure. During the Reporting Period, the Company disclosed a total of 302 announcements in both English and Chinese, including 112 announcements on the Shanghai Stock Exchange, 109 announcements in Chinese and 81 announcements in English on the Hong Kong Stock Exchange, covering matters such as periodic reports, connected transactions, external investments and external guarantees. The Company was rated Class A (the top class) for Annual Information Disclosure by the Shanghai Stock Exchange for the sixth consecutive year.

The Company always closely follows the strategic goals to explore performance highlights and investment value, and actively communicates with and responds to the capital market. During the Reporting Period, the Company organised roadshows, participated in various brokerage strategy meetings, convened telephone communication meetings and received visiting institutional investors for a total of more than 70 times, and communicated directly with more than 300 institutional investors and more than 100 small and medium investors. In 2022, on the basis of regular performance announcement and daily communication, the Company held three periodic results presentations and performance roadshows for annual, interim and third quarterly reports, which were conducted through multi-media platforms such as video conferences, teleconferences and the SSE Roadshow Center, covering both online and offline, and made extensive exchanges with hundreds of domestic and foreign institutions and nearly 500 investors, analysts and financial media outlets, through which the Company made a detailed introduction of the "fighting against the pandemic, stabilizing growth, ensuring safety and preventing risks", performance highlights, business development and technological innovation, had an in-depth communication with investors about the outlook of metallurgical construction, double carbon strategy development, growth stabilization measures and resource development business, looked forward to its development trend, and demonstrated its excellent performance and operation highlights to the capital market.

III. PERFORMANCE OF THE BOARD OF DIRECTORS

In 2022, for the purpose of maintaining and increasing the value of the state-owned assets and maximizing Shareholders' interests, the Board of the Company continued to follow the function of "making strategy, making decisions and preventing risks", captured the development opportunity to target strategic layout to dedicate in reform and innovation, continued to strictly control the risks and facilitated the development principle of "seeking progress while maintaining stable" of the Company.

(I) Progress of Major Events on which the Board Placed an Emphasis for the Year

1. *Vigorously lowering Two Funds and strictly controlling financial fund risks*

In 2022, under the leadership of the Board of the Company, MCC focused on five key areas and implemented comprehensive measures. With the special debt clearing of one policy for one item, the Company carried out special inspection and supervision of a number of key subsidiaries for debt clearance of Two Funds, and special interviews with the main leaders of certain subsidiaries. In this regard, the momentum of the rebound of Two Funds was curbed and the increase of Two Funds was lower than the increase of operating income by 1 percentage point.

The Board of the Company insisted on the concept of "cash is the top priority". During the Reporting Period, the Company included the income to cash ratio in the progress index assessment, comprehensively strengthened cash flow control, monitoring and early warning, and coordinated the dispatch of various funds to ensure the safety of the capital chain. At the same time, the Company promoted the standardization of financial accounting basis, issued the "Accounting Basis Work Standards", compiled the "Financial Position Standards" and "Compilation of Financial Discipline", etc., and further improved the level of financial risk control.

2. *Enhancing compliance awareness and strengthening compliance management*

The Board of the Company continued to strengthen compliance management. During the Reporting Period, the Company issued the “Compliance Initiative of MCC” and more than 80,000 employees at all levels signed the “Compliance Commitment Letter”. The Company established a “1+N” compliance system and issued five special compliance guidelines, including the “Anti-Fraud Compliance Guidelines”. The Company conducted compliance risk assessment and established the “Major Compliance Risk List”. It optimized and improved more than 200 items of “Professional Subcontracting Contract of the Construction Project (Model Text)” and “Labor Subcontracting Contract of the Construction Project (Model Text)”, fully absorbing and considering the opinions of each subsidiary, and improving the enforceability of the model text. The Company added compliance functions to Sustainable Development Committee of the Board, and held special meetings to study the Company’s compliance management, which strongly promoted the progress of related work.

3. *Improving the quality of marketing and optimizing the regional market layout*

In 2022, the Company made significant improvements in contract quality and continued to optimize the market layout, recording significant results with the “1+M+N” regional market layout. The special action for marketing quality improvement achieved initial results, with the contract conversion rate increasing by 2.3% in 2022. The bidding capacity was significantly enhanced, with the proportion of projects awarded by bidding increasing by 2.2 percentage points. The market position in the metallurgical business continued to consolidate, with newly signed contracts of RMB 191.995 billion, including winning bids for the Baowu Lanzhou 100,000-tonne Anode Material Project and the Sichuan Dagang relocation project, further demonstrating the strength of the national team in metallurgical construction. In the housing and infrastructure business, the Group successively won bids for the second phase of the Seventh Affiliated Hospital, Sun Yat-sen University (Shenzhen Campus), the Protection Project for the Jiangnan Shipyard of CSSC, the Xiong’an Resettlement Housing and Ancillary Facilities, the Hengxi Expressway with a Total Investment of RMB 17.5 billion, the Xuyu Heating Long-distance Pipeline and other high-quality projects.

