



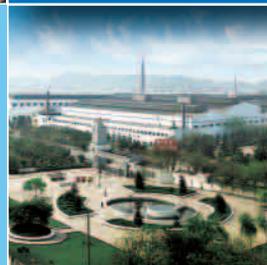
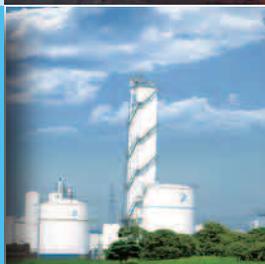
中鋁國際工程股份有限公司

China Aluminum International Engineering Corporation Limited

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

Stock Code: 2068

GLOBAL OFFERING



Sole Global Coordinator and Sole Sponsor



Joint Bookrunners and Joint Lead Managers



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



中鋁國際工程股份有限公司

China Aluminum International Engineering Corporation Limited

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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	363,160,000 H Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	36,316,000 H Shares (subject to adjustment)
Number of International Offer Shares	:	326,844,000 H Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK\$4.73 per H Share, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund on final pricing)
Nominal value	:	RMB1.00 per H Share
Stock code	:	2068

Sole Global Coordinator and Sole Sponsor



Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Hong Kong Companies Ordinance, Chapter 32 of the Laws of Hong Kong. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between our Company and the Joint Bookrunners on the Price Determination Date or such later date as may be agreed by our Company and the Joint Bookrunners but in any event no later than July 4, 2012 (Hong Kong time). The Offer Price will be not more than HK\$4.73 per Offer Share and is expected to be not less than HK\$3.93 per Offer Share. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$4.73 for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK\$4.73. The Sole Global Coordinator (on behalf of the Underwriters) may reduce the number of Hong Kong Offer Shares being offered under the Global Offering and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction of the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available at the website of the Stock Exchange at www.hkex.com.hk and our website at www.chalieco.com.cn. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, in the event that the number of Offer Shares and/or the indicative Offer Price range is so reduced, such applications can subsequently be withdrawn. Details of the arrangement will then be announced by our Company as soon as practicable.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners on or before July 4, 2012 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

We are incorporated, and substantially all of our business are located, in the PRC. Potential investors should be aware of the differences in legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investments in PRC-incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of our Shares. Such differences and risk factors are set out in the section headed "Risk Factors" and in "Appendix III — Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" and "Appendix IV — Summary of the Articles of Association" in this prospectus.

Pursuant to the force majeure provisions contained in the Underwriting Agreements in respect of the Offer Shares, the Sole Global Coordinator (after prior consultation with the Company and the Joint Bookrunners) has the right in certain circumstances to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the date when dealings in the H Shares first commence on the Stock Exchange (such first dealing date is currently expected to be July 6, 2012). Further details of the terms of the force majeure provisions are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement — Grounds for Termination" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except that Offer Shares may be offered, sold outside the United States in accordance with Rule 903 or Rule 904 of Regulation S.

June 22, 2012

EXPECTED TIMETABLE⁽¹⁾

Application lists open⁽²⁾11:45 a.m. on June 27, 2012

Latest time for lodging **WHITE** and **YELLOW**

Application Forms and giving **electronic**

application instructions to HKSCC⁽³⁾12:00 noon on June 27, 2012

Latest time to complete electronic applications

under **White Form eIPO** service through

the designated website www.eipo.com.hk ⁽⁴⁾11:30 a.m. on June 27, 2012

Latest time to complete payment for **White Form eIPO**

applications by effecting internet banking transfer(s)

or PPS payment transfer(s)12:00 noon on June 27, 2012

Application lists close ⁽²⁾12:00 noon on June 27, 2012

Expected Price Determination Date⁽⁵⁾June 28, 2012

(1) Announcement of:

- the Offer Price;
- the level of applications in the Hong Kong Public Offering;
- the level of indications of interest in the International Offering; and
- the basis of allotment of the Hong Kong Offer Shares

will be published in the South China Morning Post (in English)

and the Hong Kong Economic Times (in Chinese) on or before July 5, 2012

(2) Results of allocations in the Hong Kong Public Offering

(with successful applicants' identification document

numbers, where appropriate) will be available through

a variety of channels as described in the section headed

"How to Apply for the Hong Kong Offer Shares — Publication

of Results" in this prospectus from July 5, 2012

(3) A full announcement of the Hong Kong Public Offering

containing (1) and (2) above to be published on

the website of the Stock Exchange at www.hkexnews.hk ⁽⁶⁾

and our Company's website at www.chalieco.com.cn ⁽⁷⁾ from July 5, 2012

Results of allocations in the Hong Kong Public Offering will be

available at www.iporesults.com.hk with a "search by ID" function July 5, 2012

H Share certificates in respect of wholly or partially successful

applications will be dispatched or deposited into CCASS on or before⁽⁸⁾ July 5, 2012

Refund cheques (if applicable) will be dispatched on or before⁽⁹⁾ July 5, 2012

EXPECTED TIMETABLE⁽¹⁾

White Form e-Refund Payment Instructions

will be dispatched on or before⁽¹⁰⁾ July 5, 2012

Dealings in H Shares on the Stock Exchange to commence on July 6, 2012

Notes:

- (1) All dates and times refer to Hong Kong local time and dates unless otherwise stated.
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on June 27, 2012, the application lists will not open and close on that day. Further information is set out in the section headed “How to Apply for the Hong Kong Offer Shares — Effect of Bad Weather on the Opening of the Application Lists” in this prospectus. If the application lists do not open and close on June 27, 2012, the dates mentioned above may be affected. Our Company will make a press announcement in such event.
- (3) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for the Hong Kong Offer Shares — Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
- (4) You will not be permitted to submit your application to the White Form eIPO Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications when the application lists will close.
- (5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about June 28, 2012, and in any event no later than July 4, 2012. If, for any reason, the Offer Price is not agreed on or before July 4, 2012, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.
- (6) The announcement will be available for viewing on the “Main Board — Results of Allotment” page on the Stock Exchange’s website at www.hkexnews.hk.
- (7) Neither our Company’s website nor any of the information contained on our Company’s website forms part of this prospectus.
- (8) Our Company will not issue any temporary documents of title in respect of the Offer Shares. H Share certificates will only become valid certificates of title at 8:00 a.m. on July 6, 2012, provided that (i) the Global Offering has become unconditional in all respects and (ii) the Underwriting Agreements have not been terminated in accordance with their respective terms. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, the Global Offering will not proceed. In such a case, our Company will make an announcement as soon as possible thereafter.
- (9) Applicants who apply on **WHITE** Application Forms or through **White Form eIPO** service for 1,000,000 H Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect any refund cheques (where applicable) and H Share certificates in person may do so from our Company’s H Share Registrar, Computershare Hong Kong Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on July 5, 2012. Identification and (where applicable) authorization documents acceptable to Computershare Hong Kong Investor Services Limited must be produced at the time of collection.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 H Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect refund cheques in person may collect their refund cheques (if any) but may not elect to collect their H Share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for applicants who apply on **YELLOW** Application Forms is the same as those for **WHITE** Application Form applicants.

EXPECTED TIMETABLE⁽¹⁾

Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for the Hong Kong Offer Shares — Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.

Applicants who apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the White Form eIPO Service Provider through the designated website at www.eipo.com.hk and whose applications are wholly or partially successful, may collect their H Share certificates in person from Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on July 5, 2012. For applicants who apply for less than 1,000,000 Hong Kong Offer Shares, H Share certificates will be sent to the address specified in their application instructions to the White Form eIPO Service Provider through the designated website at www.eipo.com.hk on July 5, 2012 by ordinary post and at their own risk.

Applicants being individuals who opt for personal collection must not authorize any person to make collection on their behalf. Applicants being corporations which opt for personal collection must attend by their authorized representatives with letters of authorization of their corporations stamped with the corporation’s chops (bearing the name of the corporations). Both individuals and authorized representatives of corporations (as applicable) must produce, at the time of collection, evidence of identity and authority (as applicable) acceptable to our Company’s H Share Registrar. Uncollected H Share certificates and refund cheques will be despatched by ordinary post (at the applicants’ own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed “How to Apply for the Hong Kong Offer Shares — Despatch/Collection of H Share Certificates and Refund Monies” in this prospectus.

- (10) e-Refund payment instructions or refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the price payable on application. Applicants who paid the application monies from a single bank account may have e-Refund payment instructions, if any, dispatched to the application payment account on July 5, 2012. Applicants who used multi-bank accounts to pay the application monies may have refund cheques (if any) dispatched to them on July 5, 2012. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheques, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number/passport number before cashing of your refund cheques. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidate your refund cheques.

For details of the structure of the Global Offering, including the conditions of the Hong Kong Public Offering, and the procedures for application for the Hong Kong Offer Shares, you should read the sections headed “Structure of the Global Offering” and “How to Apply for the Hong Kong Offer Shares” in this prospectus.

CONTENTS

This prospectus is issued by China Aluminum International Engineering Corporation Limited solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from that contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Global Coordinator and Sole Sponsor, the Underwriters, any of their respective directors, agents, employees, advisors or any other person or party involved in the Global Offering. Information contained in our website, located at www.chalieco.com.cn, does not form part of this prospectus

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus, including the Appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading technology, engineering service and equipment provider in the nonferrous metals industry in China, capable of providing full business-chain integrated engineering solutions throughout various stages of the nonferrous metals industry chain. During the Track Record Period, our businesses included engineering design and consultancy, engineering and construction contracting and equipment manufacturing.

Leveraging our advanced technology, we maintain engineering design and consultancy as our key business, which drives the development of our engineering and construction contracting, as well as our equipment manufacturing business. Our engineering and construction contracting model is centered around our core competency in engineering design and consultancy and highlights the crucial role of engineering design in quality control, expense control and progress control during the course of an engineering and construction contracting project. In addition, we secure equipment sales contracts by way of packaging them with engineering design and consultancy and EPC and EP contracts. We have also expanded our business to include providing engineering services in other sectors such as metallurgy, transportation, power, oil, petrochemicals, construction materials, environmental protection, municipal and public utility construction and new materials, and our business has grown rapidly in overseas nonferrous metals markets in recent years. During the Track Record Period, there was no change in our business focus and we have no plan to change our business focus in the near future.

We regard technological innovation as our core competency, and have developed a series of proprietary technologies relating to mining, ore-dressing, smelting and metal material processing. As of December 31, 2011, we had 2,781 patents (including 474 invention patents) in China and 12 overseas patents, as well as 1,091 patent applications (including 883 invention patent applications) in China. In addition, as of December 31, 2011, we had 19 computer software copyrights registered in China. As of December 31, 2011, we had won 76 National Science and Technology Awards and 549 provincial and ministerial Science and Technology Awards.

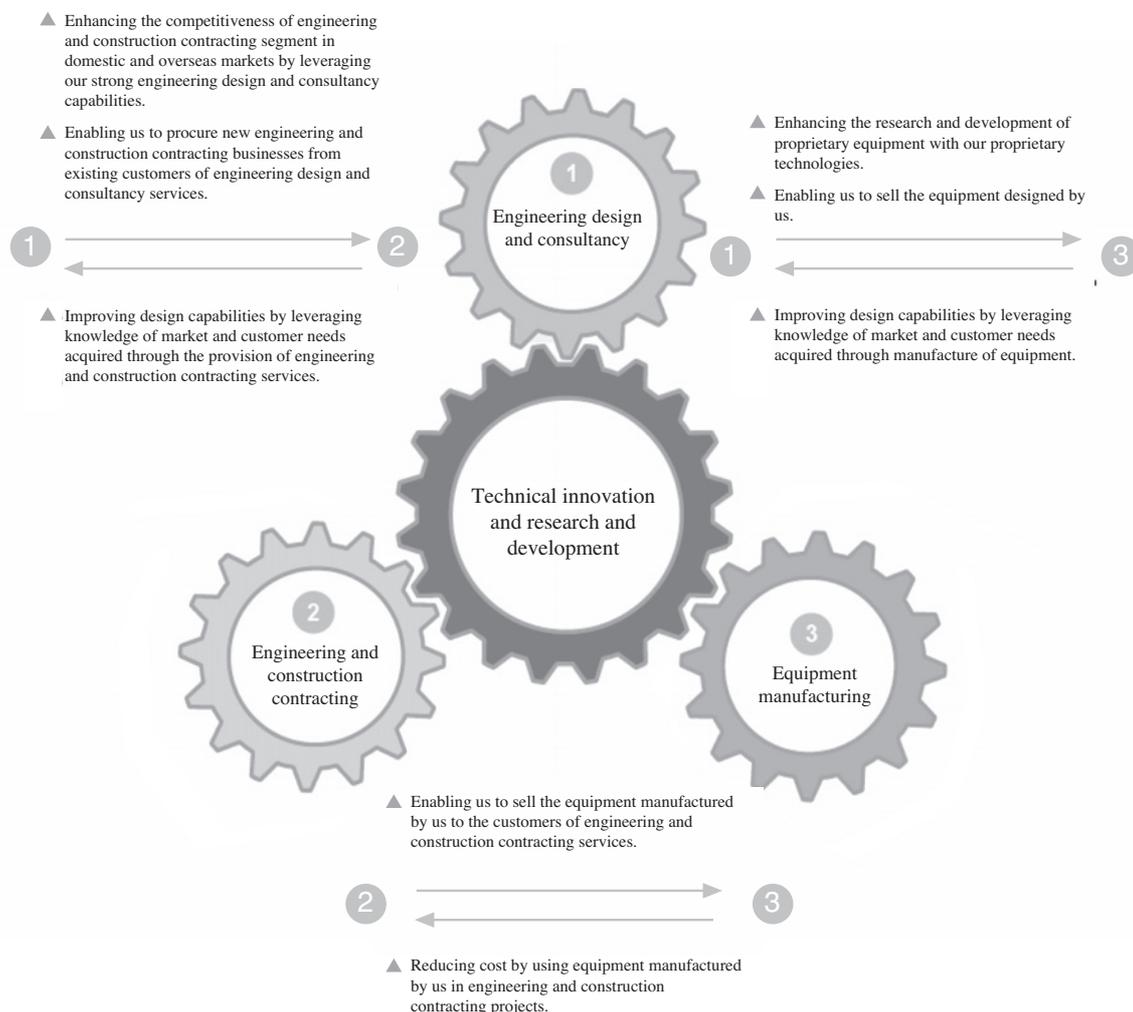
For the years ended December 31, 2009, 2010 and 2011, the new contract value⁽¹⁾ of our operations was approximately RMB6,565.8 million, RMB14,256.5 million and RMB28,889.8 million, respectively. As of December 31, 2009, 2010 and 2011, our backlog⁽²⁾ was approximately RMB12,360.7 million, RMB15,384.0 million and RMB32,079.3 million, respectively.

(1) New contract value represents the aggregate value of the contracts we entered into during a specified period.

(2) Backlog represents our estimate of the contract value of work that remains to be completed as of a certain date assuming the performance is in accordance with the terms of the contract.

SUMMARY

The following chart shows the linkage and relationship among our three business segments:



Engineering design and consultancy

Engineering design and consultancy has historically been our key business. We provide engineering design and consultancy services to engineering projects in the nonferrous metals industry and in other industries. We have business operations in all provinces in mainland China, and our overseas business has experienced rapid growth. With over 50 years of experience and continuous innovation, we have gained a strong command of the techniques and skills required for engineering design and consultancy services at each stage of the nonferrous metals industry chain, including mining, ore dressing, smelting and metal material processing. Our engineering design and consultancy operations extend beyond the nonferrous metals industry to various other industries. We have designed and completed a large number of projects in the metallurgy, chemical, building materials, municipal construction and civil engineering sectors in China. In overseas markets, we have provided, and/or are providing, engineering design and consultancy services for projects located in countries such as Vietnam, India, Azerbaijan, Malaysia, Laos, Mongolia, Mozambique, Kazakhstan and Saudi Arabia. For our major engineering design and consultancy projects, please see “Business — Engineering Design and Consultancy — Major Projects” beginning on page 152 of this prospectus.

SUMMARY

As of December 31, 2011, we had obtained 54 qualifications issued by relevant government authorities, which enable us to provide engineering design and consultancy services in various sectors, such as metallurgy, environmental protection, construction, municipal and public utilities, city planning and machinery manufacturing. As of December 31, 2011, we had over 4,000 technicians with expertise in over 40 specialized fields. For the details of the qualifications held by us, see “Appendix V — Statutory and General Information — 3. Further Information about our Business — C. Our Qualifications” beginning on page V-23 of this prospectus.

Engineering and construction contracting

Our engineering and construction contracting model is centered around our core competency in engineering design and consultancy and highlights the crucial role of engineering design in quality control, expense control and progress control during the course of an engineering and construction contracting project. This model distinguishes us from engineering general contractors that focus on construction and project management, and has been increasingly recognized and accepted by our customers.

We undertake engineering and construction contracting business for mining, ore-dressing, smelting and metal material processing projects. We carry out engineering and construction contracting operations mainly in the nonferrous metals industry in China and overseas markets. For our major engineering and construction contracting projects, please see “Business — Engineering and Construction Contracting — Major Projects” beginning on page 158 of this prospectus.

We used a number of contracting models for our engineering and construction contracting business, including EPC contracts, EP contracts, PC contracts, BT contracts and project management contracts. For more details, please see “Business — Engineering and Construction Contracting — Contracting models” beginning on page 161 of this prospectus.

The following table sets forth the revenue contribution of our EPC and EP contracting, PC contracting and BT contracting during the Track Record Period:

	Year ended December 31,					
	2009		2010		2011	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
EPC and EP contracting	5,057,604	66.6	6,494,026	71.7	3,972,808	40.3
PC contracting	2,532,446	33.4	2,564,195	28.3	5,605,524	56.8
BT contracting	—	—	—	—	284,723	2.9
Total revenue of engineering and construction contracting segment	<u>7,590,050</u>	<u>100.0</u>	<u>9,058,221</u>	<u>100.0</u>	<u>9,863,055</u>	<u>100.0</u>

Engineering and construction contracting projects under different contracting models have different gross margins. For example, EPC and EP contracts require us to provide high value-added engineering services, and the business model of BT contracts allows us to be entitled to a risk premium. As such, the gross margins of our EPC and EP projects and BT projects are typically higher than the gross margins of our PC projects. Some contracts may have higher profit margins than others, primarily due to our Group’s competitive strength in undertaking large scale, complex and

SUMMARY

technology challenging projects by leveraging our Group's strong technological innovation, comprehensive and integrated technology and engineering services and advanced project management skills. The revenue contribution of our EPC and EP contracting business decreased from approximately 71.7% for 2010 to approximately 40.3% for 2011, primarily due to the fact that a large portion of our new EPC and EP projects were launched in the third quarter of 2011, for which we could only recognize a small portion of the revenue in the second half of 2011.

For more details of our EPC business process, please see "Business — Engineering and Construction Contracting — Business Process for Different Contracting Models" beginning on page 164 of this prospectus.

Most of our construction contracts set out pre-agreed prices and specific project timetables for completion of work. We usually set our contract price on a cost plus basis. As required by our customers, we either quote an overall contract price or quote a unit price of the work we carry out. When we quote a unit price, the overall contract price will be determined based on the actual volume of work we carry out. We will use different unit prices in accordance with the nature of different work to be carried out on a project. For more details of our engineering and construction contract terms, please see "Business — Engineering and Construction Contracting — Contract Terms" beginning on page 166 of this prospectus.