4. *Paying close attention to project risks and accelerating real estate destocking*

In 2022, the Company focused on building a “Big Performance” management system, strengthening and improving the project control system, subcontracting management system, and information technology construction of the control platform, stepping up on-site inspection and supervision, continuing to consolidate the achievement of ensuring no wage arrears for migrant workers, strengthening the responsibility for handling project complaints, fully leveraging the demonstration role of key projects to further improve management efficiency and engineering quality. The Company also continued to promote a special action to prevent and resolve risks in PPP projects, strictly reviewed project investment approvals, set up risk warning indicators, established an off-balance-sheet project ledger, established a post-investment management system, strengthened project closed-loop management, and comprehensively conducted self-inspections on PPP projects. The Company attached great importance to risk prevention in the real estate business, held several meetings to conduct topical studies, developed tailored strategies for each enterprise and project, studied the inventories processing, formulated disposal measures, and issued the “Assessment and Management Measures for Real Estate Projects”.

5. *Innovation in science and technology*

In 2022, the Company was recognized as a National Enterprise Technology Center and was approved to take the lead in assuming three national key R&D program project, five national key R&D program topics, and three national natural science foundation projects, including the “Key Technology and Application of High-Performance Bridge Steel Plate Manufacturing in Plateau Complex Environments”. The Company was awarded 20 metallurgical technology awards by the China Iron and Steel Industry Association, including eight first-class prizes, and had 8,963 newly granted patents, bringing the total number of valid patents to 47,120.

The Company continued to vigorously promote the construction of the national metallurgical team. In 2022, the third batch of 30 major R&D projects under the “181 Plan” was launched. The ongoing projects under the “181 Plan” have made breakthrough progress, and research achievements such as the recovery of waste heat from blast furnace flue gas, supercritical gas-fired power generation, and the development of a full-process industrial internet platform have been successfully applied to engineering projects, resulting in significant economic and social benefits.

6. *Strictly managing safety production and identifying hidden dangers to strengthen defense lines*

In 2022, the Company insisted on systematic governance and addressing the root causes, further improved the system, formulated and strictly implemented the rules on production safety at construction sites and the implementation details of leading shifts to strengthen on-site safety management; strongly implemented the safety director system, opened up career paths for safety management personnel, and comprehensively strengthened the construction of safety management teams. The Company is committed to the principle of prevention as the first and practice as the backing, and on the basis of “Four Don’ts and Two Directs” and systematic linkage inspections, constantly innovated the inspection mode, comprehensively carried out the safety production inspection, and paid close attention to the investigation and treatment of hidden dangers. Through various methods such as conducting in-depth “guarantee” inspections, regional cross inspection and evaluation, “mobile” inspections, and special inspections, key projects under construction were inspected to eliminate safety hazards.

(II) Directors’ Annual Investigation and Related Work Proposals

In 2022, the Directors of MCC conducted two collective investigation activities with the theme of “stabilizing growth, fighting against the pandemic, ensuring safety and preventing risks”. During the investigation activities, the Directors went deep into the grassroots and investigated six subsidiaries in Dalian, Changchun and Beijing, including ACRE, NETC, Shanghai Baoye Changchun Company, MCCT, MCC-JJJ, and China Huaye, and conducted on-site inspections of two key projects under construction, Changchun Longxiang International Business Center and Changchun Aerospace Expo Park. The Directors listened to comprehensive reports from the subsidiaries, had in-depth exchanges with relevant enterprise leaders and technical experts, conducted in-depth analyses and systematic research on the development status, difficulties, and problems of research and design enterprises, regional companies, and resource sectors, proposed clear work requirements for the next stage of development and wrote high-quality research reports for the Company’s management, relevant functional departments, and subsidiaries to study and reference.