We will use different contracting models depending on the nature of different projects and the requirement of our customers. We will use the EP contracting model in the overseas markets where it is not permitted under the local laws and regulations to hire foreign contractors to carry out the construction work, which we believe will further help us expand our overseas operations. We strive to develop our BT contracting business to further expand our revenue base with prudence and seek adequate security and guarantees. To ensure that the project owner of a BT project will make subsequent payments and to protect our interests, we typically require a project guarantor with strong credit and financial capability to provide a separate guarantee to us. Before entering into a BT contract, our internal risk evaluation team conducts a comprehensive risk evaluation. To closely monitor the financial condition of the project owner and the project guarantor, we require them to provide us with their financial information on a regular basis to evaluate their financial position, results of operations and cash flows. When there is any adverse change in the financial condition or operations of the project owner or the project guarantor, we may control our risk by suspending our fund injection and performance under the contract or declaring damages in accordance with the terms of the BT contracts. Please see "Business — Business Strategies — Expand and optimize our engineering and construction contracting operations" beginning on page 143 of this prospectus.

Equipment manufacturing

Equipment manufacturing is a high-technology industry that we have prioritized for development. Our equipment manufacturing operations mainly focus on producing equipment by utilizing our proprietary and patented technologies. Our main products include customized core metallurgical and processing equipment, environmental protection equipment, mechanical and electronic equipment and industrial automation systems. Our products are used in various aspects of the

SUMMARY

nonferrous metals industry chain, and have been exported to countries such as Vietnam, India, Brazil, Nigeria and Pakistan. In addition to the sale of equipment, we also provide related services, including equipment technology consultancy, installation and testing, as well as equipment maintenance.

We secure equipment sales contracts by packaging them with our engineering design and consultancy and EPC and EP contracts. Moreover, by leveraging our core competency in engineering design and consultancy, we closely monitor technological developments and investments in emerging industries such as energy conservation, environmental protection and new materials production to continuously improve our product mix and mitigate potential risks. For details of our manufacturing facilities of equipment manufacturing business and their utilization rates, please see “Business — Equipment Manufacturing — Manufacturing Facilities” beginning on page 170 of this prospectus.

IRAN CONTRACTS

In 2005 and 2008, we entered into two contracts with an Iranian company and an Independent Third Party to design and construct an aluminum smelting plant in Iran. As the conditions precedent contained in these contracts have not been satisfied, these contracts have not been performed, except for the geological survey and basic design services provided pursuant to the supplemental agreement executed in 2005. We served a written notice to IRANCO purporting to terminate the Iran Contracts on May 8, 2012. In November 2010, our subsidiary CNPT entered into a contract to supply, among other items, a cold rolling mill, to an Iranian company, an Independent Third Party, which was terminated by a termination agreement between the parties effective March 15, 2012. CNPT has not delivered and will not deliver the relevant equipment to the Iranian purchaser. Other than these Iran contracts, we did not have any contracts with any person or entity of, or conduct any business in, any Sanctioned Countries during the Track Record Period. We currently do not have any business with or within these Sanctioned Countries.

Our Directors believe, after consulting with our external legal advisors, that the above-mentioned Iran contracts will not have any material and adverse impact on our Company, our Shareholders as a whole, the Stock Exchange, the HKSCC and the HKSCC Nominees. In addition, we are implementing a number of measures designed to control our exposure to applicable sanctions laws. We have covenanted to the Stock Exchange and the Underwriters, that we will not apply any of the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to any project in or with any Sanctioned Countries, or to pay the damages incurred by the IRANCO, if any, arising from our breach of the Iran contracts. Before investing in our Shares, an investor should consider if such investment would expose such investor to any OFAC or sanctions law risk arising from such investor’s nationality or residency. We are aware that if we breach any undertaking we gave to the Stock Exchange and the Underwriters in relation to the Global Offering, our Shares may be delisted from the Stock Exchange. For more details, please see “Risk Factors — Risks Relating to Our Business and the Industries in Which We Operate — We derived an immaterial portion of revenue from Iran during the Track Record Period, and activities by us in Iran and any other countries subject to sanctions could adversely affect us and investors in our H Shares” and “Iran Contracts.”

SUMMARY

RELATIONSHIP WITH CHINALCO

Chinalco, our Controlling Shareholder, will directly and indirectly own approximately 85% of our share capital immediately after the completion of the Global Offering (assuming no Over-allotment Option is exercised). During the Track Record Period, we had a number of connected transactions with Chinalco and/or its subsidiaries. We will continue certain connected transactions with them after the Listing, which primarily include trademark licensing, sale and purchase of commodities and services (such as engineering services) and property and land leasing. The degree of reliance on the Parent Group is expected to decrease due to our proposed measures to reduce connected transactions. See the sections headed “Connected Transactions” beginning on page 206 for the further details of the connected transactions and “Relationship with Chinalco” for the details of the proposed measures beginning on page 194 of this prospectus.

CUSTOMERS, SALES AND MARKETING

Engineering design, contracting and construction projects in the PRC are generally contracted by public tenders, in which only qualified contractors may participate. We have a team dedicated to identifying potential projects and decide whether to participate in a public tender based on the information we collected about the project.

In each of the years ended December 31, 2009, 2010 and 2011, our five largest customers together accounted for 50.0%, 48.6% and 26.7%, respectively, of our revenue for the respective periods, and our single largest customer, which is part of the Parent Group, accounted for 25.9%, 20.1% and 11.0%, respectively, of our revenue for the respective periods. In addition, for 2009, 2010 and 2011, our revenue contributed from our Parent Group and a jointly controlled entity of Chinalco amounted to approximately RMB4,775.8 million, RMB4,147.7 million and RMB3,653.3 million, respectively, representing approximately 50.0%, 36.9% and 30.0%, respectively, of our revenue during the same periods. Other than members of our Parent Group, none of our Directors or Supervisors, their associates or any shareholders who own more than 5% of our issued share capital has any interest in any of the above customers.

For more details, please see “Business — Customers, Sales and Marketing” beginning on page 174 of this prospectus.

SUMMARY

SUMMARY OF HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth our summary consolidated financial information for the years ended December 31, 2009, 2010 and 2011. We have derived the summary from our consolidated financial information set forth in the Accountant's Report in Appendix I to this prospectus. The below summary should be read together with the consolidated financial information included in the Accountant's Report in Appendix I to this prospectus. Our consolidated financial information was prepared in accordance with IFRS.

Consolidated Statements of Comprehensive Income

	Year ended December 31,		
	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	9,553,393	11,233,202	12,194,445
Cost of sales	(8,273,712)	(9,440,696)	(9,928,220)
Gross profit	<u>1,279,681</u>	<u>1,792,506</u>	<u>2,266,225</u>
Operating profit	<u>545,914</u>	<u>1,015,632</u>	<u>1,171,017</u>
Profit before taxation	508,827	983,365	1,096,467
Income tax expense	(111,363)	(228,163)	(250,741)
Profit for the year	<u>397,464</u>	<u>755,202</u>	<u>845,726</u>
Profit attributable to:			
Equity owners of the Company	360,353	714,113	808,352
Non-controlling interests	<u>37,111</u>	<u>41,089</u>	<u>37,374</u>

Consolidated Balance Sheets

	As of December 31,		
	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)
Total non-current assets	2,545,939	2,743,031	3,750,815
Total current assets	<u>10,398,738</u>	<u>10,641,810</u>	<u>10,383,785</u>
Total assets	<u>12,944,677</u>	<u>13,384,841</u>	<u>14,134,600</u>
Total equity	1,899,224	2,768,197	2,963,947
Total non-current liabilities	1,563,211	1,558,033	1,627,081
Total current liabilities	<u>9,482,242</u>	<u>9,058,611</u>	<u>9,543,572</u>
Total liabilities	<u>11,045,453</u>	<u>10,616,644</u>	<u>11,170,653</u>
Net current assets	<u>916,496</u>	<u>1,583,199</u>	<u>840,213</u>

SUMMARY

RESULTS OF OPERATIONS

The following table sets forth the revenue for each of our three principal business segments before inter-segment elimination and their respective percentages of our total revenue before inter-segment elimination for the periods indicated:

	For the Year Ended December 31,					
	2009		2010		2011	
	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total
	(RMB million)	(%)	(RMB million)	(%)	(RMB million)	(%)
Engineering design and consultancy. . .	1,108.4	11.5	1,350.5	11.8	1,595.2	12.8
Engineering and construction contracting	7,590.1	78.8	9,058.2	79.0	9,863.1	79.2
Equipment manufacturing.	931.7	9.7	1,060.9	9.2	1,002.4	8.0
Sub-total	<u>9,630.1</u>	<u>100.0</u>	<u>11,469.6</u>	<u>100.0</u>	<u>12,460.6</u>	<u>100.0</u>
Inter-segment elimination	(76.7)		(236.4)		(266.2)	
Total	<u><u>9,553.4</u></u>		<u><u>11,233.2</u></u>		<u><u>12,194.4</u></u>	

The following table sets forth the gross profit, gross margin and segment result for each of our three principal business segments before inter-segment elimination for the periods indicated:

	For the Year Ended December 31,								
	2009			2010			2011		
	Gross Profit	Gross Margin	Segment Result	Gross Profit	Gross Margin	Segment Result	Gross Profit	Gross Margin	Segment Result
	(RMB million)	(%)	(RMB million)	(RMB million)	(%)	(RMB million)	(RMB million)	(%)	(RMB million)
Engineering design and consultancy. . .	595.1	53.7	303.0	692.4	51.3	340.1	787.9	49.4	308.9
Engineering and construction contracting	498.3	6.6	146.6	915.9	10.1	599.1	1,176.7	11.9	712.2
Equipment manufacturing.	186.2	20.0	96.4	207.9	19.6	76.4	323.8	32.3	161.2
Total	<u><u>1,279.7</u></u>		<u><u>545.9</u></u>	<u><u>1,816.2</u></u>		<u><u>1,015.6</u></u>	<u><u>2,288.5</u></u>		<u><u>1,182.3</u></u>

For more details of our results of operations, please see “Financial Information — Consolidated Results of Operations” beginning on page 250 of this prospectus.

SUMMARY

We conduct business in China and overseas. The following table sets forth our revenue in China and overseas for the periods indicated:

	Year ended December 31,					
	2009		2010		2011	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
China	8,161,371	85.4	8,916,574	79.4	10,409,877	85.4
Overseas						
Vietnam	560,015	5.9	1,775,455	15.8	749,263	6.1
India	424,090	4.4	473,001	4.2	894,626	7.3
Qatar	267,893	2.8	37,483	0.3	—	—
Others ⁽¹⁾	140,024	1.5	30,689	0.3	140,679	1.2
Subtotal	<u>1,392,022</u>	<u>14.6</u>	<u>2,316,628</u>	<u>20.6</u>	<u>1,784,568</u>	<u>14.6</u>
Total	<u>9,553,393</u>	<u>100.0</u>	<u>11,233,202</u>	<u>100.0</u>	<u>12,194,445</u>	<u>100.0</u>

(1) Others include revenue from countries such as Malaysia, Indonesia, Azerbaijan, Peru, Saudi Arabia and other countries.

OUR PERFORMANCE FOR THE THREE MONTHS ENDED MARCH 31, 2012

Our unaudited total revenue after inter-segment elimination increased by 91.8% from RMB1,467.4 million for the three months ended March 31, 2011 to RMB2,814.4 million for the three months ended March 31, 2012, primarily due to an increase in the amount of services we provided to our customers in each of our business segments, especially an increase in the amount of services of our engineering and construction contracting business. Overall gross profit margin remained stable at 20.3% and 20.5% for the three months ended March 31, 2011 and the three months ended March 31, 2012, respectively.

We have not had any material non-recurring income or expenses for the three months ended March 31, 2012. Our Directors expect that, in the absence of unforeseen circumstances, there will not be any material and adverse change in our performance for the year ending December 31, 2012 compared to the year ended December 31, 2011.

SUMMARY

OFFER STATISTICS

All statistics in this table are based on the assumption that the Over-allotment Option will not be exercised.

	<u>Based on an Offer Price of HK\$3.93</u>	<u>Based on an Offer Price of HK\$4.73</u>
Market capitalization of our Shares ⁽¹⁾	HK\$10,466.2 million	HK\$12,596.7 million
Unaudited pro forma adjusted net tangible asset per Share ⁽²⁾	HK\$1.72	HK\$1.82

Notes:

- (1) The calculation of market capitalization is based on 363,160,000 H Shares expected to be issued under the Global Offering, and assuming that 2,663,160,000 Shares are issued and outstanding following the Global Offering.
- (2) The unaudited pro forma adjusted net tangible asset per Share is calculated after making the adjustments referred to in Appendix II to this prospectus and on the basis that 2,663,160,000 Shares are in issue following the Global Offering.

DIVIDEND POLICY

In the future, we expect to distribute no less than 20% of our annual distributable earnings as dividends. There is, however, no assurance that we will be able to declare dividends of such amount or any amount each year or in any year. In addition, the declaration or payment of dividends may be limited by legal restrictions and/or by financing agreements that we may enter into in the future.

DIVIDEND DISTRIBUTIONS PRIOR TO THE LISTING

Dividend distributions prior to the Listing shall be paid out of profit after tax as determined under PRC GAAP or IFRS, whichever is lower.

On July 26, 2011, our shareholders resolved that our distributable profits accumulated before the Global Offering shall be distributed as follows:

- Chinalco and Luoyang Institute will jointly be entitled to a special dividend of approximately RMB276.4 million, in an amount that in aggregate is equivalent to the increase in our net assets from April 1, 2011 to June 30, 2011;
- Chinalco and Luoyang Institute will jointly be entitled to a special dividend of approximately RMB50.1 million generated from July 1, 2011 to September 30, 2011; and
- Domestic Share holders and investors of the H Shares will be entitled to dividends generated from October 1, 2011 to the date prior to the completion of the Global Offering, which are not part of the special dividends.

For more details, please see “Financial Information — Dividend Distribution Prior to the Listing” on page 293 of this prospectus.

SUMMARY

USE OF PROCEEDS

Assuming an Offer Price of HK\$4.33 per H Share (being the mid-point of the estimated Offer Price range) and assuming the Over-allotment Option is not exercised, we estimate that we will receive net proceeds of approximately HK\$1,470.6 million from the Global Offering after deducting the underwriting commissions and other estimated expenses. Assuming that the Over-allotment Option is exercised in full and assuming an Offer Price of HK\$4.33 per H Share, we will receive total net proceeds of approximately HK\$1,700.6 million, including additional net proceeds of approximately HK\$230.0 million.

In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 50% of the net proceeds, or approximately HK\$735.3 million, will be used for new engineering and construction contracting projects, among which approximately 30% of the net proceeds, or approximately HK\$441.2 million, will be used for overseas engineering and construction contracting projects, and the remaining 20%, or approximately HK\$294.1 million, will be used for PRC engineering and construction contracting projects;
- approximately 20% of the net proceeds, or approximately HK\$294.1 million, will be used for the procurement of key equipment and parts, among which approximately 10% of the net proceeds, or approximately HK\$147.1 million, will be used for the procurement of key equipment and parts used for overseas engineering and construction contracting projects;
- approximately 10% of the net proceeds, or approximately HK\$147.1 million, will be used for the research and development of science and technology as well as for the development of information technology;
- approximately 10% of the net proceeds, or approximately HK\$147.1 million, will be used for investing in the development of our core technologies into new services and products to our customers; and
- approximately 10% of the net proceeds, or HK\$147.1 million, will be used for working capital and other general corporate uses.

For more details, please see “Future Plans and Use of Proceeds” beginning on page 296 of the prospectus.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and the industries in which we operate; (ii) risks relating to doing business in the PRC; and (iii) risks relating to the Global Offering. For more details of the risks we are facing, please see “Risk Factors” beginning on page 31 of the prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

“863 Program”	the State High-Tech Development Plan (國家高技術研究發展計劃), a technology program funded by the PRC Government. It mainly focuses on advanced technologies and certain key areas set forth in the Outline of the National Mid-Term and Long-Term Science and Technology Development Plan from 2006 to 2020 (《國家中長期科學和技術發展規劃綱要(2006-2020年)》), which was promulgated by the State Council in February 2006, including, but not limited to, biotechnology, information technology, new material technology, advanced manufacturing technology, advanced energy, marine technology, laser technology and spaceflight technology
“Antaike”	Beijing Antaike Information Development Co., Ltd. (北京安泰科信息開發有限公司), an independent specialist market research company
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN applications form(s) or, where the context so requires, any of them
“Articles of Association” or “Articles”	the articles of association of our Company adopted on July 26, 2011, a summary of which is set out in Appendix IV to this prospectus
“Associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”	our board of Directors
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“CAGR”	compound annual growth rate
“CAIEC”	China Aluminum International Engineering Co., Ltd. (中鋁國際工程有限責任公司), a company incorporated in the PRC with limited liability and the predecessor of our Company
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chalco”	Aluminum Corporation of China Limited (中國鋁業股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC and listed on New York Stock Exchange, Shanghai Stock Exchange and the Stock Exchange (stock code: 2600) and a subsidiary of Chinalco
“Changcheng Aluminum”	China Great Wall Aluminum Corporation (中國長城鋁業公司), a wholly owned subsidiary of Chinalco
“Changkan Institute”	China Nonferrous Metals Changsha Investigation and Design Research Institute Co., Ltd. (中國有色金屬長沙勘察設計研究院有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of our Company
“Changlv Construction”	China Aluminum Great Wall Construction Co., Ltd. (中鋁長城建設有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of our Company
“Changsha Institute”	Changsha Engineering & Research Institute Limited for Nonferrous Metallurgy (長沙有色冶金設計研究院有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of our Company
“China Aluminum Equipment”	China Aluminum International Engineering Equipment (Beijing) Co., Ltd. (中鋁國際工程設備(北京)有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of our Company
“China Aluminum Technology”	China Aluminum International Technology Development Co., Ltd. (中鋁國際技術發展有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of our Company

DEFINITIONS

“Chinalco”	Aluminum Corporation of China (中國鋁業公司), a state-owned enterprise incorporated under the laws of the PRC and our Controlling Shareholder
“CICC”	China International Capital Corporation Hong Kong Securities Limited
“Chongqing Tongye”	Chongqing Tongye Construction Engineering Co., Ltd. (重慶通冶建設工程有限公司), a limited liability company incorporated in the PRC, the equity interest of which is held by our Company (as to 65%) and Twelfth Metallurgical Company (as to 35%)
“CNPT”	China Nonferrous Metals Processing Technology Co., Ltd. (中色科技股份有限公司), a joint stock limited liability company incorporated in the PRC and a subsidiary owned as to 73.5% by our Company, and (when the context requires) its subsidiaries
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, “Chalieco”, “we” or “us”	China Aluminum International Engineering Corporation Limited (中鋁國際工程股份有限公司), a joint stock limited company incorporated under the laws of the PRC on June 30, 2011, and except where the context otherwise requires in respect of the period before our Company become the holding company of our present subsidiaries, the present subsidiaries of our Company and the business carried on by such subsidiaries or (as the case may be) their respective predecessors
“Company Law”	Company Law of the PRC (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People’s Congress on October 27, 2005 and effective on January 1, 2006, as amended, supplemented and otherwise modified from time to time
“Connected Person”	has the meaning ascribed thereto in the Listing Rules
“Controlling Shareholder”	has the meaning ascribed thereto in the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	director(s) of our Company