In the course of the investigation, by combining national policies, industry development trends, and the current situation of development of the Company, and focusing on the theme of “stabilizing growth, fighting against the pandemic, ensuring safety and preventing risks”, the Directors proposed the following work requirements for the Company in terms of improving the quality of development, guiding research and design enterprises, increasing the construction of regional companies, clarifying the positioning of the resource segment and strengthening Party building work:

Firstly, the Company shall adhere to the priority of efficiency and moderate scale to achieve high-quality development steadily. Under the severe and complex international environment and the increasing downward pressure on the economy, the Company shall thoroughly implement the important instructions of General Secretary Xi Jinping on “preventing the pandemic, stabilizing the economy and securing the development”, adhere to the principle of “prioritized stability and sought progress in stability”, focus on the central task of “stabilizing growth”, correctly handle the relationship between scale and quality, take multiple measures to expand the market and enhance profitability, continue to vigorously reduce the “Two Funds”, comprehensively improve management level, and strengthen risk prevention and control.

Secondly, the Company shall guide research and design enterprises to increase innovation and enhance core competitiveness. Research and design enterprises shall constantly enrich their business connotations on the basis of traditional technology and project experience, innovate business models, combine industry development trends, and use their own technology to cultivate new businesses and profit growth points with leading technology, good benefits, and stable development to achieve the Company’s long-term prosperity and enhance the influence of corporate brand.

Thirdly, the Company shall strengthen the physical development of regional companies, increase policy support and guidance, and drive the overall marketing level of the Group. The Company shall further clarify the positioning of regional companies, increase support for the regional development of subsidiaries, give policy support to regional companies with good market development, many projects on hand, and strong performance capabilities based on the Company’s strategic layout, deeply cultivate regional markets, improve the market competitiveness and brand influence of the region, and maintain the good image of MCC.

Fourthly, the Company shall enhance the political position and view the work of resource sectors from the perspective of safeguarding national resource security, identifying positioning, planning development, and actively assuming the mission and responsibility of a central enterprise. We should carefully study the positioning and development issues of the resource sector from the strategic level, comprehensively sort out the input, output, and benefits of the existing resource projects throughout the lifecycle, rigorously calculate, systematically analyze, fully research, and objectively summarize, further clarify the development direction and strategic measures of the resource sector in the 14th Five-Year Plan and the Three-Year Rolling Plan.

Fifthly, the Company shall further improve the quality of Party building work, strengthen talent selection and training, and promote the deep integration of Party building and production and operation. We should guide all Party members and cadres to unify their thoughts and actions with the major decision-making arrangements of the Party Central Committee, provide strong guarantees for the sustainable and healthy development of the enterprise with high-quality Party building, adhere to the principle of “retaining people with institutions, careers, emotions and treatment”, further improve talent selection and training mechanisms, stimulate the work enthusiasm and subjective initiative of grassroots cadres and employees.

IV. OUTLOOK FOR 2023

2023 marks the opening year to fully implement the spirit of the 20th CPC National Congress and the key year for the implementation of the 14th Five-Year Plan. For the purpose of maintaining and increasing the value of the state-owned assets and maximizing Shareholders’ interests, the Board of the Company will continue to follow the function of “making strategy, making decisions and preventing risks”, adhere to the general principle of seeking progress while maintaining stable performance, fully implement the “14th Five-Year” development strategy of the Company, fully promote the high-quality development of the Company, seize policy opportunities while stressing risk prevention and control, ensure high-quality completion of the tasks and targets for the year, ensure the Company’s stability and long-term progress, and accelerate the achievement of the goals of “one building, two most, five strong (一創兩最五強)”, writing a good answer sheet of MCC to the Chinese-style modernization.

Firstly, we will stay true to our original aspiration and firmly establish the sense of mission to achieve “stronger” development. In the next step, the Company will take building itself into a world-class enterprise with global competitiveness as the traction, take building itself into the best overall metallurgical construction and operation solution provider with super core competitiveness and the most reliable general contracting service provider for internationally renowned and domestically leading infrastructure construction as its objectives, and strive to build the Company into a world-class investment and construction group with strong value creativity, strong market competitiveness, strong innovation driving forces, strong resource allocation capability, strong cultural soft power. We will focus on “five special actions” and basic management improvement actions, take serious measures to work on the construction of nine systems centering on the three elements of system, organization and personnel, and focus on improving our weak links, strengthening our strong links and consolidating our basic capabilities, so as to lay a solid foundation for becoming a world-class enterprise and achieving stronger development.

Secondly, we will live up to our responsibility with practical hard work and firmly establish the sense of responsibility to achieve “better stage” development. At present, the development blueprint has been drawn up and the 14th Five-Year Plan is at a critical period, and the Company will further strengthen its confidence in development, continue to keep a close eye on strategy planning and management, highlight “attaching equal importance to scale and efficiency, priority being given to quality”, organically integrating such two aspects through scientific management, rational mechanisms and effective work. We will put marketing as our top priority, continue to maintain revenue growth and scale expansion while focusing on improving the quality of development, properly handle the relationship between the scale of operation and operational efficiency, the speed of development and the quality of development, and the resources of the Company and the scale of the Company, and work steadily for turning the predefined goals into reality one step at a time.

Thirdly, we will work hard to promote results and firmly establish a sense of urgency to achieve “faster” development. We will further enhance our awareness of potential dangers and accelerate the pace of development with a sense of urgency that we cannot afford to wait and a sense of crisis that we cannot afford to slow down. We will firmly grasp marketing which serves as the key link, seize new development opportunities, focus on “quality markets, quality customers and quality projects”, and achieve breakthroughs in the high-end sector, expansion in the mid-range sector and resolute abandonment of the low-end sector. Sticking to the core position of innovation in the overall development of the Company, we will further strengthen the core technology breakthrough and speed up the transformation of results, so as to give full play to the important role of technology as the first productive force. We firmly establish the management concept of “site work-cycling-market”, continuously strengthen the construction of the project management system, focus on improving the project contract performance capability and enhance the profitability of the Company. We will establish a solid risk management system, and will be able to identify and resolve major risks in the areas of finance, capital, investment, security and law. We will dare to think, dare to act, dare to explore, be courageous to compare ourselves with and catch up with and surpass industry benchmark, continue to consolidate the absolute advantage as a member of the national team of metallurgical construction, and strive to achieve further comprehensive strength among the state-owned construction enterprises.

In 2023, the Board of the Company will follow the trend and take advantage of it, press ourselves, overcome hurdles and forge ahead with a never-slack spirit and an unrelenting striving attitude, making unremitting efforts to write a brand new chapter of high-quality development of MCC, creating new and greater value for the country, the Shareholders, the society and the employees!

The Board of Metallurgical Corporation of China Ltd.*

26 June 2023

WORK REPORT OF THE SUPERVISORY COMMITTEE OF METALLURGICAL CORPORATION OF CHINA LTD. FOR THE YEAR 2022

In 2022, the Supervisory Committee of Metallurgical Corporation of China Ltd. (referred to as “MCC” or the “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 Rules of Procedure for 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

During the reporting period, the third session of the Supervisory Committee of the Company comprised three Supervisors, who were Mr. Yin Sisong, the Chairman of the Supervisory Committee, Ms. Zhang Yandi, the Supervisor and Mr. Chu Zhiqi, the employee representative Supervisor.

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

During the reporting period, the Supervisory Committee of the Company 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 aimed to achieve the following tasks:

(1) Convening meetings of the Supervisory Committee

In 2022, the Supervisory Committee of the Company held a total of four meetings, with 19 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 for the Supervisory Committee. 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 2022, the 15th meeting of the third session of the Supervisory Committee was convened by way of on-site meeting, at which the committee considered the Resolution on the Annual Report of MCC for the Year 2021, the Resolution on the Report of MCC on Final Accounts for the Year 2021, the Resolution on MCC's Provision for Impairment of Assets for the Year 2021, the Resolution on Profit Distribution of MCC for the Year 2021, the Resolution on Profit Distribution of MCC Finance Corporation Ltd., the Resolution on Special Report on Fund Appropriation by the Controlling Shareholder of MCC and Other Related Parties for the Year 2021, the Resolution on the 2021 Work Report of the Supervisory Committee of Metallurgical Corporation of China Ltd., the Resolution on the Social Responsibility Report of MCC for the Year 2021, the Resolution on the Internal Control Assessment Report of MCC for the Year 2021, 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, the Proposal in Relation to Temporary Use of Idle Funds Raised from IPO of H Shares as Supplementary Working Capital, and the Proposal in Relation to Use of Surplus Proceeds from Private Placement of A Shares as Permanent Supplement of Working Capital.

On 29 April 2022, the 16th meeting of the third session of the Supervisory Committee was convened by way of communications, at which the committee considered and approved the Resolution on the First Quarterly Report of MCC for the Year 2022 and reviewed the Report on Update of the List of Related Parties of MCC.