DEFINITIONS

“Domestic Shares”	ordinary shares of our capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“Duyun Company”	Duyun Industrial Concentration Zone Capital Operation Co., Ltd. (都匀工業聚集區資本運營有限公司), an Independent Third Party
“Duyun Tongda”	Duyun Development Zone Tongda Construction Co., Ltd. (都匀開發區通達建設有限公司), a company incorporated in the PRC with limited liability, the equity interest of which is held by our Company (as to 50%), Sixth Metallurgical Company (as to 30%) and GAMI (as to 20%)
“ENR”	Engineering News-Record magazine, a publication that provides news, analyses, commentary and data about the global construction industry
“GAMI”	Guiyang Aluminum & Magnesium Design Institute Co., Ltd. (貴陽鋁鎂設計研究院有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of our Company, and (when the context requires) its subsidiaries
“GDP”	gross domestic product (except as otherwise specified, all references to GDP growth rates are to real as opposed to nominal rates of GDP growth)
“GF Securities”	GF Securities (Hong Kong) Brokerage Limited
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”	our Company and its subsidiaries
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Share(s)”	the overseas listed foreign invested shares, with a nominal value of RMB1.00 each in the ordinary share capital of our Company, which are to be subscribed for and traded in HK dollars and for which an application has been made for the granting of listing, and permission to deal, on the Stock Exchange
“HKIAC”	Hong Kong International Arbitration Centre

DEFINITIONS

“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“HK\$” or “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the H Shares offered by us for subscription pursuant to the Hong Kong Public Offering
“Hong Kong Public Offering”	the offering by our Company of initially 36,316,000 H Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus) for cash at the Offer Price plus brokerage of 1%, a SFC transaction levy of 0.003% and a Stock Exchange trading fee of 0.005% on the terms and conditions described in this prospectus and the Application Forms
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the Hong Kong underwriting agreement dated June 21, 2012 relating to the Hong Kong Public Offering and entered into by, among others, the Sole Global Coordinator, the Hong Kong Underwriters and us as further described in the section headed “Underwriting — Underwriting Arrangements and Expenses” in this prospectus
“IAS”	International Accounting Standards and their interpretations
“IFRS”	International Financial Reporting Standards issued by the International Accounting Standards Board
“Independent Third Party(ies)”	party(ies) not connected with (within the meaning of the Listing Rules) any of the Directors, Supervisors, chief executive, Substantial Shareholders of our Company or any of its subsidiaries or any of their respective associates
“International Offer Shares”	the H Shares offered pursuant to the International Offering

DEFINITIONS

“International Offering”	the conditional placing of the International Offer Shares by the International Underwriters with professional and institutional investors for cash at the Offer Price, as further described in the section headed “Structure of the Global Offering” in this prospectus, and outside the United States in reliance on Regulation S as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the group of international underwriters expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the international underwriting agreement expected to be entered into on or about June 29, 2012 by, among others, the Sole Global Coordinator, the Joint Bookrunners, the International Underwriters and us in respect of the International Offering, as further described in the section headed “Underwriting — The International Offering” in this prospectus
“Jinlv Construction”	Tianjin Jinlv Construction Co., Ltd. (天津晉鋁建設有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of our Company
“Joint Bookrunners”, “Joint Lead Managers”	CICC and GF Securities
“Latest Practicable Date”	June 15, 2012, the latest practicable date for the inclusion of certain information in this prospectus prior to its publication
“Listing”	listing of our H Shares on the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about July 6, 2012, on which our H Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Luoyang Institute”	Luoyang Engineering & Research Institute for Nonferrous Metals Processing (洛陽有色金屬加工設計研究院), an enterprise incorporated in the PRC owned by the whole people, one of our Promoters and Shareholders

DEFINITIONS

“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Mandatory Provisions”	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas, promulgated by the former State Council Securities Committee and other PRC government departments on August 27, 1994, as amended, supplemented or otherwise modified from time to time
“MOHURD”	Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“NBSC”	National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Non-Competition Agreement”	the non-competition agreement dated June 2, 2012 entered into between Chinalco and our Company, as referred to in the section headed “Relationship with Chinalco” in this prospectus
“NPC”	the National People’s Congress (全國人民代表大會)
“NSSF”	National Council for Social Security Fund of the People’s Republic of China (中華人民共和國全國社會保障基金理事會)
“OFAC”	the U.S. Department of Treasury’s Office of Foreign Assets Control
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%), at which Hong Kong Offer Shares are to be subscribed, to be determined in the manner further described in the section headed “Structure of the Global Offering — Pricing and Allocation”

DEFINITIONS

“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares, collectively, and where relevant, together with any additional H Shares to be issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option granted by us to the International Underwriters, exercisable by the Stabilizing Manager on behalf of the International Underwriters pursuant to the International Underwriting Agreement
“Parent Group”	collectively, Chinalco and its subsidiaries (excluding our Group)
“PBOC”	People’s Bank of China (中國人民銀行)
“People’s Congress”	the PRC’s legislative apparatus, including the National People’s Congress and all the local people’s congresses (including provincial, municipal and other regional or local people’s congresses) as the context may require, or any of them
“PRC” or “China” or “People’s Republic of China”	the People’s Republic of China which, for the purpose of this prospectus, excludes Hong Kong, Macau Special Administration Region of the PRC and Taiwan
“PRC EIT Law”	the Enterprise Income Tax Law of the PRC adopted by the Tenth National People’s Congress on March 16, 2007, and became effective since January 1, 2008
“PRC GAAP”	generally accepted accounting principles in the PRC
“PRC Government”, “government”, “State” or “state”	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities or, where the context requires, any of them
“Price Determination Date”	the date, expected to be on or about June 28, 2012 (Hong Kong time) on which the Offer Price is determined, or such later time as the Joint Bookrunners and we may agree, but in any event no later than July 4, 2012
“Promoter(s)”	the promoters of our Company, namely Chinalco and Luoyang Institute
“Province” or “province”	a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the central government of the PRC

DEFINITIONS

“Regulation S”	Regulation S under the Securities Act
“Renminbi” or “RMB”	the lawful currency of the PRC
“Reorganization”	the reorganization arrangements undergone by our Group in preparation for the Global Offering as described in the section headed “History, Reorganization and Corporate Structure — Reorganization” in this prospectus
“Retained Business”	engineering design and consultancy and engineering and construction contracting business operated by the Retained Companies
“Retained Companies”	certain companies engaging in engineering design and engineering construction business, which are retained by Chinalco after the Reorganization. Details in relation to these companies are included in the section headed “Relationship with Chinalco” in this prospectus
“Risk Management Committee”	the risk management committee of the Board
“SAIC”	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAMI”	Shenyang Aluminum & Magnesium Engineering & Research Institute Co., Ltd. (瀋陽鋁鎂設計研究院有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of our Company, and (when the context requires) its subsidiaries
“Sanctioned Countries”	countries which are the targets of economic sanctions imposed by the U.S. and other jurisdictions including Cuba, Sudan, North Korea, Iran, Syria and Myanmar
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)
“Securities Act”	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“Shandong Aluminum”	Shandong Aluminum Industry Corporation (山東鋁業公司), a wholly owned subsidiary of Chinalco
“Shanlv Construction”	Shandong Aluminum Engineering Co., Ltd. (山東鋁業工程有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of our Company
“Shanxi Aluminum Plant”	Shanxi Aluminum Plant (山西鋁廠), a wholly owned subsidiary of Chinalco
“Shareholder(s)”	holder(s) of our Shares
“Shares”	shares in the share capital of our Company, with a nominal value of RMB1.00 each, comprising our Domestic Shares and our H Shares
“SIPO”	State Intellectual Property Office of the PRC (中華人民共和國國家知識產權局)
“Sixth Metallurgical Company”	Sixth Metallurgical Construction Company of China Nonferrous Metals Industry (中國有色金屬工業第六冶金建設有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of our Company
“Sole Global Coordinator”, “Sole Sponsor”	CICC
“Special Regulations”	Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994
“State Administration of Quality Supervision”	General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局)
“State Administration of Work Safety”	State Administration of Work Safety of the PRC (中華人民共和國國家安全生產監督管理總局)
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”, or “subsidiaries”	has the meaning ascribed thereto in section 2 of the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules

DEFINITIONS

“Supervisor(s)”	one (or all) of our supervisors
“Suzhou Changguang”	Suzhou Changguang Enterprises Development Co., Ltd. (蘇州長光企業發展有限公司), a company incorporated in the PRC with limited liability and a Substantial Shareholder of CNPT
“Takeovers Code”	the Code on Takeovers and Mergers and Share Repurchases issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the years ended December 31, 2009, 2010 and 2011
“Twelfth Metallurgical Company”	China Nonferrous Metals Industry’s 12th Metallurgical Construction Co., Ltd. (中色十二冶金建設有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of our Company
“Underwriters”	the International Underwriters and the Hong Kong Underwriters
“Underwriting Agreements”	the International Underwriting Agreement and the Hong Kong Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in the prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain technical terms used in this prospectus in connection with our Company and our business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

“alumina”	molecular formula Al_2O_3 , white crystalline powder, which is insoluble in water and organic solvents and a typical amphoteric oxide. It exists in the form of corundum in nature. It can be used for smelting metallic aluminum or as adsorbent, refractory and filler
“aluminum cell intelligent multi-model control system”	a system based on the real-time closed-loop control on cell material and energy balances, to realize the online real-time adjustments on cell control parameters, for the purpose of real-time tracking and control on cell material and energy balances
“backlog”	the contract value of work we estimate to remain to be completed as of a certain date assuming the performance is in accordance with the terms of the contract
“bauxite”	the generic term of ores consisting of main minerals such as gibbsite, boehmite or empholite. Besides alumina, main impurity substances in bauxite also include silicon oxide, ferric oxide and titanium oxide, as well as a small amount of compounds of microelements. Bauxite is currently the most widely used mineral resources in alumina production
“Bayer process”	an alumina production process whereby liquid caustic is used to directly leach the alumina in the bauxite in order to obtain sodium aluminate solution
“Bayer-sintering joint process”	an alumina refining process that joins the Bayer process and the sintering process
“BT”	build-transfer, a business model in which the contractor undertakes the financing of construction expenditures and transfers the project back to the proprietor upon completion and inspection for acceptance and the proprietor will pay the contractor for such construction expenditures, financing costs and return on project in installments pursuant to relevant agreements
“casting”	pouring liquid metal into a mould to form a solid casting part
“cold rolling”	the metal rolling process conducted at room temperature

GLOSSARY OF TECHNICAL TERMS

“composite materials”	a type of material with new properties, which is, in macro, made up of two or more different types of materials through physical or chemical methods
“construction contracting”	a method of contracting a part or the whole of the project, by which the contractor is not responsible for the entire project and is generally only responsible for the construction work it is engaged to perform
“consulting”	the full process of provision of consulting services, based on the principles of independence, science and fairness, applying multidisciplinary knowledge and experience as well as modern technology and management, for decision-making in investment and technology and implementation of construction and engineering projects by government departments and investors
“continuous hot rolling”	a hot rolling process where several hot rolling machines are joined to form a production line, and the metal material will pass through, and be processed at, each machine continuously
“deposit”	a body of mineralization containing a sufficient average grade of metal or metals to warrant further exploration and/or development expenditure
“design”	application of engineering theories and techno-economic approaches, based on the prevailing technical standards, for conducting all-round design (including requisite non-standardized equipment design) and techno-economic analysis on newly constructed, expansion and reconstruction projects in respect of their technical process, land construction, civil works and environmental works; provision of design papers and blueprints as the basis for construction work
“electrolyser”	a device consisting of the cell, anode and cathode. When direct current passes the electrolyser, it results in oxidation reaction at the boundary of the anode and solution and reduction at the boundary of the cathode and solution, so as to obtain the desired product
“electrolytic cell three-variable optimization control technology”	a standard production management model in which electrolyte temperature of electrolytic cell, electrolyte liquidus temperature and superheat are controlled by the computer as the core

GLOSSARY OF TECHNICAL TERMS

“engineering and construction contracting”	engineering general contracting and construction general contracting
“EP” or “engineering and procurement”	a business model in which the contractor is responsible for the design and procurement of equipments necessary to meet certain design standards and the proprietor makes payments in instalment to the contractor for the design and cost of equipment
“EPC”	a business model in which the contractor is commissioned by the proprietor for the design, procurement and construction and will tender the project to the proprietor upon completion for inspection for acceptance and the proprietor is responsible for financing
“exploration”	activity to prove the location, volume and quality of a mineral occurrence
“extraction”	a mass transfer separation process by using liquid extraction agent to deal with the immiscible two-component or multi-component solution, to achieve the separation of components
“flotation”	the floating processing, which is a method of separation base on the differences in mineral floatability according to the different surface physical and chemical properties of mineral particles
“flotation column”	a inflatable flotation machine that inflating and agitating the mineral pulp by means of compressing air through porous medium (inflator)
“fly ash”	the residue left after the coal combustion process
“foil rolling”	the metal rolling process that produces metal foil
“GFA”	gross floor area
“heavy nonferrous metal”	nonferrous metals materials with density of more than 4.5g/cm^3 , including simple metals such as copper, nickel, lead, zinc, tin, stibonium, cobalt, mercury, cadmium, bismuth and their alloys
“hot rolling”	the metal rolling process conducted above recrystalization temperature

GLOSSARY OF TECHNICAL TERMS

“ISO 9001” and “ISO 14001”	standards for quality management systems and environmental management systems maintained by the International Organization for Standardization (ISO) and is administered by accreditation and certification bodies
“kA”	kiloampere
“Karst accumulative bauxite deposit”	it is derived from the weathering and leaching of primary sedimentary bauxite which resulted in accumulation thereof in situ in the Karst depression
“kt”	thousand tons
“kt/a”	thousand tons per annum
“kt/d”	thousand tons per day
“large aluminum melting furnace units”	a melting and stationary furnace with the capability of melting and processing a large number of aluminum once
“metallurgical furnace dust removal & purification device”	a specialized device collecting the flue gas and dust generated in the metal melting process, and then discharging it after removing the harmful gas in compliance with the emission standards
“new CCF countercurrent contact inflatable flotation column”	a new and efficient inflatable flotation device with a cylindrical tank structure without mechanical agitation
“nonferrous metals”	the group of metals other than ferrous metals (iron, manganese and chromium)
“ore”	mineral aggregates from which metal or other products can be extracted on an industrial scale under modern technical and economic conditions
“ore-dressing”	the process through which physical or chemical properties, such as density, surface reactivity, magnetism and colour, are utilized to separate the useful components of ores from useless stones, which are then concentrated or purified by means of flotation, magnetic selection, electric selection, physical selection, chemical selection, reselection or a combination of these methods
“ore-dressing Bayer process”	the traditional Bayer process relating to alumina process. This term indicates that the bauxite used in such Bayer process is the concentrate after dressing, which aims to improve the alumina silica ratio

GLOSSARY OF TECHNICAL TERMS

“overseas contracting”	a method of contracting whereby an international contractor conducts project construction or provides other commercial services for the developer at fees agreed on contract terms upon international bidding or tendering or through other negotiation channels
“oxygen pressure leaching”	a process whereby zinc concentrates, without undergoing boiling, roasting and desulfurization, are directly fed into the pressure reactor for leaching under particular temperature and oxygen condition
“oxygen side-blown bath smelting”	a smelting method by which the charging in the bath will quickly complete the main reactions of gas-liquid-solid phase transformation in an oxygen environment
“owner” or “proprietor”	the person who has ownership rights to a contracted engineering and construction project
“PC” or “procurement and construction”	a business model in which the contractor is commissioned by the proprietor for procurement and construction where the proprietor provides the design and is responsible for financing
“petroleum coke”	a product, after separating crude oil to light and heavy oil by distillation, generated from heavy oil in the thermal cracking process
“PMC”	project management contracting, a contracting model in which the project management contractor with appropriate qualifications, expertise and experience is commissioned by the owner to act on behalf of, or as an extension of, the owner to assist the owner at the project preparation phase to carry out planning, feasibility study, project definition, programming, financing proposal, as well as to control the project quality, schedule and cost throughout the implementation process including design, procurement, construction and commissioning phases, for the purpose of ensuring the successful implementation of the project
“pre-baked anode”	an anode used for pre-baked aluminum electrolytic cells, which is made by using petrol coke and pitch coke as aggregate and using coal pitch as binder
“pre-baked anode aluminum electrolytic cell”	an aluminum electrolytic cell that uses pre-baked anode carbon block as an anode

GLOSSARY OF TECHNICAL TERMS

“rare-earth metals”	the generic term of 17 elements in the scandium, yttrium and lanthanum series of IIIB group in the periodic table of elements
“rare metals”	metal, less in nature or scatteredly distributed, which is difficult to be extracted from raw material and is prepared and applied in industry late
“reactive power compensation”	having the function of improving the grid power factors in the electronic power supply system, reducing the losses of power transformer and transmission line, increasing power efficiency and improving power supply environment
“red mud”	residue from the dissolution of bauxite or aluminate clinker
“Science and Technology Award”	an award recognizes achievements in various industries involving that development of new products and technologies, promotion of new technology applications, production of advanced technology, reform and enhancement of corporate technology, advancement of technology, key construction work, introduction of key equipment research and development, absorption of new foreign technology, or in-house development of innovative technology at the national and provincial levels; recipients of national Science and Technology Awards are determined by the relevant departments of the State Council annually, while recipients of provincial Science and Technology Awards are determined by the Departments of Science and Technology in the respective provinces. Formerly named Science and Technology Advancement Award
“sintering process”	an alumina production process whereby raw materials containing aluminum is blended and sintered to transform the alumina into aluminate
“smelter”	a plant, or plants, where the smelting process is carried out
“smelting”	a refining technology which extracts metal from ores by such methods as roasting, smelting, electrolysis and the use of chemical reagents, reduce impurities contained in the metal, increase a certain composition of the metal and make the required metal
“steel structure”	a production — based structure, one of the main building structure

GLOSSARY OF TECHNICAL TERMS

“supervision”	the overall supervision and management of construction project contracts, quality, delivery and cost estimates, among other things, as delegated or instructed by construction enterprises, by supervision enterprises that have been granted certificates of construction supervision qualifications by the relevant authority
“surface treatment”	a process which aims to artificially form a surface layer which differs with that of the substrate material in mechanical, physical and chemical properties
“survey”	explore, test and undertake overall assessment on landscape, geology and water for planning, design, implementation, operations and integrated management of a project; provide feasibility assessment and required information on the exploration results for construction; and carry out exploration, design, management and monitoring activities in rock engineering
“tailings”	the refuse or dross remaining after ore has been processed
“titanium sponge”	sponge-like titanium metal produced using the thermite reduction process
“ton”	metric tonne
“vacuum ladle”	a type of container used to contain liquid aluminum drawn out from the electrolyser in constant temperature for a certain time
“zinc hydrometallurgy”	a method using acid solution to leach zinc from the zinc oxide calcine and other materials, and then producing metallic zinc from zinc lixivium by electrolytic deposition technology

FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our operations and business prospects;
- general domestic and global economic conditions, including those related specifically to China;
- any changes in the regulatory policies of the PRC government and other relevant government authorities relating to the nonferrous metals and engineering service industries and their potential impact on our business;
- the effects of domestic and overseas competition in the nonferrous metals and engineering service industries and its potential impact on our business;
- changes in pricing for our products;
- changes in the availability of, or new requirements for, financing;
- changes in regulations and restrictions;
- our ability to expand and manage our business and to introduce new products and services;
- changes in political, economic, legal and social conditions in China, including the PRC government's specific policies with respect to economic growth, inflation and foreign exchange;
- macroeconomic measures taken by the PRC government to manage economic growth;
- changes in restrictions on foreign currency convertibility and remittance abroad;
- fluctuations in exchange rates and interest rates;
- our ability to implement our business strategy, plans, objectives and goals;
- our capital expenditure plans;
- our dividend policy;
- certain statements in the section headed "Financial Information" in this prospectus with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this prospectus that are not historical facts.