On 29 August 2022, the 17th meeting of the third session of the Supervisory Committee was convened by way of on-site meeting, at which the committee considered and approved the Resolution on the Interim Report of MCC for the Year 2022 and the Resolution on the Interim Financial Report of MCC for the Year 2022, and reviewed the Special Report on Funds Raised from A Share Offering and Brief for Special Report on Proceeds Raised from H Share Offering.

On 27 October 2022, the 18th meeting of the third session of the Supervisory Committee was convened by way of on-site meeting, at which the committee considered and approved the Resolution on the Third Quarterly Report of MCC for the Year 2022.

(2) Performance of statutory supervisory duties

In 2022, in accordance with the provisions of the Articles of Association, the Supervisory Committee of the Company earnestly performed its duties and attended the 2021 Annual General Meeting and the 2022 First Extraordinary General Meeting of the Company; sat in on the 2022 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 2022, the members of the Supervisory Committee actively participated in the professional training organized by the regulatory body, with a total of 10 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 2022**(1) Operation of the Company according to law**

The Company's Supervisory Committee was of the view that the Board was able to strictly abide 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 2022 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, Ernst & Young Hua Ming LLP (Special General Partnership) issued an unqualified audit report, and determined that the Company's 2022 financial statements presented fairly the Company's overall financial status and operation results in 2022 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 Finance and Audit 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 2022, 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 2022 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 2022, 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.

In 2023, 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.*

26 June 2023

* *For identification purposes only*

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 of	Percentage
						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 were no any material adverse changes in the financial or trading position of the Group since 31 December 2022, 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 were 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 2022 (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:

Name	Qualification
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 2022 (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) and the website of the Company (www.mcccchina.com) for a period of 14 days from the date of this circular:

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

NOTICE OF THE 2022 ANNUAL GENERAL MEETING



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 2022 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2022 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 Monday, 26 June 2023 at 2:00 p.m. to consider and, if thought fit, pass (with or without amendments) the following resolutions:

Unless otherwise defined, capitalized terms used therein shall have the same meanings as those defined in the circular of the Company dated 25 May 2023.

ORDINARY RESOLUTIONS

1. To consider and approve the proposal in relation to the “Work Report of the Board of MCC for the Year 2022”.
2. To consider and approve the proposal in relation to the “Work Report of the Supervisory Committee of MCC for the Year 2022”.
3. To consider and approve the proposal in relation to the report on final accounts of the Company for the year 2022 (as set out in the 2022 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 2022.
5. To consider and approve the proposal in relation to the emoluments of Directors and Supervisors of the Company for the year 2022.
6. To consider and approve the proposal in relation to the plan of guarantees to be provided by the Company for the year 2023.
7. To consider and approve the proposal in relation to the appointment of the Company’s auditor and internal control auditor for the year 2023.

NOTICE OF THE 2022 ANNUAL GENERAL MEETING

8. To consider and approve the proposal in relation to the adjustment of 2023 annual cap for transactions under the Framework Agreement and the entering into of the New Framework Agreement with China Minmetals and the setting of 2024 annual caps.
 - (1) To consider and approve the proposal in relation to the Company's adjustment of annual cap for 2023 for engineering construction (income) transactions under the Framework Agreement
 - (2) To consider and approve the proposal in relation to the entering into of the New Framework Agreement with China Minmetals and the setting of 2024 annual caps
9. To consider and approve the proposal in relation to the closure of part of the Company's A-share fund raising project and the use of the surplus proceeds for permanent replenishment of liquidity.

SPECIAL RESOLUTIONS

1. To consider and approve the proposal in relation to the amendments to the Articles of Association of the Company.
2. To consider and approve the proposal in relation to the amendments to the Rules of Procedure for the General Meetings of the Company.
3. To consider and approve the proposal in relation to the amendments to the Rules of Procedure for the Board Meetings of the Company.

BRIEFING

1. To receive the 2022 performance report of the independent non-executive Directors.

By order of the Board
Metallurgical Corporation of China Ltd.*
Wang Zhen
Joint Company Secretary

Beijing, the PRC
25 May 2023

NOTICE OF THE 2022 ANNUAL GENERAL MEETING

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 Monday, 19 June 2023 to Monday, 26 June 2023, 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 Friday, 16 June 2023.
- (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 Wednesday, 21 June 2023 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.

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 (employee representative Director); and independent non-executive Directors: Mr. Zhou Jichang, Mr. Liu Li and Mr. Ng, Kar Ling Johnny.

* *For identification purposes only*