The words "aim," "anticipate," "believe," "can," "could," "expect," "intend," "may," "ought to," "potential," "plan," "seek," "should," "will," "would," or similar expressions or the negative thereof, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialize, or underlying assumptions may prove incorrect, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

We caution you not to place undue reliance on these forward-looking statements which reflect our management's view only as of the date of this prospectus. Subject to relevant Listing Rules, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

Investing in the H Shares involves certain risks. You should carefully consider each of the risks described below and all other information contained in this prospectus before making an investment decision regarding the H Shares. You should pay particular attention to the fact that we are incorporated in the PRC and the fact that the legal and regulatory environment of the PRC differs in some respects from that of other countries. If any of the following risks occur, our business, financial condition and results of operations could be materially and adversely affected. In that event, the trading price of the H Shares could decline, and you may lose part or all of your investment.

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and the industries in which we operate; (ii) risks relating to doing business in the PRC; and (iii) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS AND THE INDUSTRIES IN WHICH WE OPERATE

We may be adversely impacted by downturns in the sectors in which we operate or which we serve.

Demand for our services and products depends on the general level of activity and growth in the sectors in which we operate or serve and their downstream industries, if any. These sectors mainly include the nonferrous metals industry, and also include sectors such as metallurgy, transportation, power, oil, petrochemicals, construction materials, environmental protection, municipal and public utility construction and new materials in which we are engaged. Factors which may influence the performance and growth of these sectors include general economic conditions, governmental investment plans, energy conservation and emission reduction policy, mortgage and interest rates, inflation, demographic trends and consumer confidence. The downturn of any of these sectors may lead to decreased demand for our services and products. For example, the global financial crisis that started in the second half of 2008 negatively impacted the growth of the global nonferrous metals industry. The nonferrous metals prices in the domestic and international markets decreased, and many Chinese nonferrous metals producers experienced difficulties in their operations. Some of the nonferrous metals producers in China reduced or limited their production or shut down their factories. These factors limited the scale of the fixed assets investments and construction activities in China's nonferrous metals industry and other related sectors, which in turn led to reduced demand for our service and products. If the sectors in which we operate or in which we serve experience downturns in the future, our business, results of operations and financial condition may be materially and adversely affected.

The PRC nonferrous metals industry is extensively regulated by the PRC government and any adjustments or changes to it could have an adverse impact on us.

The PRC government exerts significant influence on the nonferrous metals industry in China by implementing industry policies and other economic measures, such as those relating to credit and financing, land use, governmental approval of new projects, environmental protection, technological and capacity requirements of production facilities and foreign investment. These industry policies and economic measures may significantly reduce the level of construction activities and capital investments in the PRC nonferrous metals industry, which in turn could have a material and adverse effect on our business and financial performance.

RISK FACTORS

The PRC government has implemented a series of policies and regulations designed to prevent overcapacity in, and to enhance the production efficiency and global core competency of, the PRC nonferrous metals industry, such as the *Plan of Restructuring and Revitalizing the Nonferrous Metals Industries* (《有色金屬產業調整和振興規劃》) issued in May 2009 and the *Notice on The Opinions on Restraining Excess Capacity and Redundant Construction in and Guiding Healthy Development of Certain Industries* (《關於抑制部分行業產能過剩和重複建設引導產業健康發展若干意見的通知》) issued in September 2009 and the *Urgent Circular Concerning Curbing Overcapacity and Repeated Construction of the Electrolytic Aluminum Industry and Guiding the Healthy Development of the Industry* (《關於遏制電解鋁行業產能過剩和重複建設引導產業健康發展的緊急通知》) issued in April 2011. On the other hand, the transformation of China's nonferrous metals industry may result in limitations on the expansion of production scale, reductions in investments in additional production capacity and uncertainties associated with business reorganizations and consolidations, which could present significant challenges for our business. Our Directors are of the view that such regulations and policies, in particular the three policies listed above, will facilitate the restructuring of China's nonferrous metal industry, accelerate the elimination of obsolete production capacity, promote technology upgrading, stimulate the development of an ecological economy and enhance requirements for work safety, which require us to continuously develop advanced production equipment and technologies for the mining, ore-dressing, smelting and processing of nonferrous metals, and to devote our research and development efforts toward energy conservation, environmental protection and work safety. As of the Latest Practicable Date, our Directors believe such policies had not had any material adverse impact on our business and operations. There is no guarantee that we will be able to develop new technologies, products or services in accordance with the relevant industry policies that meet the needs of our customers. Failing to do so would have a material and adverse effect on our business, financial condition and results of operations. The PRC government may, from time to time, adopt new industrial policies and economic measures to guide and further regulate the industry. Any new industry policies and economic measures may have a material and adverse effect on our operations.

If we fail to accurately estimate the overall risks or costs of contracts, or the time needed to complete the relevant projects under such contracts, we may experience cost overruns, schedule delays, lower profitability or even losses on projects under such contracts when we execute such contracts.

We currently generate, and expect to continue to generate, a substantial portion of our revenue from contracts with a pre-agreed price in our EPC contracting. The terms of these contracts require us to complete a project for a pre-agreed price and therefore expose us to cost overruns.

Our estimates of the costs for completing a project are subject to a number of assumptions, including the future economic conditions, cost and availability of labor and raw materials, subcontractors' performance, facility utilization rates, and construction and technical standards to be applied to the project. However, these assumptions may prove to be inaccurate. To a certain extent, we are exposed to raw material price fluctuation risks in some projects, depending on the terms agreed in specific contracts. In addition, delays caused by inclement weather, technical issues and an inability to obtain the requisite permits and approvals, as well as other variations and risks inherent in the performance of contracts, may cause our actual overall risks and costs to substantially differ from our original estimates despite buffers we may build into our bids for increases in labor, raw materials and other costs. Cost overruns can result in a lower-than-expected profit or a loss on a project.

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Similarly, we may be unable to complete a project in accordance with the schedule set forth in the relevant contract. A project can be delayed for a number of reasons, including those relating to market conditions, policies and regulations of the PRC and other relevant jurisdictions, availability of funding, disputes with business partners, technology and equipment suppliers and other contractors, employees, local governments and communities, natural disasters, power and other energy supplies, and availability of technical or human resources. Our overseas engineering and construction contracting projects may also be affected by factors such as any adverse changes in the relations between China and relevant foreign governments, war or other significant adverse developments in international relations. For details see “— Our business expansion in overseas markets subject to economic fluctuation, political uncertainties and other risks in the countries where we operate”.

There were some delays in the completion of our projects during the Track Record Period and up to the Latest Practicable Date. We were a defendant in a lawsuit brought by Xinxiang Municipal Pingyuan Automobile Accessories Company Limited (新鄉市平原汽車配件有限公司) due to a delay in project completion during the Track Record Period. See “Business — Regulatory Compliance and Legal Proceedings.” Other than this lawsuit, our Directors have confirmed that there were no material claims against our Group due to delays in project completion during the Track Record Period.

From time to time, we may need to perform extra work or “change caused by owner” work in connection with our contracts. “Change caused by owner” work is necessary when the project owner changes the design for non-technical reasons after the design plan is confirmed. This may result in disputes over whether the work performed is beyond the scope of work included in the original project specifications, or over what price the customer should pay for the extra work. Even when the customer agrees to pay for the extra work or “change caused by owner” work, we may be required to advance the cost of such work for a lengthy period of time until the design change is approved and funded by the owner. In addition, any delay caused by the extra work may impact the progress of our projects and our ability to meet specific contract milestone dates. We may also incur costs due to design changes not approved by the project owner or contract disputes. We cannot assure you that we will be able to recover the cost of the extra work or “change caused by owner” work in full or at all, which may lead to business disputes, or may otherwise adversely affect our business, financial condition, results of operations and prospects. Moreover, the performance of extra work or “change caused by owner” work may cause delays in our other project commitments and may have a negative impact on our ability to meet the specified deadlines of our other projects.

We cannot guarantee that we will not encounter cost overruns or delays in our current and future projects. If such cost overruns or delays occur, our costs could exceed our budget or we could be required to pay liquidated damages in accordance with the terms of our contracts with a consequent reduction in, or elimination of, profits on our contracts.

We rely on the Parent Group and a jointly controlled entity of Chinalco as our major customers.

We rely on a small number of major customers for our revenue. For the years ended December 31, 2009, 2010 and 2011, we derived 50.0%, 36.9% and 30.0%, respectively, of our revenue from our sales of goods and provision of services to the Parent Group and a jointly controlled entity of

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Chinalco. We believe the decrease in revenue derived from sales of goods and our provision of services to the Parent Group in the past was mainly attributable to decreased investment by the Parent Group in the nonferrous metals industry and increased efforts by us in developing domestic and overseas operations from independent third party customers. We anticipate that we will still provide services to the Parent Group in the future but revenue arising therefrom as a percentage of our revenue cannot be estimated with precision. If the Parent Group or any other major customers significantly reduces its purchases of services from us, or if we are unable to provide services to any of them on favorable terms or at all, our business, results of operations and financial condition may be materially and adversely affected.

Our operations depend on the availability of adequate and timely supply of labor, raw materials and energy at acceptable prices and quality.

Our successful operations depend on our ability to obtain sufficient labor, raw materials, auxiliary materials, energy and water supplies and other commodities from suppliers of acceptable prices and quality in a timely manner. We are exposed to the market risk of price fluctuations for certain raw materials and other commodities, such as steel, cement, aluminum, timber, sand, explosives, waterproofing materials, geotechnical materials, additives and other materials used in our engineering and construction contracting and equipment manufacturing business. The prices and availability of such materials may vary significantly from period to period due to factors such as consumer demand, producer capacity, market conditions and costs of materials. In particular, steel, cement and aluminum, which are major raw materials required for our operations, are subject to substantial pricing cyclicality and periodic shortages in China. Furthermore, if we are not able to pay our raw material suppliers according to the payment schedules in our raw material supply contracts, our relationships with these suppliers could be materially and adversely affected, which may in turn result in a negative impact on our business operations. Increases in energy prices, including oil fuel and electricity prices, or water prices may also adversely affect our business, in particular our equipment manufacturing business. In addition, any unavailability of or interruption in electricity, oil fuel or water supply could materially and adversely affect the production or other operations of our business.

We typically do not have long-term contracts or guarantees of supply for our raw material requirements, and the supply of energy and water required for our operations to a large extent depends on the economic, natural and other conditions of the regions where we operate our business. As such, we cannot assure you that we will be able to continue to obtain sufficient raw materials, energy or water at prevailing or acceptable prices, in a timely manner, or at all. Furthermore, we cannot assure you that shortages of raw materials, energy or water will not occur in the future or that we will be able to pass on any cost increases in raw materials, energy or water supplies to our customers. Any failure to obtain adequate raw materials, energy or water, or to do so on commercially acceptable terms or in a timely manner, could materially and adversely affect our business, results of operations and financial condition.

Our customers may delay or default in progress payments, or fail to release retention funds or repay account receivables on time.

Contracts in our engineering and construction contracting business typically provide for progress payments from customers with reference to the value of work completed at specific milestone dates. According to the specific terms we have agreed to in our contracts, some of our customers may pay

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us an advance of a certain amount. Once the project reaches a certain stage as specified in the relevant contract, we will be paid the remaining portion of the contract value as we reach certain progress milestones. As a result, we may be required to commit cash and other resources to projects prior to receiving payments from customers to cover certain expenditures on the projects as they are incurred. In addition, upon the completion of a project, an amount equal to between 5% and 10% of the contract amount is usually retained by our customers generally to be released to us after the guaranteed maintenance period (typically 12 months). As of December 31, 2011, the amount of retention funds held by our customers was RMB32.5 million. Due to the foregoing and other factors, we may have a large amount of receivables at any given date. As of December 31, 2011, we had total account receivables (including notes and trade receivables, prepayments and other receivables, as well as amounts due from customers for contract work) of RMB7,852.3 million. For the three years ended December 31, 2009, 2010 and 2011, the actual bad debts written off amounted RMB0.02 million, RMB0.5 million and RMB6.4 million, respectively.

Delays in progress payments, release of retention funds or payment of account receivables may increase our working capital needs. If a customer defaults in making its payments on a project to which we have devoted resources, it could also affect our liquidity and decrease the capital resources available for other uses. We may file a claim for damages that we incurred pursuant to our contracts but settlement of disputes generally takes time as well as financial and other resources, and the outcome of any dispute may often be uncertain. In general, we should make provisions for bad debts, including those arising from accounts receivable, progress payments or retention funds, based primarily on aging and other factors such as special circumstances relating to specific customers. There can be no assurance that the accounts receivable, progress payments and retention funds will be fully remitted by our customers to us on a timely basis or at all or that we will be able to efficiently manage the level of bad debts arising from such payment practice.

We may encounter unexpected difficulties in expanding our business and operations in various sectors.

To further grow our business and increase our core competency and profitability, we intend to continue increasing our equipment manufacturing capabilities and product sales. In addition, we plan to progressively expand into sectors such as expressway, subway, rural infrastructure and power plant construction. Expansion in these sectors and markets may bring many risks, including, for example, risks relating to insufficient operating experience in certain sectors and markets, changes in governmental policies and regulations and other adverse developments affecting such sectors and markets. Expansion may also significantly stretch our capital, personnel and management resources and, as a result, we may fail to manage our growth effectively, which in turn could have a material and adverse effect on our business, results of operations, financial condition and prospects. In addition, there may already be established players in these sectors and markets who enjoy significant market share, and it may be difficult for us to compete with them. If we fail to expand our business and operations in these sectors, our business, results of operation and financial position may be materially and adversely affected.

Our business expansion in overseas markets subject to economic fluctuation, political uncertainties and other risks in the countries where we operate.

We have operations outside the PRC, which mainly include the provision of engineering design and consultancy, consultancy and contracting services and the sale of equipment. We currently provide

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engineering and construction contracting services in Vietnam and Azerbaijan. For the years ended December 31, 2009, 2010 and 2011, our revenue generated from overseas operations accounted for approximately 14.6%, 20.6% and 14.6%, respectively, of our total revenue. We expect that a significant portion of our revenue and profits will continue to be derived from our international projects and other overseas operations for the foreseeable future as we intend to focus on selectively penetrating a number of foreign markets and strategically developing our overseas operations. As a result, we are exposed to various risks associated with our business expansion in foreign countries and territories that include, but are not limited to:

- political risks, including risks due to civil unrest, acts of terrorism, acts of war, global or regional political and military tensions, and strained or altered foreign relations, expropriation or nationalization of our assets in foreign countries; sanctions imposed by certain countries against transactions with other countries in which we conduct business which may limit our ability to obtain funding for certain overseas projects;
- economic, financial and market instability and credit risks, including, for example, those relating to the potential deterioration of the credit markets and other economic conditions in those foreign countries and territories;
- changes in foreign government regulations or policies; the possible existence of strict environmental protection laws or lack of a well-developed or independent legal system in foreign countries, which may create difficulties for us to enforce our contractual rights;
- dependence on foreign governments or entities controlled by such foreign governments for electricity, water, transportation and other utility or infrastructural needs; possible unfavourable labor conditions or employee strikes, or potential disputes with foreign partners, customers, subcontractors, suppliers or local residents or communities; or the existence of anti-Chinese sentiment and related events, demonstrations or policies such as implementation of protectionism against PRC companies;
- unfamiliarity with local operating and market conditions, which could result in unfavorable consequences such as inaccurate bidding prices for projects, lack of understanding of local construction, taxation, customs and other laws, regulations, standards and other requirements;
- risks and uncertainty associated with using foreign agents in connection with our overseas operations; and
- cyclical nature and demand of international engineering design and construction markets and competition from other international and local companies; preferential treatment or corrupt business practices; tax increases or adverse tax policies; foreign currency controls and fluctuations.

Our level of exposure to these risks varies with respect to each project, and depends on the particular stage of each project. We have also experienced and may continue to experience difficulties resulting from poor infrastructure in some countries we operate, with respect to certain of our overseas projects. Any of the above factors could lead to project disruptions and losses of personnel and assets, among others, which could materially and adversely affect our overseas expansion, overall financial condition and profitability. Our Directors have made forward-looking statements in this prospectus with due care.

We may not achieve the desired outcomes of any acquisitions or strategic investments we undertake.

We may in the future acquire other business or companies whose assets, operational capabilities and strategies we believe are likely to enhance our operational capabilities in the countries and territories

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in which we operate. Acquisitions involve numerous risks, including potential difficulties in the retention and integration of relevant personnel, risks and difficulties associated with integrating the operations and culture of the acquired business, the diversion of management's attention and other resources, and lack of experience and knowledge in the industry and market of the acquired business. In addition, acquisitions may result in the incurrence or inheritance of debts and other liabilities, assumption of potential legal liabilities in respect of the acquired business or incurrence of impairment charges related to goodwill and other intangible assets, any of which could harm our results of operations and financial condition. In particular, if any of the acquired businesses fails to perform as we expect, we may be required to recognize a significant impairment, which may materially and adversely affect our results of operations. As a result, there can be no assurance that we will be able to achieve the strategic purpose of acquisition, the desired level of operational integration or our target investment return.

It is also possible that we may not be able to find suitable acquisition or investment candidates, or that if we do identify suitable candidates, we may not complete those transactions on terms commercially acceptable to us or at all, or that we may fail to obtain the required governmental and other approvals for such acquisitions or investments. The inability to find suitable acquisition or investment targets or the inability to complete such transactions may adversely affect our core competency or our growth prospects.

We may face challenges in further enhancing the integration of our business operations following the Reorganization.

To integrate our business and to prepare for Global Offering, we underwent a reorganization in 2011. As part of the Reorganization, we were established as a joint stock limited company on June 30, 2011. For details of the Reorganization and our structure following the Reorganization, see "History, Reorganization and Corporate Structure — Reorganization".

Our historical financial information in this prospectus may not necessarily be indicative of our future financial condition, results of operations or cash flows. In addition, while our business experienced significant growth within the Track Record Period, there is no assurance that our business will continue to grow at a similar growth rate or at all.

Because of the scale and scope of our operations, the coordination of activities by our management presents challenges. We have formulated several initiatives to integrate the operations conducted by our various subsidiaries to further realize the synergies within our Group following the Reorganization. These initiatives primarily include strengthening internal management and sub-contracting within our Group to avoid unnecessary costs or taxes. Our proposed business integration initiatives may not be implemented effectively or on a timely basis or may be adversely affected by the inability to obtain sufficient financial resources, technical difficulties, constraints in terms of human or other resources, or for other reasons. Moreover, the implementation of these business integration initiatives may be more costly than expected. Should cost overruns, changes in circumstances, disagreement by our employees at our integration initiatives or other similar situations arise, the operational efficiencies and business synergies that these business integration initiatives were expected to achieve may not materialize. Further, internal competition and other business integration issues will present challenges to our management team, financial and management information systems and internal control measures, which will require continuous

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improvement and development in order for us to operate more effectively and efficiently as an integrated entity. If we are not able to successfully implement our business integration initiatives, our business, financial performance, results of operations and prospects may be adversely affected.

Our continuous growth partly depends on our research and development capabilities, which may not always produce positive results.

Our ability to undertake high value-added projects and to launch new products depends largely on our research and development capabilities. If we are unable to maintain or enhance our research and development capabilities, we may be placed at a disadvantageous position against our competitors both domestically and overseas, and as a result, our results of operations and future development might be materially and adversely affected. We are often engaged to undertake large-scale, complicated projects that require us to develop or adopt new technology and construction methods, which could strain our research and development resources. The use of new technology and construction methods may also result in experimental failures, increased costs and unstable conditions, which may adversely affect the profitability of our specific projects.

We continue to increase our investment in the research and development of new technologies and products and in the improvement of existing products. We plan to continue to commit resources to research and development. We cannot guarantee all such expenditure can translate into technologies or products that can feasibly, or cost effectively, be applied or produced on a mass level. Even if new technologies and products are successfully developed, we also cannot guarantee that the technologies and products we develop would be commercially accepted. We cannot assure you that our research and development efforts will lead to substantial revenue. Our revenue may be adversely affected if the costs we spent in research and development do not bring along corresponding financial benefits.

We may not be able to develop or adopt new technologies and provide services that meet the changing needs of our customers in a timely manner.

Competition in the nonferrous metals engineering industry is subject to continuous technological innovation, changing market trends and evolving customer demand. Accordingly, we need to grasp, predict and adapt to the market trends, develop or adopt competitive technologies, and utilize and integrate our technological innovations into the development of our services and products on a timely basis. Further, responding to and adapting to technological developments and changing customer needs may require us to invest substantial resources, time and capital. There is no assurance that our efforts in this regard will succeed or continue to succeed. If we fail to meet the changing needs of our customers, our ability to contract for and perform new projects and maintain and expand our customer base may be significantly impaired, and we may lose projects and other business opportunities to our competitors, which will materially and adversely affect our business, results of operations, financial condition and prospects.

We may not be able to adequately protect our intellectual property rights.

We rely on a combination of patents, copyrights, trademarks, construction methods and contractual rights to protect our intellectual property. As of December 31, 2011, we had 2,781 patents (including 474 invention patents) in China and 12 overseas patents, as well as 1,091 patent applications (including 883 invention patent applications) in China. In addition, as of December 31, 2011, we had 19 computer software copyrights registered in China. In addition, we have developed

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a number of advanced systems, patented technologies, equipment, construction methods, as well as other intellectual properties, which have enabled us to improve our production efficiency and to secure an increasing number of projects. We cannot guarantee that the measures we have taken will be sufficient to prevent any misappropriation of our intellectual property, or that our competitor will not independently develop, or obtain through licensing, alternative technologies that are substantially equivalent or superior to ours. In addition, we cannot guarantee that we will successfully obtain the patent registrations. Failure to obtain such patent registrations could have a material and adverse effect on our business, financial condition and results of operations.

China's intellectual property laws are still evolving and the level of protection and means of enforcement of intellectual property rights in China differ from those in other jurisdictions. Enforcement of our intellectual property rights could be costly, and we may not be able to immediately detect unauthorized use of our intellectual property and take the necessary steps to enforce our rights in such cases. In the event that the measures taken by us or the protection afforded by law do not adequately safeguard our proprietary technology and other intellectual property rights, we could suffer losses in revenues and profits due to competing sales of products and services that exploit our intellectual property. Furthermore, we cannot assure you that any of our intellectual property rights will not be challenged by third parties. Adverse rulings in any litigation or proceeding could result in the loss of our proprietary rights and subject us to substantial liabilities, or even disrupt our business operations.

Certain projects in our backlog are subject to unexpected adjustments and cancellations, therefore the backlog may not accurately reflect the future operation condition of our Company.

As of December 31, 2011, the aggregate backlog of our operations was approximately RMB32,079.3 million. See “Business — Engineering and Construction Contracting — Backlog and New Contract Value.”

Backlog is not a measure defined by generally accepted accounting principles and may not be indicative of future operating results. We cannot guarantee that the revenue projected in our backlog will be realized or the related contracts will be profitable. Some of our contracts do not oblige our customers to purchase a minimum amount of services or products and are subject to modification or termination by customers on short notice. Project cancellations or scope adjustments may occur from time to time with respect to contracts reflected in our backlog and could reduce the amount of our backlog and the revenues and profits that we actually earn. In addition, projects may remain in our backlog for an extended period of time. As a result, you should not rely on our backlog information presented in this prospectus as an indicator of our future earnings.

We are subject to extensive environmental, safety and health laws and regulations, and our compliance with these laws and regulations may cause an increase in our compliance cost.

Our operations are subject to various environmental, safety and health laws and regulations promulgated by the PRC government and the governments of overseas jurisdictions in which we operate. See “Business — Health and Safety” and “— Environment Protection.” Given the complexity and continuous amendments to these laws and regulations, compliance therewith may be complicated or may involve substantial financial and other resources to establish efficient compliance and monitoring systems. The liabilities, costs, obligations and requirements associated

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with these laws and regulations may therefore be substantial and may delay the commencement of, or cause interruptions to, our operations. Historically, in our engineering and construction contracting business, the project owner rather than us is responsible for obtaining the relevant environmental protection permit, and although we are responsible for the relevant environmental compliance in the course of construction, the cost is eventually passed to the project owner. In addition, we consider the environmental compliance costs of our engineering design and consultancy business and equipment manufacturing business immaterial. However, any non-compliance with the relevant industry regulations as well as the environmental, health and safety laws and regulations applicable to our operations may result in substantial penalties or fines, suspension or revocation of our relevant licenses or permits, termination of government contracts or suspension of our operations. Such events could impact our operating results, financial condition and reputation.

In addition, the environmental, safety and health laws and regulations in China and other jurisdictions in which we operate continue to evolve. We cannot predict the impact of regulatory developments relating to such industry regulations or environmental, health and safety laws and regulations, nor can we guarantee that the PRC government or the governments of foreign jurisdictions in which we operate will not impose additional or stricter laws or regulations, compliance with which may cause us to incur significant costs that we may not be able to pass on to our customers. Any changes or amendments to such laws or regulations may cause us to incur additional capital expenditures, or other obligations or liabilities. Furthermore, some of the new overseas markets that we are seeking to enter may have more stringent environmental, safety and health regulations than the PRC market, and could hinder our endeavors to enter into these new overseas markets.

We may be exposed to litigation risks in our operations.

In the ordinary course of business, claims involving owners, customers, suppliers and subcontractors are brought against us and by us in connection with our contracts. Claims may be brought against us for back charges for allegedly defective or incomplete work, liabilities for defective products, personal injuries and deaths, damage to or destruction of property, breaches of warranty, delayed payments to our suppliers or subcontractors, or late completion of projects or other contracts. The claims and back charges may involve actual damages and contractually agreed upon liquidated sums. If we were found to be liable on any of the claims, we would have to incur a charge against earnings to the extent a reserve had not been established for the matter in our accounts, or to the extent the claims were not sufficiently covered by our insurance coverage. There were some delays in the completion of our projects during the Track Record Period and up to the Latest Practicable Date. We were a defendant in a lawsuit brought by Xinxiang Municipal Pingyuan Automobile Accessories Company Limited (新鄉市平原汽車配件有限公司) due to a delay in project completion during the Track Record Period. See “Business — Regulatory Compliance and Legal Proceedings.” We cannot assure you that we will not be involved in any dispute, litigation or proceeding or subject to such liability in the future. Claims brought by us against project owners and customers may include claims for additional costs incurred in excess of current contract provisions arising out of project delays and changes in the initial scope of work.

Claims, whether brought against us or by us, if not resolved through negotiation, are often subject to lengthy and expensive litigation or arbitration proceedings. During the Track Record Period and as of the Latest Practicable Date, we were involved in four material legal proceedings. See “Business

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— Regulatory Compliance and Legal Proceedings.” Although our Directors believe these litigations will not have a material adverse affect on our Group’s financial position and operations as a whole, they may have an adverse impact on our reputation and market image. Amounts ultimately realized from project or other claims by us could differ materially from the balances included in our financial statements, resulting in a charge against earnings to the extent profit has already been accrued on a project or other contract. Charges associated with claims brought against us and associated with claims brought by us could have a material adverse impact on our financial condition, results of operations and cash flow. Moreover, legal proceedings resulting in judgments or findings against us may harm our reputation and damage our prospects for winning future contracts.

We derived an immaterial portion of revenue from Iran during the Track Record Period, and activities by us in Iran and any other countries subject to sanctions could adversely affect us and investors in our H Shares.

In December 2005, we entered into a USD899.8 million EPC contract with an Iranian company (“IRANCO”) and a third party, which is a state-owned enterprise in China (the “Third Party”), to design and construct an aluminum smelting plant in Iran (the “Iran Project”). Both IRANCO and the Third Party are Independent Third Parties. Subsequently, the parties supplemented and amended the Iran Contract several times, including the most recent amendments in July 2011 that, among other things, revised the contract price to RMB 7,179.2 million. This 2005 Iran contract, as supplemented and amended, is referred to as the 2005 Iran Contract. The parties entered into a supplemental agreement in 2005, pursuant to which we provided geological survey and basic design services in connection with the Iran Project in 2006 and 2007. In 2008, we received payment from IRANCO of approximately RMB16.4 million for such services, which we recognized as revenue for 2009. Since then, we have not performed any services or received any payments under the 2005 Iran Contract. In 2008, we entered into a Euro 199 million EPC contract for the design and construction of Loop 1 of the Iran Project with IRANCO and the Third Party. This 2008 Iran contract, as supplemented and amended, is referred to as the 2008 Iran Contract.

Both the 2005 Iran Contract and the 2008 Iran Contract contain certain conditions precedent. As these conditions precedent have not been satisfied, the 2005 Iran Contract and the 2008 Iran Contract (together, the “Iran Contracts”) have not been performed and, except for the geological survey and basic design services provided pursuant to the supplemental agreement executed in 2005, the design and construction of the projects under these Iran Contracts have not commenced.

We served a written notice to IRANCO purporting to terminate the Iran Contracts on May 8, 2012. The Iran Contracts are governed by Iranian laws and any dispute among the parties will be subject to arbitration by the International Court of Arbitration in Geneva. Our Iranian counsel have advised us that providing a notice of non-performance of any obligation we have under the Iran Contracts (such as our notice of termination) will constitute a breach of contract and we will be liable to compensate IRANCO for any actual damages it sustains as a result, up to a cap contained in the Iran Contracts of 15% of the total contract price of each of the Iran Contracts, which will be approximately RMB1,076.9 million under the 2005 Iran Contract and approximately Euro 29.9 million under the 2008 Iran Contract. Our Directors believe that because the conditions precedent of the Iran Contracts have not been satisfied, the actual damages are minimal. In addition, Chinalco, our parent company, has agreed to indemnify us for all liabilities, losses, damages, costs and expenses (if any) that are incurred by us in connection with, or otherwise arising out of, the Iran

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Contracts and the Iran Project. Our Iranian counsel have advised us that under Iranian law, IRANCO may also seek specific performance of the Iran Contracts by us. Our Iranian counsel have further advised us that if an order of specific performance is awarded against us, due to the fact that we have no assets or operations in Iran, it will be unlikely to enforce the specific performance order in Iran. Our Directors have undertaken to the Stock Exchange and the Underwriters that our Group will not perform any of the obligations under the Iran Contracts under any circumstances. In addition, to minimize our exposure to the U.S. Extraterritorial Sanctions, our Company will not use any funds obtained from any entity organized under U.S. Law, any person in the United States or any U.S. citizen or any U.S. permanent resident globally to finance any business with Iran.

In July 2010, our subsidiary CNPT entered into a contract to supply, among other items, a cold rolling mill to an Iranian company, an Independent Third Party (the “Purchaser”). In November 2010, CNPT and the Purchaser entered into a new contract, superseding the original contract, for the supply of the same cold rolling mill with different payment and delivery terms. This 2010 Iran contract, as supplemented and amended, is referred to as the 2010 Iran Contract. The Purchaser failed to make full payment to CNPT in accordance with the schedule in the 2010 Iran Contract, and CNPT and the Purchaser signed a termination agreement terminating the 2010 Iran Contract effective March 15, 2012. In the termination agreement, each party agreed not to allege, assert, make or pursue any claims against the other party under the 2010 Iran Contract. As of March 15, 2012, the Purchaser had paid CNPT USD1.86 million, accounting for approximately 40.9% of the price of the 2010 Iran Contract. CNPT has not delivered and will not deliver the relevant equipment to the Purchaser.

The U.S. and other jurisdictions maintain broad and comprehensive economic sanctions targeting certain countries, including Cuba, Sudan, North Korea, Iran, Syria and Myanmar (the “Sanctioned Countries”). Certain types of business with Iran, if undertaken by Chinese or other non-US companies, could attract U.S. economic sanctions on a purely extraterritorial basis (“U.S. Extraterritorial Sanctions”). We have covenanted to the Stock Exchange and the Underwriters that we will not apply any of the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to any project in or with any Sanctioned Countries, or to pay the damages incurred by the IRANCO, if any, arising from our breach of the Iran Contracts. We generated revenue of approximately RMB16.4 million for 2009 and approximately RMB18.2 million for 2011 from Iran. Other than the above-mentioned Iran Contracts and 2010 Iran Contract, we did not have any contracts with any person or entity of, or conduct any business in, any Sanctioned Countries during the Track Record Period. We currently do not have any business with or within these Sanctioned Countries.

We have no present intention to undertake any business in Iran that would expose us to U.S. Extraterritorial Sanctions. However, we can provide no assurances that our future business will be free of risk under U.S. Extraterritorial Sanctions or that we will conform our business to the expectations and requirements of U.S. authorities or the authorities of any other government that does not have jurisdiction over our business but nevertheless asserts the right to impose sanctions on an extraterritorial basis.

As a company incorporated and based in China, we will comply with all PRC laws and applicable laws in the jurisdictions where we have operations. Our Directors believe we are not obliged to

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comply with the regulations of OFAC. However, if any of our transactions is conducted in or through the United States, or otherwise involves U.S. persons or U.S.-origin goods, OFAC regulations will be applicable to such transaction. We are implementing a number of measures designed to control our exposure to applicable sanctions laws. In particular, the Risk Management Committee is responsible to evaluate the sanctions risks that our Group may face and determine whether we should embark on business opportunities with Sanction Targets. For more details of these measures, please see “Iran Contracts” in this prospectus. Before investing into our Shares, an investor should consider if such investment would expose such investor to any OFAC or sanctions law risk arising from such investor’s nationality or residency. If we undertake business that is legal for us as a Chinese company but that involves persons or countries subject to U.S. or other countries’ economic sanctions or the sanctions imposed by the United Nations (“Sanctions Targets”), investors in our H Shares who had actual knowledge or who should have known that their investments might finance such business could be held legally responsible under sanctions laws applicable to them, including U.S. sanctions laws and regulations administered by the OFAC and the U.S. Department of State. In addition, if we have any direct or indirect sales of our products or provision of our services to Sanctions Targets in the future, our reputation could be adversely affected, some of our investors may be required to sell their interests in our Company under the laws of certain U.S. states or under internal investment policies or may decide for reputational reasons to sell such interests, and some of our investors may forgo the purchase of our H Shares, all of which could materially and adversely affect the price of our H Shares and of your investment in us. We are aware that if we breach any undertaking we gave to the Stock Exchange and the Underwriters in relation to the Global Offering, our Shares may be delisted from the Stock Exchange.

Our tax liability may increase due to changes in the PRC government’s tax policy and our preferential tax treatment.

Some of our subsidiaries are entitled to preferential tax treatment as high and new technology enterprises, allowing us to have a lower effective tax rate that would not otherwise be available to us. We plan to apply for the extension of this preferential tax treatment before expiration. See “Financial Information — Description of Selected Components of Results of Operations — Income tax expense.” However, there cannot be any guarantee that we will be granted such extension, and, if we do not, it would result in an increase of our effective income tax rate. Our effective income tax rates for the years ended December 31, 2009, 2010 and 2011 were 21.9%, 23.2% and 22.9%, respectively. To the extent that there are any changes in, or withdrawals of, any preferential tax treatment applicable to us, or increases in the effective tax rate, our tax liability would increase correspondingly.

In addition, the PRC government from time to time adjusts or changes its policies on value-added tax, business tax, fuel and oil tax and other taxes. Such adjustments or changes, together with any uncertainty resulting therefrom, could have an adverse effect on our business and financial results.

Loss of senior management executives, senior technicians and employees with expertise could adversely affect our business and prospects.

The growth of our business operations depends on the continuous service of our senior management team. The industry experience, expertise and contributions of our executive Directors and other members of our senior management are essential to our continuing success. Their relevant details are set out in “Directors, Supervisors and Senior Management” of this prospectus. We will require an

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increasing number of experienced and competent senior executives in the future to implement our growth plans. If we were to lose the services of any of our Company's key management members and were unable to recruit personnel with equivalent qualifications in a timely manner, the management and growth of our business could be adversely affected.

We also need to retain a large number of highly qualified and experienced designers, engineers and project managers as well as other skilled employees. Demand for employees with industry-related experience and expertise in our engineering design and consultancy and engineering and construction contracting business will increase as our customers increase their capital expenditures and the use of our services and as we expand our business in infrastructure and other projects outside the nonferrous metals industry. In addition, we need to hire additional qualified managerial, technical, marketing and other personnel to implement our business initiatives to develop new technologies, construction methods and products, grow our equipment manufacturing operations, and strategically expand our overseas operations.

We cannot assure you that we will be able to maintain an adequate skilled labor force necessary for us to execute our projects or to perform other corporate activities, nor can we guarantee that staff costs will not increase as a result of a shortage of skilled personnel. If we fail to attract and retain personnel with suitable managerial, technical or marketing expertise or to maintain an adequate labor force on a continuous basis, our business could be adversely affected and our future growth and expansion plans may be hindered.

Competition in the markets in which we operate could reduce our market shares and profitability.

We face competition in the markets in which we operate. In the domestic nonferrous metals engineering technology industry, we mainly compete with a limited number of domestic companies. Outside the nonferrous metals industry, we face competition from well-established domestic companies. In particular, competition in China's well-developed construction industry is extremely keen. Our overseas operations focus on the nonferrous metals industry. Major competitors are overseas companies with advanced technologies in the United States, Canada and Norway. Please refer to "Business — Competition — Overseas competition" for details.

Our market position depends on our ability to anticipate and respond to various competitive factors. Competition mainly arises from technology, service quality and price. Competition outside the nonferrous metals industry mainly arises from qualification, price, project management capability, experience and financing capability. There can be no assurance that our current or potential competitors will not offer services or products comparable or superior to those that we offer at the same or lower prices or adapt more quickly than we do to evolving industry trends or changing market conditions. Increased competition may result in price reductions, reduced profit margins and loss of market share.

We may fail to maintain an effective quality control system for our business operations.

The quality of our services and products is critical to the success of our business. In order to achieve the success of our business, we need to maintain an effective quality control system for our business operations. The effectiveness of our quality control system depends significantly on a number of factors, including the design of the system, the related training program as well as our ability to

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ensure that our employees adhere to our quality control policies and guidelines. Any negligence or mistake during the implementation of our quality control systems could result in defects in our projects or products, which in turn may subject us to contractual, product liability and other claims. Any such claims, regardless of the results, could cause us to incur significant costs, harm our business reputation and result in significant disruption to our operations.

Some of our operations require certain permits, licenses and certificates, which may be degraded, temporarily suspended or even revoked due to non-compliance with relevant laws or other reasons.

We are required to obtain and maintain valid permits, licenses and certificates issued by various governmental authorities in order to carry out our engineering design and consultancy, engineering and construction contracting, as well as our equipment manufacturing operations. We must comply with the restrictions and conditions imposed by various levels of governmental agencies to maintain our permits, licenses and certificates. See “Laws and Regulations Applicable to the Industry” and “Business — Qualifications.” Our PRC legal advisors, Jia Yuan Law Firm, have advised us that our Group has obtained and renewed all permits, licenses and certificates that are necessary for our operations in China. Our Vietnam legal advisors have advised us that our Group has obtained all licenses relating to material matters for our current operations in Vietnam. Our Indian advisors have advised us that we are not required to obtain any material licenses or approvals from any regulatory authorities in India for our current operations in India. Our Directors have confirmed that we have obtained all necessary permits, licenses and approvals for our operations in all countries where we conduct our business. If we fail to comply with applicable regulations or satisfy any of the conditions required for the maintenance of our permits, licenses and certificates, our permits, licenses and certificates could be downgraded, suspended or even revoked, or the renewal thereof, upon expiry of their original terms, may be delayed or rejected, which could materially and adversely impact our business, results of operations and financial condition.

In order to ensure our compliance with the restrictions and conditions required for maintaining our permits, licenses and certificates for our business operations, the PRC governmental authorities at various levels conduct routine or special inspections, examinations, inquiries and audits on us. We may be subject to suspension or revocation of the relevant permits, licenses or certificates, fines or other penalties due to any non-compliance covered as a result of such inspections, examinations, inquiries and audits. We cannot assure you that we will be able to maintain or renew our existing permits, licenses and certificates or obtain future permits, licenses and certificates required for our continued operation on a timely basis or at all. In the event that we fail to comply with applicable laws and regulations or fail to maintain, renew or obtain the necessary updated permits, licenses or certificates, our qualification to conduct our various businesses may be adversely impacted.

Our future projects may not be completed as planned, may go beyond our original budgets or timetables, or may not achieve anticipated economic results or become commercially viable.

As part of our business growth strategy, we plan to undertake a number of projects in the future. These projects generally require a significant amount of capital investment and take years to complete. Before we commence any of these projects, we typically conduct extensive feasibility studies, which may increase our costs. However, we cannot assure that any of these projects will be completed or generate any profit. In addition, actual costs for these projects may exceed our original

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budgets as a result of various reasons such as delays in schedule, increases in funding costs due to volatilities in foreign exchange rates and interest rates, changes in original design, and increases in the cost of materials and other resources or labor. Moreover, these projects could be delayed or otherwise adversely affected by a number of risks or uncertainties, including, among others, those relating to market conditions, policies and regulations of the PRC and other relevant jurisdictions, availability of sufficient funding, disputes with business partners, technology and equipment suppliers and other contractors, employees, and local governments and communities, natural disasters, power and other energy supplies, technical or human resources levels, any adverse changes in the bilateral relations between China and relevant foreign governments, war or other significant adverse developments in international relations. If any of these projects are not completed as planned, go beyond our original budgets or timetables, or fail to achieve anticipated economic results or commercial viability, our business, results of operations, financial condition and growth prospects could be materially and adversely affected.

We may not be able to obtain sufficient funding for our operations, and our customers may not be able to obtain sufficient funding for project development.

Some of our engineering and construction contracting operations are capital-intensive. Under our BT projects, we are required to use our own cash and other resources to finance engineering, construction and other work before we receive progress payments from customers in amounts sufficient to cover our expenditures. In addition, we may be required to allocate significant capital to build, maintain and operate production facilities, purchase machinery and equipment, and develop new technologies and products for our equipment manufacturing business.

To the extent that our funding requirements exceed our financial resources, we will be required to incur additional debt, seek equity financing or defer planned expenditures. In the past, we have funded our capital requirements primarily with cash generated from our operations and through bank and other borrowings. As we further grow our business, including by engaging in more domestic and overseas engineering and construction contracting and construction projects and expanding our equipment manufacturing capabilities and capacity, we expect our capital requirements to increase significantly. We cannot assure you that cash generated from our operations will be sufficient to fund our development and expansion. For 2011, we had net cash flow used in operating activities of RMB914.0 million due to the negative effects of changes in working capital exceeding profit before taxation of RMB1,096.5 million. The negative effects of changes in working capital primarily reflected an increase in cash used in contract work-in-progress of RMB919.0 million, primarily due to our engineering and construction contracting business, and a decrease in trade and other payables of RMB424.3 million, primarily due to increased settlements with our sub-contractors and suppliers. If we are unable to obtain financing in a timely manner or at a reasonable cost, our expansion plans may be delayed, our projects may be hindered, and our financial performance and growth prospects may be materially and adversely affected.

Similarly, many of our customers require bank financing for construction projects and therefore financing terms available in the market have a significant influence on the demand for our services and products. Accordingly, if our customers are unable to obtain financing in a timely manner or at a reasonable cost, relevant projects may be adversely affected, and our financial performance and growth prospects may be materially and adversely affected.

RISK FACTORS

The availability of external funding is subject to various factors, including governmental approval, market conditions, credit availability, interest rates and the performance of the business we operate. The PBOC determines the benchmark lending rates for RMB-denominated loans in China. In 2010 and 2011, the PRC government tightened bank credit, imposing limits on loans for fixed assets and restrictions on state bank lending, in an effort to combat inflation and control China's overheated economy. Such an austere policy, along with repeated rises in interest rates by the PBOC would likely slow economic activity in the PRC, which could, in turn, materially increase our costs and also reduce demand for our services and products, leading to a material adverse effect on our business.

We face risks associated with undertaking BT and other similar projects requiring advances from us.

In December 2010, we entered into a BT contract with Duyun Company for a municipal road construction project, which was our first BT contract. In September 2011, we entered into a BT contract with Chongqing Liangjiang New District Public Rental Housing Investment and Management Co. Ltd. for a low-cost housing project in Chongqing. We may also enter into other BT projects in the future. The risks associated with undertaking BT projects include the risk that the customer may delay, or even be unable to make, payment upon completion of the project. Although we plan to undertake BT projects with prudence and seek adequate security and guarantees, we cannot guarantee project owners will be able to make payments as scheduled upon completion of the projects or the relevant securities and guarantees can be successfully executed and sufficiently compensate for losses that may be incurred by us. Undertaking BT and other similar projects also requires us to allocate significant capital outlays over extended periods which would have an adverse impact on our cash flow. Moreover, we have limited experience in assessing and addressing risks particular to BT and other similar projects. As a result, we may not be able to properly execute or handle BT or other similar projects, which could materially and adversely affect our plans for expansion, financial condition and results of operations.

Our engineering and construction contracting and equipment manufacturing operations are subject to inherent operational risks and occupational hazards.

Our business, including in particular our engineering and construction contracting and equipment manufacturing business, involve significant inherent operational risks and occupational hazards that may not be eliminated through the implementation of preventive measures. We engage or may engage in certain inherently risky and hazardous activities, including, among others, operations at height or on dangerous terrain, underground excavation and construction, use of heavy machinery, and the handling of flammable and explosive materials. We are therefore subject to risks associated with these activities, including geological catastrophes, toxic gas and liquid leakages during trial production, equipment failures, industrial accidents, fires, explosions and underground water leakages. These risks may result in personal injury and damage to properties and production facilities. Although we have not experienced any material adverse impact relating to these risks during the Track Record Period, there is no guarantee that these risks will not have a material adverse effect on us in the future. Any of these consequences, to the extent they are significant, could result in business interruption, legal liability and damage to our business reputation and corporate image. In addition, we may also be subject to claims resulting from the subsequent use by our customers or other third parties of the facilities and products we have constructed or produced.

RISK FACTORS

We normally seek to lower our exposure to the potential claims associated with our business through contractual limitations of liability, indemnities from our customers, subcontractors and suppliers, and insurance. However, these measures may not provide sufficient protection for us due to various factors, many of which may be outside of our control. These factors include:

- in some of the jurisdictions in which we operate, including China, environmental and workers' compensation liabilities may be assigned to us as a matter of law and may not be limited through contracts;
- customers and subcontractors may not have adequate financial resources to satisfy their indemnity obligations to us;
- losses may derive from risks not addressed in our indemnity agreements; and
- our insurance coverage may not be sufficient and it may not be possible to obtain adequate insurance against some risks on commercially reasonable terms, or at all.

The insurance we maintain may not be sufficient to cover all disaster losses.

For engineering and construction contracting projects, some project owners we contract with purchase construction project all-risk insurance. If the project owners we contract with do not purchase construction project all-risk insurance, we will purchase such insurance. We have passed on such insurance cost to our customers by including it in our existing contracts. The relevant policies are generally applicable to the entire contract period, including the warranty period upon completion of the projects. We believe our levels of insurance are in line with loss risks and industry practices. Pursuant to relevant PRC laws and regulations, we have also purchased pension, medical, unemployment, work injury and maternity insurance for our employees and have purchased personal injury insurance for overseas and on-site construction workers.

Although we believe our insurance coverage meets the needs of our operations and risk structure, we cannot guarantee that our current levels of insurance are sufficient to cover all potential risks and losses. In addition, our insurers review our policies each year. However, we cannot guarantee we can renew our policies or can renew our policies on similar or other acceptable terms. If we suffer from severe unexpected losses or losses that far exceed the policy limits, this could have material adverse impacts on our business, financial position and operating results.

In line with industry practices in China, we have not purchased third-party insurance to cover claims in connection with personal injuries caused by any property accidents or poor business operations or relevant property or environmental damages, and have not maintained any insurance policy against losses arising from our environmental responsibility, business interruption, industrial accidents, demonstrations and protests by our employees or third parties or their activities, nor have we purchased any life insurance for our key employees. Pursuant to PRC laws and regulations, purchasing such insurance is not compulsory and if we purchase such insurance, it would incur additional costs for our business operations, which may reduce our core competency in China. Failure to effectively insure against risks relating to our operations arising from any of the above reasons or otherwise could expose us to substantial costs and potentially lead to material losses. In addition, the occurrence of any of these risks may harm our reputation, which could inhibit our ability to win more projects or other contracts or otherwise grow our business.

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Failure by the Controlling Shareholder to fulfill its obligations to us in connection with the Reorganization may materially and adversely impact our business and operating results.

In connection with the Reorganization, Chinalco, our Controlling Shareholder, and its subsidiaries have entered into certain arrangements with us, including, among others, the Non-Competition Agreement and a number of connected transaction agreements. See “History, Reorganization and Corporate Structure”, “Relationship with Chinalco” and “Connected Transactions”. Chinalco has agreed not to compete, and procure its associates not to compete, with us in our principal business. We have relied, and will continue to rely, in part on the connected transaction agreements with Chinalco, including (but not limited to) engineering service agreements, trademark licensing agreements and commodity trading agreements. If, for any reason, one of the arrangements between us and Chinalco were to be terminated or changes detrimental to us were to be made to the terms of these arrangements, our business and operating results could be materially and adversely affected.

We will be controlled by Chinalco, whose interests may differ from those of our other shareholders.

Upon the completion of the Global Offering, assuming the Over-allotment Option is not exercised, Chinalco will beneficially own and control 81.74% of our share capital. Subject to the Articles of Association, Chinalco will continue to have the ability to exercise a controlling influence over the management, policies, business and affairs of our Company by such means as controlling the composition of our Board, determining the timing and amount of dividend distributions, approving material transactions. We cannot guarantee that Chinalco will not cause us to enter into transactions, to take or fail to take any other actions or make decisions that conflict with the best interests of our other shareholders. Furthermore, one of our Directors, namely Mr. Zhang Chengzhong, the chairman of our Board and a non-executive Director, currently serves as the vice president of Chinalco. Therefore, there may be a potential risk for conflicts of interest in certain circumstances. However, Mr. Zhang Chengzhong is a non-executive Director, and is not involved in our day-to-day management. Thus, our Directors are of the view that the potential risk associated with Mr. Zhang Chengzhong’s position in Chinalco is minimal. See “Relationship with Chinalco” and “Connected Transactions”.

Our subsidiaries may not be able to pay dividends to us.

We conduct a significant portion of our operations through our subsidiaries. Part of the assets are held by, and a significant portion of our earnings and cash flows are attributable to, our subsidiaries. If the earnings from our subsidiaries were to decline, our earnings and cash flow would be adversely affected. The ability of our operating subsidiaries to pay dividends depends on business considerations and regulatory restrictions, including the cash flow and the terms of the articles of association of these companies, shareholders’ agreements and applicable laws and regulations. In particular, under PRC law, our operating subsidiaries incorporated in the PRC may not pay dividends until 10% of their profit for the period has been set aside as a statutory reserve fund (which requirement applies each year until such reserve fund is equal to 50% of their respective registered capital). In addition, distributions by our subsidiaries to us other than dividends may be subject to governmental approval, approval by other shareholders and taxation. These restrictions could reduce the amount of distributions that we receive from our operating subsidiaries, which

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would restrict our ability to fund our operations, generate income and pay dividends. We cannot assure you that our operating subsidiaries will generate sufficient earnings and cash flow to pay dividends or otherwise distribute sufficient funds to enable us to meet our obligations or declare dividends.

Our business is subject to seasonal variations in demand.

Our business is affected by seasonality. We typically record lower revenues for the first quarter as compared to other quarters in a year. This seasonality is due to the impact of environmental and other external factors. For example, most of our projects are located in China, where winter weather affects our construction operations, particularly those in northern China, in the first quarter. In addition, in the PRC, the long Chinese New Year holiday in the first quarter negatively affects the availability of human resources and in turn the progress of construction projects. As a result, the market demand for and the output of our products and services is typically lower in the first quarter of a year. Therefore, our interim results may not be indicative of our operating results for a particular year or another interim period in the same year. Any significant or prolonged adverse weather conditions that negatively affect the construction activities or slow the growth of new construction business could have a material adverse effect on our business, results of operations and financial condition.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Changes in China's economic, political and social conditions, as well as government policies, could adversely affect our business, financial condition, results of operations and prospects.

We conduct a significant portion of our operations in China and derive the majority of our revenue from our operations in China. Accordingly, our business, financial condition, results of operations and prospects are materially affected by economic, political and social conditions in China.

The PRC economy differs from most developed economies in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC economy has grown significantly in recent decade, we cannot assure you that such growth will continue. In response to the global economic slowdown and market volatility, the PRC government has lowered interest rates and announced large fiscal stimulus packages to boost the domestic economy, which include RMB4.0 trillion investments in, among other things, airports, highways, railways, power grids and other infrastructure developments, the effects of which cannot yet be fully determined. Recently, the PRC government has taken measures to tighten the control over bank lending. Any adverse change in the economic, political and social conditions or government policies in China could have a material adverse effect on overall economic growth, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are exposed to foreign exchange rate fluctuations.

We conduct most of our operations in the PRC and our functional currency is Renminbi. A substantial portion of our revenues and cost of sales were denominated in Renminbi during the Track Record Period. However, we conduct part of our engineering and construction contracting business overseas, and may make significant equity and other investments in overseas projects. We currently plan to retain approximately 40% of the net proceeds from the Global Offering for our

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overseas operations. Our foreign currency denominated assets and liabilities are expected to significantly increase as we further expand our overseas business, including, in particular, undertaking additional EPC projects. We are therefore subject to risks associated with foreign exchange rate fluctuations.

Changes in the value of foreign currencies could affect our Renminbi costs and revenues, and the prices of our exported products and the prices of our imported equipment. Any increased costs or reduced revenues as a result of foreign currency fluctuations could adversely affect our profits and margins. The fluctuation of foreign exchange rates also affects the value of our monetary and other assets and liabilities denominated in foreign currencies. Generally, an appreciation of Renminbi against the U.S. dollar and other relevant foreign currencies could result in a foreign exchange loss for assets denominated in U.S. dollars and other foreign currencies, and a foreign exchange gain for liabilities denominated in U.S. dollars and other foreign currencies. Conversely, a devaluation of Renminbi against the U.S. dollar and other relevant foreign currencies could result in a foreign exchange gain for assets denominated in U.S. dollars and other foreign currencies and a foreign exchange loss for liabilities denominated in U.S. dollars and other foreign currencies.

The value of Renminbi is subject to changes in China's governmental policies and to international economic and political developments. There can be no assurance that the exchange rate of Renminbi will remain stable against the U.S. dollar or other foreign currencies in the market. While the international reaction of Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further, and more significant, appreciation of Renminbi against U.S. dollar or other foreign currencies. Further appreciation of Renminbi against these currencies may lead to a decline in the revenues of our overseas operations. Fluctuations in exchange rates may adversely affect the value, translated into U.S. dollars or Hong Kong dollars, of our net assets, earnings and any declared dividends.

The PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our H Shares.

Currently, Renminbi still cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE.

Under existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign

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exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business, operating results and financial condition, may be materially adversely affected.

The PRC legal system is continuously evolving and has uncertainties, and the legal protections available to our Shareholders may be limited.

As we are a company incorporated under PRC law and a significant portion of our operations is conducted in China, we are principally governed by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters with a view to developing a comprehensive system of commercial laws. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and their non-binding nature, the interpretation of PRC laws and regulations still involves a significant degree of uncertainty.

As a PRC company offering and listing its Shares in Hong Kong, we are subject to the Special Regulations and the Mandatory Provisions. Upon the listing of our Shares on the Stock Exchange, the Listing Rules will become a principal basis for the protection of the rights of holders of Shares. The Listing Rules impose particular standards of conduct and disclosure on our Company, our Directors and the controlling shareholder of our Company. As far as we are aware, China has not published any case report that involves a request by a holder of Shares of a PRC company to exercise his or her rights under any constitutional document of a joint stock company with limited liability, the Company Law or any regulatory provisions of the PRC applicable to PRC joint stock limited liability companies. In addition, we may be subject to various new regulations or policies relating to accounting standards or financial reporting, which were issued by the relevant authorities in the PRC or Hong Kong or by the International Accounting Standards Board from time to time. Any changes in our accounting policies and estimates due to the above or otherwise may have a significant impact on the reporting of our financial statements, including on our reported profit and shareholders' equity, and we may be required to adjust or restate our financial statements.

It may be difficult to effect service of process upon us or our Directors who reside in China or to enforce foreign judgments in the PRC.

A substantial amount of our assets are in the PRC. Further, the majority of our Directors and officers reside in the PRC and their personal assets may also be in the PRC. Therefore, investors may encounter difficulties in effecting service of process from outside PRC upon us or most of our Directors and officers. Moreover, it is understood that the enforcement of foreign judgments in the PRC is still subject to uncertainties. A judgment of a court from a foreign jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a corresponding treaty with China or if the judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of other requisite requirements. However, China does not have any such treaties with Japan, the United Kingdom, the United States and many other countries providing for the reciprocal enforcement of judgments, causing uncertainties in relation to the enforcement of foreign judgments against us or our Directors and officers.

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Payment of dividends is subject to restrictions under PRC law.

Under PRC law, dividends may be paid only out of distributable profits. Distributable profits are our net profit as determined under PRC GAAP or IFRS, whichever is lower, plus undistributed profit at the beginning of the period and less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profits to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that we have not recorded any profits. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our operating subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our operating subsidiaries to pay dividends to us could have a negative impact on our cash flow and our ability to make dividend distributions to our shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

There may be an occurrence of a widespread public health problem, natural disasters, acts of war or other factors beyond our control.

An outbreak of any widespread public health problem in China, such as Severe Acute Respiratory Syndrome, or SARS, avian influenza or H1N1 influenza, could have a materially and adversely negative effect on our business, operations and financial results. Our operations may be materially and adversely affected by a number of health-related factors, including, without limitation, quarantines or closures of some of our offices and manufacturing facilities, travel restrictions, import and export restrictions and a general slowdown in China's economy. Natural disasters such as earthquakes, floods, severe weather conditions or other catastrophic events may severely affect the regions where we or our customers operate.

RISKS RELATING TO THE GLOBAL OFFERING

Purchasers of our H Shares will experience immediate dilution due to the higher Offer Price than the net tangible book value per Share, and may experience further dilution if we issue additional Shares in the future at a price below the then net tangible assets value per Share.

The Offer Price of our H Shares is higher than our net tangible assets value per H Share immediately prior to the Global Offering. Therefore, purchasers of our H Shares in the Global Offering will experience an immediate dilution in pro forma net tangible assets value per share. Further, purchasers of our H Shares may experience dilution in the net tangible assets value per share if we issue additional H Shares in the future at a price below the then net tangible assets value per share.

We cannot guarantee the completeness, accuracy or fairness of facts, forecasts or other statistics contained in this prospectus obtained from official governmental sources and other data.

Facts, forecasts and other statistics in this prospectus relating to China, the PRC economy, the PRC nonferrous metals engineering design and construction industry and the other industries in which we operate have been directly or indirectly derived from official government publications and certain other public industry sources and we can guarantee neither the quality nor the reliability of such

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source materials. They have not been prepared or independently verified by our Company or the Underwriters, or any of its or their respective Connected Persons or advisors, and, therefore, we and the Underwriters make no representation as to the completeness, accuracy or fairness of such facts, forecasts or other statistics. Our Directors have no reasons to believe that such information as extracted from official public government source is inaccurate. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be incomplete, inaccurate or unfair or may not be comparable to statistics produced for other economies or the same or similar industries in other countries and should not be unduly relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecasts or other statistics.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

MANAGEMENT PRESENCE

According to Rule 8.12 and Rule 19A.15 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Since our head office and most of our business operations are based, managed and conducted in the PRC, we do not, and for the foreseeable future, will not, have executive Directors who are ordinarily resident in Hong Kong, for the purposes of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules. Currently, all of our executive Directors reside in the PRC.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Listing Rules. We have made arrangements to maintain effective communication between the Stock Exchange and us as follows:

- (i) we will have at least one independent non-executive Director who ordinarily resides in Hong Kong;
- (ii) we have appointed two authorized representatives. One of our authorized representatives, Mr. Lam Chun Lung, Raymond ordinarily resides in Hong Kong. Mr. Wang Jun, as the other authorised representative at our Company, is a PRC resident. Both of them will act as our principal channel of communication with the Stock Exchange. Although Mr. Wang Jun resides in the PRC, he possesses valid travel documents and is able to renew such travel documents when they expire in order to visit Hong Kong. Accordingly, the authorized representatives will be able to meet with the Stock Exchange on short notice. The authorized representatives will provide their usual contact details to the Stock Exchange and will be readily contactable by the Stock Exchange if necessary;
- (iii) both of the authorized representatives of our Company have means of contacting all Directors (including the independent non-executive Directors) promptly at all times and when the Stock Exchange wishes to contact the Directors for any reason;
- (iv) each of the Directors has provided his mobile and office telephone numbers, fax numbers and e-mail addresses (if applicable) to the authorized representatives and the Stock Exchange and in the event that any Director expects to travel or otherwise be out of office, he will provide the phone number of the place of his/her accommodation to the authorized representatives;
- (v) our Company will retain Hong Kong legal advisors to advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the Global Offering;
- (vi) each of the Directors who does not ordinarily reside in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong for business purpose and will be able to meet with the Stock Exchange within a reasonable period of time after requests from the Stock Exchange;
- (vii) we have appointed Mr. Lam Chun Lung, Raymond as a joint company secretary who will serve as an additional channel of communication with the Stock Exchange;
- (viii) we will retain a compliance advisor acceptable to the Stock Exchange who will serve as an additional channel of communication with the Stock Exchange from the Listing Date to the date when our Company dispatches its annual reports to its Shareholders for the first full financial year immediately after the listing of our H Shares; and

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

- (ix) the compliance advisor shall have access at all times to authorized representatives, our Directors and other officers of our Company to ensure that it is in a position to provide prompt responses to any queries or requests from the Stock Exchange in respect of our Company and will on a timely basis, pursuant to Rule 19A.06 of the Listing Rules, inform us of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange.

JOINT COMPANY SECRETARIES

According to Rule 3.28 and rule 8.17 of the Listing Rules, the secretary of our Company must be a person who has the requisite knowledge and experience to discharge the functions of a secretary of an issuer and who:

- (i) is a member of The Hong Kong Institute of Chartered Secretaries, a solicitor or a barrister as defined in the Legal Practitioners Ordinance or a certified public accountant (as defined in the Professional Accountants Ordinance); or
- (ii) is an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging those functions.

Our Company has appointed Mr. Wang Jun as one of the joint company secretaries. Mr. Wang does not possess the above specified qualifications required by Rule 3.28 and Rule 8.17 of the Listing Rules although he has held various senior positions as indicated in his biography set out in the section headed “Directors, Supervisors and Senior Management” in this prospectus, and he may not possess the relevant experience as required by the Stock Exchange in terms of his familiarity with the Listing Rules. Therefore, our Company has appointed Mr. Lam Chun Lung, Raymond as another joint company secretary who meets the requirements under Rule 3.28 and Rule 8.17 of the Listing Rules, to assist Mr. Wang for an initial period of one year from the date of listing of the H Shares.

Mr. Lam will work closely with, and provide assistance to Mr. Wang to enable him to acquire the relevant experience (as required under Rule 3.28 and Rule 8.17 of the Listing Rules) to discharge the duties and responsibilities as company secretary of our Company. In addition, our Company will ensure Mr. Wang has access to relevant training and support to familiarize himself with the matters relating to corporate governance, the Listing Rules as well as other laws and regulations which are relevant to us and our other affairs.

We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules. Upon the expiry of the initial one-year period, the qualifications of Mr. Wang will be re-evaluated to determine whether the requirements as stipulated in Rule 3.28 and Rule 8.17 of the Listing Rules can be satisfied. In the event that Mr. Wang has obtained relevant experience under Rule 3.28 and Rule 8.17 of the Listing Rules at the end of the initial one-year period, the above joint company secretaries arrangement will no longer be required by our Company.

PUBLIC FLOAT REQUIREMENTS

Rule 8.08(1)(a) of the Listing Rules requires there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer’s listed securities to be maintained. This normally means that at least 25% of the issuer’s total issued share capital must at all times be held by the public. However, under Rule 8.08(1)(d) of the Listing Rules, subject to certain criteria, the

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% in the case of issuers with an expected market capitalization at the time of listing of over HK\$10 billion, where it is satisfied that the number of securities concerned and the extent of their distribution would enable the market to operate properly with a lower percentage.

We have applied to the Stock Exchange to request the Stock Exchange to exercise, and the Stock Exchange has confirmed that it will exercise, its discretion under Rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of our Company of 15% (assuming that the Over-allotment Option is not exercised or otherwise a higher percentage upon exercise of the Over-allotment Option).

In addition, we will confirm sufficiency of public float in our successive annual reports after the Listing in full compliance with Rule 8.08(1)(d) of the Listing Rules.

CONNECTED TRANSACTIONS

Our Group has entered into, and expects to continue after the Listing, certain transactions which will constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules. We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver under Rule 14A.42(3) of the Listing Rules from compliance with the announcement requirements or announcement and independent shareholders' approval requirements under the Listing Rules in respect of such non-exempt continuing connected transactions. The details of such continuing connected transactions and waiver are set out in the section headed "Connected Transactions" of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, 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 our Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus 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 prospectus misleading.

CSRC APPROVAL

The CSRC issued an approval letter on November 29, 2011 for the submission of the application to list our H Shares on the Stock Exchange and an approval letter on February 22, 2012 for the Global Offering. In granting its approval, the CSRC accepts no responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants applying under the Hong Kong Public Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 36,316,000 H Shares and the International Offering of initially 326,844,000 H Shares (subject, in each case, to reallocation on the basis described in the section headed "Structure of the Global Offering" in this prospectus).

The listing of the H Shares on the Stock Exchange is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis, with one of the conditions being that the Offer Price is agreed between the Joint Bookrunners and us. The International Offering is managed by the Sole Global Coordinator and is intended to be fully underwritten by the International Underwriters. The International Underwriting Agreement is expected to be entered into on or about June 29, 2012, subject to agreement on the Offer Price between our Company and the Joint Bookrunners. If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners on or before July 4, 2012, or such later date or time as may be agreed between the Joint Bookrunners and our Company, the Global Offering will not proceed. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

INFORMATION ON THE GLOBAL OFFERING

The Hong Kong Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus and the related Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the related Application Forms, and any information or representation not

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

contained herein and therein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Underwriters and any of their respective directors, supervisors, officers, employees, agents or representatives or any other persons or parties involved in the Global Offering.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the H Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus, and the procedures for applying for Hong Kong Offer Shares are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus and in the relevant Application Forms.

RESTRICTIONS ON SALE OF THE OFFER SHARES

No action has been taken to permit a Hong Kong Public Offering of the Hong Kong Offer Shares or the general distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, or be deemed by his acquisition of Hong Kong Offer Shares to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, our Offer Shares to be issued pursuant to the Global Offering including: (i) any H Shares which may be issued by us pursuant to the Global Offering and upon the exercise of the Over-allotment Option; and (ii) any H Shares, converted from Domestic Shares, which are to be held by the NSSF (including such Domestic Shares converted to H Shares and transferred by Chinalco and Luoyang Institute to the NSSF and such additional Domestic Shares converted to H Shares to be further transferred to the NSSF by Chinalco and Luoyang Institute upon the exercise of the Over-allotment Option, in each case, pursuant to the relevant regulations in relation to the reduction of State-owned shares). Our Domestic Shares may be converted to H Shares after obtaining the approval of the CSRC or the authorized approval authorities of the State Council, details of which are set out in the section headed “Share Capital — Conversion of Our Domestic Shares into H Shares.”

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Save as disclosed herein, no part of the Shares or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed the H Share Registrar, and the H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until such holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- (a) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the Company Law, the Special Regulations and our Articles of Association;
- (b) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;
- (c) agrees with us and each of our Shareholders that our H Shares are freely transferable by the holders of our H Shares; and
- (d) authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

H SHARE REGISTER AND STAMP DUTY

All H Shares issued pursuant to the Global Offering will be registered on our H Share register of members to be maintained in Hong Kong. We will maintain our Company's principal register of members at our current registered office in the PRC.

Dealings in our H Shares registered in the H Share register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the Shareholders listed on the H Share register of members of our Company, by ordinary post, at the Shareholders' risk, to the registered address of each shareholder of our Company.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, dealing in our H Shares and/or exercising any rights attached to them. It is emphasized that none of our Company, the Underwriters, the Sole Sponsor, any of their respective directors, supervisors, agents or advisors or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding, disposal of, dealing in our H Shares or exercise of any rights attached to them.

STABILIZATION AND OVER-ALLOTMENT

Details of the arrangement with respect to stabilization and the Over-allotment Option are set out in the section headed “Underwriting — Over-allotment and Stabilization” of this prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed “How to Apply for the Hong Kong Offer Shares” in this prospectus and on the relevant Applications Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.

MARKET SHARE DATA

The statistical and market share information contained in this prospectus has been derived from official government publications, market data providers and other independent third party sources. Such information may not be consistent with other statistical and market share information from other sources within or outside the PRC. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. While we have exercised reasonable care in compiling and reproducing such information, it has not been independently verified by us, or any of our affiliates or advisors, nor by the Sole Global Coordinator, the Underwriters or any of their respective affiliates or advisors or any party involved in the Global Offering. We, our affiliates or advisors, the Sole Global Coordinator, the Underwriters, their respective affiliates or advisors, or any party involved in the Global Offering do not make any representation as to the accuracy, completeness or fairness of such information and, accordingly, you should not unduly rely on such information.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into HK dollars and of Renminbi into US dollars at specified rates. We make no representations and none should be construed as being made, that any of the Renminbi, HK dollar or US dollar amounts contained in this prospectus could have been or could be converted into amounts of any other

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

currencies at any particular rate or at all on such date or any other date. Unless indicate otherwise, the translation of Renminbi into HK dollars and Renminbi into US dollars was made at the rate of RMB0.81419 to HK\$1.0 and RMB6.3170 to US\$1.0, the exchange rates prevailing on June 7, 2012, set by PBOC for foreign exchange transactions.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. The translated English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations, natural persons or other entities (including certain of our subsidiaries) and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentage figures in this prospectus have been subject to rounding adjustments. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Non-executive Directors		
Zhang Chengzhong (張程忠)	No. 62, Xizhimen North Avenue Haidian District Beijing PRC	Chinese
Zhang Zhankui (張占魁)	No. 62, Xizhimen North Avenue Haidian District Beijing PRC	Chinese
Ma Xiaoling (馬曉玲)	No. 62, Xizhimen North Avenue Haidian District Beijing PRC	Chinese
Executive Directors		
He Zhihui (賀志輝)	Building C, No. 99, Xingshikou Road Haidian District Beijing PRC	Chinese
Wu Yuewu (吳躍武)	Building C, No. 99, Xingshikou Road Haidian District Beijing PRC	Chinese
Wang Jun (王軍)	Building C, No. 99, Xingshikou Road Haidian District Beijing PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Independent non-executive Directors		
Sun Chuanyao (孫傳堯)	11 -4-1401 Huayuansanli Fengtai District Beijing PRC	Chinese
Cheung Hung Kwong (張鴻光)	A1, No. 17, Ede Road Kowloon Tong Hong Kong	Chinese
Jiang Jianxiang (蔣建湘)	Room 2-16-807 Yangguang Yibai Xincheng Changsha, Hunan PRC	Chinese
Supervisors		
Long Chaosheng (龍朝生)	Room 401, Unit 3 Building 8 No. 4, Cuiwei Road Haidian District Beijing PRC	Chinese
Dong Hai (董海)	Room 2006, Unit 2 Building 40 Yuzhongxili Xicheng District Beijing PRC	Chinese
Ou Xiaowu (歐小武)	No. 1105, Building 1 Mantingfangyuan Qingyunli Haidian District Beijing PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Global Coordinator and Sole Sponsor	China International Capital Corporation Hong Kong Securities Limited 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
Joint Bookrunners and Joint Lead Managers	China International Capital Corporation Hong Kong Securities Limited 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
	GF Securities (Hong Kong) Brokerage Limited Rooms 2301-2305 & 2313, COSCO Tower 183 Queen's Road Central Hong Kong
Reporting Accountant	PricewaterhouseCoopers Certified Public Accountants 22nd Floor, Prince's Building Central Hong Kong
Legal Advisors to our Company	<i>As to Hong Kong law:</i> Clifford Chance 28th Floor, Jardine House One Connaught Place Central Hong Kong <i>As to PRC law:</i> Jia Yuan Law Firm F407-408, Ocean Plaza Fuxingmengnei Avenue Beijing PRC

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal Advisors to the Underwriters	<i>As to Hong Kong law:</i> Paul Hastings 21st-22nd Floor, Bank of China Tower 1 Garden Road Hong Kong <i>As to PRC law:</i> Tian Yuan Law Firm 10th Floor, China Pacific Insurance Plaza No. 28 Fengsheng Lane Xicheng District Beijing PRC
Independent Property Valuer and Consultant	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 6/F, Three Pacific Place 1 Queen's Road East Hong Kong
Receiving Banker	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

CORPORATE INFORMATION

Registered Office	Building C, No. 99, Xingshikou Road Haidian District Beijing PRC
Head Office in the PRC	Building C, No. 99, Xingshikou Road Haidian District Beijing PRC
Principal Place of Business in Hong Kong	Room 4501, Far East Finance Centre No. 16 Harcourt Road Admiralty Hong Kong
Company's Website	www.chalieco.com.cn <i>(information on this website does not form part of this prospectus)</i>
Joint Company Secretaries	Mr. Wang Jun Mr. Lam Chun Lung, Raymond (FCCA, HKICPA)
Authorized Representatives	Mr. Wang Jun Building C, No. 99, Xingshikou Road Haidian District Beijing PRC Mr. Lam Chun Lung, Raymond Room 2104, Block L Luk Yeung Sun Chuen Wai Tsuen Road, Tsuen Wan New Territory Hong Kong
Audit Committee	Mr. Cheung Hung Kwong (Chairman) Mr. Jiang Jianxiang Mr. Zhang Zhankui
Remuneration Committee	Mr. Sun Chuanyao (Chairman) Mr. Jiang Jianxiang Ms. Ma Xiaoling
Nomination Committee	Mr. Zhang Chengzhong (Chairman) Mr. Sun Chuanyao Mr. Jiang Jianxiang

CORPORATE INFORMATION

Risk Management Committee	Mr. Zhang Chengzhong (Chairman) Mr. Jiang Jianxiang Mr. He Zihui
Compliance Advisor	China International Capital Corporation Hong Kong Securities Limited 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Bankers	China Construction Bank Corporation Beijing Jin'an Sub-branch Wu No. 12, Fuxing Road Haidian District Beijing PRC Bank of China Limited Beijing Finance Street Sub-branch 2nd Floor Investment Square No. 27, Finance Street Xicheng District Beijing PRC Bank of Communication Co., Ltd. Beijing Branch 1st Floor, Tongtai Building No. 33, Finance Street Xicheng District Beijing PRC China Minsheng Bank Corp., Ltd. Beitaipingzhuang Sub-branch No. 2-5, Xijiekouwai Avenue Xicheng District Beijing PRC

INDUSTRY OVERVIEW

The information presented in this section is derived from various official government publications and other publications and from the market research report prepared by Antaike⁽¹⁾, which was commissioned by us, unless otherwise indicated. We believe that the sources of such information are appropriate, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering, and no representation is given as to its accuracy.

Along with China's general economic development, the mining and metallurgical industry in China, including especially the nonferrous metals industry, has benefited from the development in urbanization and industrialization and the growth in fixed assets investments due to the strong correlation between the nonferrous metals industry development and macro economy. Going forward, it is expected that China's future GDP growth will continue to drive high demand for nonferrous metals.

OVERVIEW OF THE PRC ECONOMY

According to data supplied by the World Bank, China surpassed Japan in 2010 to become the world's second-largest economy. It is one of the fastest growing major economies in the world, with an average annual GDP growth rate of 10% for the past three decades. Between 2001 and 2010, its GDP grew at a CAGR of 15.4%. China GDP per capita PPP (constant 2005 international) was USD6,816 in 2010, according to World Bank data, which ranked 87th in the world. According to the Twelfth Five Year Plan, the PRC government expects to achieve an average annual GDP growth rate of 7.0% from 2011 to 2015.

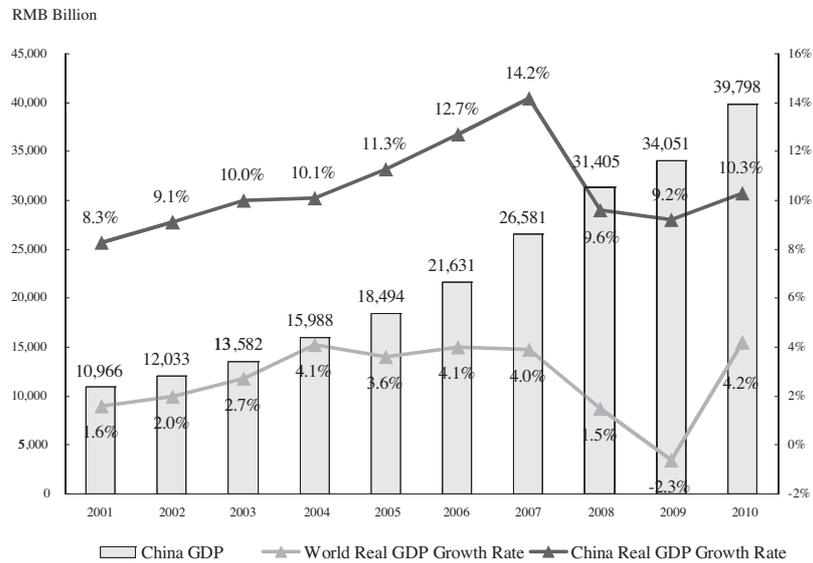
(1) Beijing Antaike Information Development Co., Ltd. is a leading information provider for the mining and metals industries in China. Based in Beijing, Antaike offers up-to-date information and reports on China metal market through websites and a number of publications. Antaike is owned as to 42.6% by the China Nonferrous Metals Technology & Economy Institute, which is an Independent Third Party, and 57.4% by other Independent Third Parties.

The parameters and assumptions of Antaike reflect its understanding of the prevailing international and China nonferrous metals market at the time of preparation of the report. The historical market data are generated through the analysis of relevant data such as production, trading and consumption that are in turn prepared by various industry associations and reputable research and statistics institute such as the World Bureau of Metal Statistics, U.S. Geological Survey, Brookhant, China Nonferrous Metals Industry Association, China Association of Automobile Manufacturers and China Customs. Antaike prepared market forecasts by analyzing the historical market and the key demand drivers such as GDP, industrial production and urbanization on a country-by-country and key sector basis generated and maintained by its own models and analysis system, after taking into account the views from Antaike's industry contacts. Consulting fees in the aggregate of not more than RMB550,000 were paid by our Company. Such fees were determined under normal commercial terms after arms' length negotiations. Antaike has had no previous dealings with our Group.

INDUSTRY OVERVIEW

The following chart shows China's GDP and real GDP growth rate for China and the world for the periods indicated:

China GDP and Real GDP Growth Rate for China and the World, 2001-2010



Source: NBSC, the world bank data

Due to the worldwide financial crisis in 2008 and 2009, the global economy experienced a recession as exhibited by an average growth rate of -0.6% in 2009. As a part of the world economy, China's economy cooled down slightly, with a slower growth rate of 9.2% in 2009. To address the global recession, the Chinese government implemented an RMB4 trillion economic stimulus package to boost the economy in the short term while providing stability to long term economic development. The stimulus package has led to a quick recovery of China's economy.

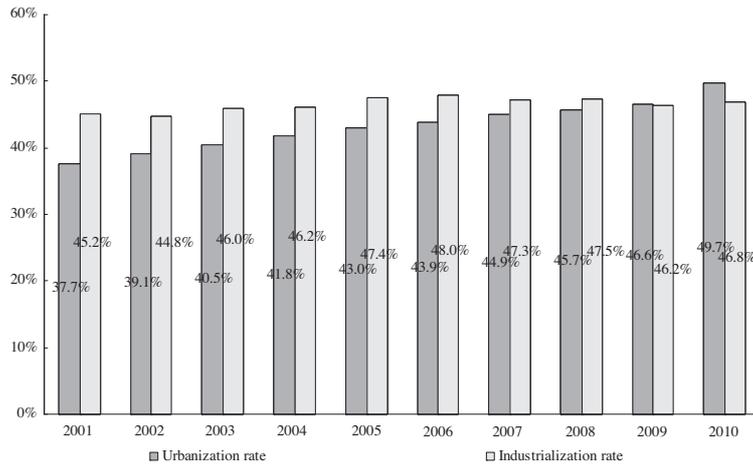
Factors affecting China's economic development from a macro-economic perspective include, among others, urbanization, industrialization and growth in fixed asset investments.

INDUSTRY OVERVIEW

Urbanization and Industrialization

Urbanization in the PRC increased steadily following the initiation of the “reform and opening up” policy. According to NBSC, China’s level of urbanization grew from 37.7% in 2001 to 49.7% in 2010. During the same period, China’s level of industrialization increased from 45.2% to 46.8%.

The growth rate of China’s Urbanization and Industrialization, 2001-2010



Source: NBSC

Total Fixed Asset Investments in China

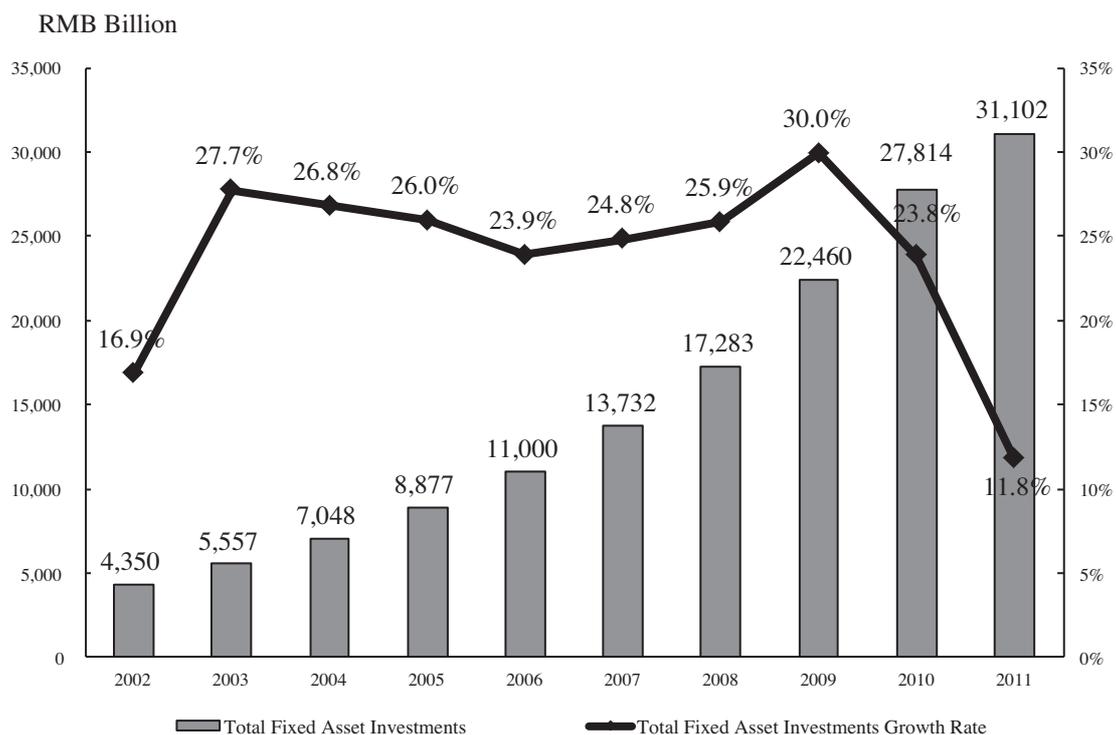
The rapid growth in urbanization and industrialization in China has led to a significant increase in fixed asset investments in recent years. According to NBSC, total investment in fixed assets increased to RMB27,814 billion in 2010, which was seven times more than RMB3,721 billion in 2001, representing a CAGR of 25.0%.

INDUSTRY OVERVIEW

The significant increase was largely due to the rapid development in various subsectors of China such as the infrastructure construction and equipment manufacturing industries.

The following chart shows the total fixed asset investments in China and their growth rates for the periods indicated:

Total Fixed Asset Investments in China and Growth Rate, 2002-2011



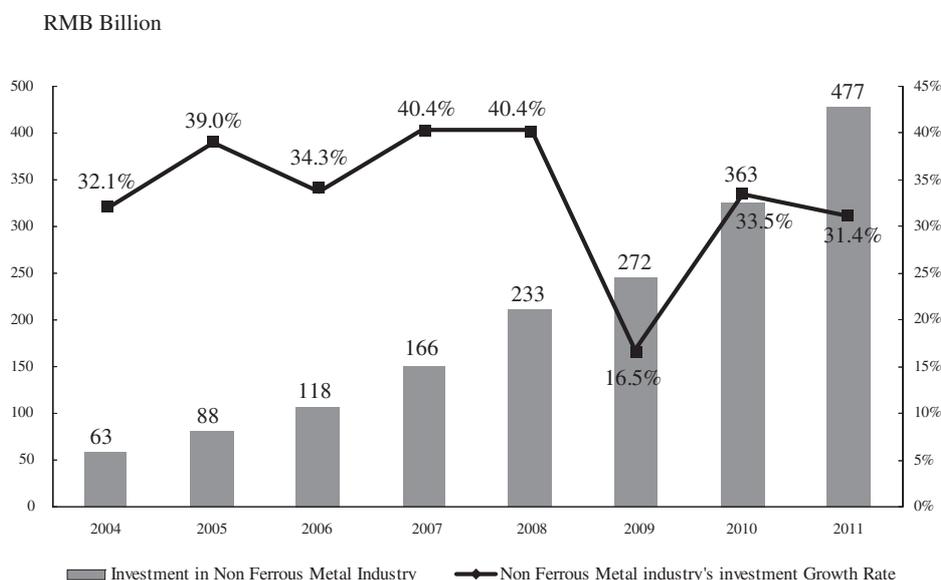
Source: NBSC

The Nonferrous Metals Industry

As we provide products and services mainly to clients in the nonferrous metals industry, the increase in fixed asset investment in this industry should drive growth opportunities for our business. The following chart shows fixed asset investment in the nonferrous metals industry and its growth rate for the periods indicated.

INDUSTRY OVERVIEW

Fixed Asset Investments in the Nonferrous Metals Industry and Growth Rate, 2004-2011



Source: Antaike

GLOBAL NONFERROUS METALS INDUSTRY OVERVIEW

Overview

“Nonferrous metals” refers to metals that do not contain iron, manganese and chromium. Nonferrous metals include 64 elements in total, including commonly used metals such as copper, aluminum, lead, zinc and nickel; rare metals such as tungsten, molybdenum, tin and antimony; precious metals such as gold and silver; rare-earth metals such as cerium and lanthanum; and semi-metals such as silicon and selenium.

The nonferrous metals industry includes related sectors such as geological exploration, mining, ore-dressing, smelting and metal material processing, as well as engineering design and consultancy, construction and other service industries. The nonferrous metals industry is a resource-intensive, energy-intensive, technology-intensive and capital-intensive industry.

INDUSTRY OVERVIEW

The Aluminum Industry

Currently, aluminum is the second most commonly used metal in the world, following iron (including steel). Advantages of using aluminum include its light weight, good processability, high specific strength and easy recyclability. Aluminum is also corrosion resistant, airtight and electrically conductive. It can be processed into numerous kinds of materials such as rolled materials, extrusions and forgings, and it is widely used in architecture and structural construction, transportation, packaging, power, electronics, machinery manufacturing, chemical engineering and other areas.

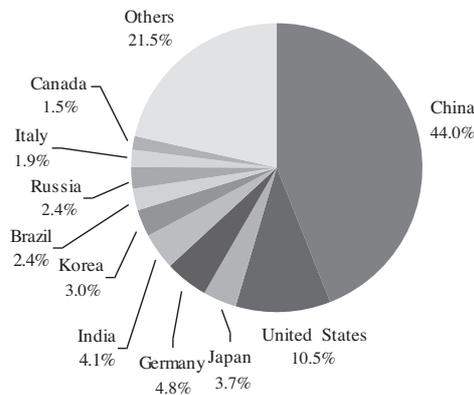
As one of the key raw materials required for producing aluminum, alumina is an oxide of aluminum that is processed from bauxite. Aluminum is extracted from alumina through smelting. In general, every four tons of bauxite produces roughly two tons of alumina and can be further processed into roughly one ton of aluminum.

Demand for aluminum

From 2006 to 2011, the demand for global aluminum increased from 34.3 million tons to 45.6 million tons at a CAGR of 5.8%, with China being the driver behind the growth.

The chart below shows the top ten aluminum consuming countries in 2011. In 2005, China began to overtake the U.S. as the world's largest aluminum consuming country. In 2011, China's aluminum consumption accounted for 44.0% of the global total consumption. Led by China and India, Asia has become the world's most important aluminum consuming region. The importance of North America, Europe and other traditional aluminum consuming countries in the world's aluminum consumption is gradually decreasing.

2011 World Aluminum Consumption



Source: Antaike

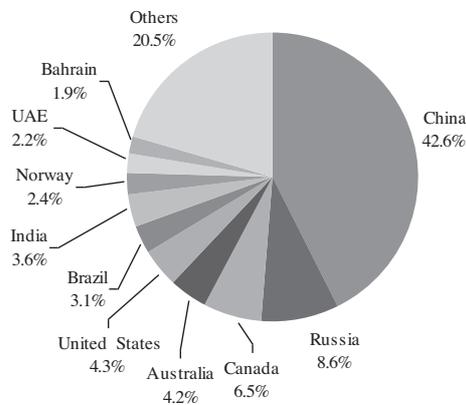
INDUSTRY OVERVIEW

Supply of aluminum

From 2006 to 2011, global aluminum production grew from 33.9 million tons to 46.0 million tons at a CAGR of 6.3%.

The chart below sets forth the top ten aluminum producing countries in 2011. Since 2001, China surpassed Russia to become the world's largest aluminum producer. In 2011, China's aluminum output accounted for 42.6% of global production. Similar to China, the aluminum production growth rate in energy-rich and resource-rich countries, such as Iceland, India, and the UAE are also relatively high.

2011 World Aluminum Production

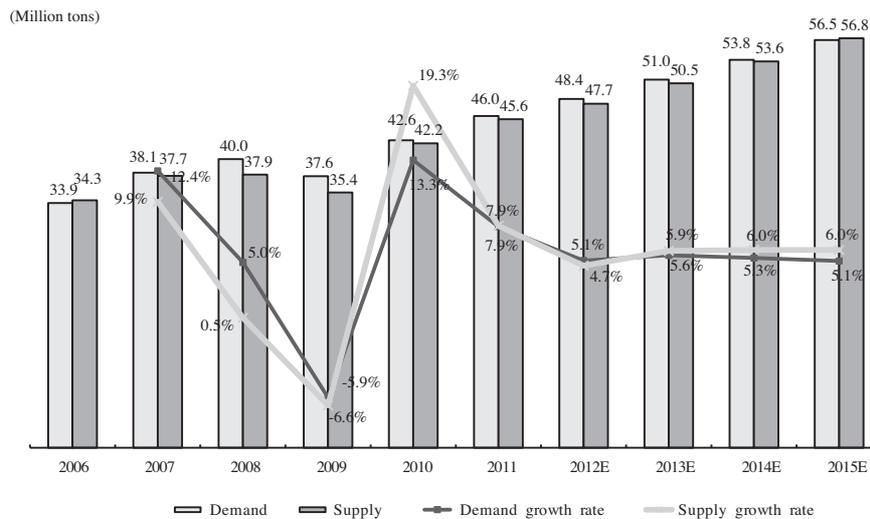


Source: Antaika

INDUSTRY OVERVIEW

The chart below shows the global demand for and supply of aluminum for the historical and forecast periods indicated. Global consumption of aluminum dropped in 2009 due to the economic downturn, resulting in oversupply. World demand recovered in 2010 and achieved a growth rate of 19.3%, which reduced the gap between supply and demand. Global aluminum supply is expected to grow at a CAGR of 5.4% and aluminum demand is expected to grow at a CAGR of 5.5% between 2012 and 2015, bringing supply and demand into equilibrium.

Demand and Supply Dynamics for Aluminum (2006-2015)



Source: Antaika

The Copper Industry

Copper has good ductility, and excellent thermal and electrical conductivity. Through processes such as extrusion, rolling, drawing, stamping and forging, copper can be processed into plate, strip, foil, tubes, rods, lines and various shapes of copper materials and is widely used in electricity, electronics, household appliances, transportation, construction and other areas.

Refined copper

Demand for refined copper

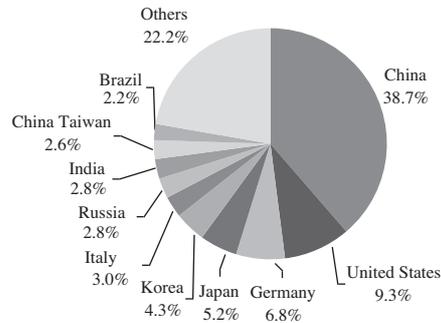
From 2006 to 2011, the global demand for refined copper grew from 17.5 million tons in 2006 to 18.9 million tons in 2011, at a CAGR of 1.7%.

Asia is the world's most important refined copper consuming region. Based on 2011 data, four of the top six refined copper consuming countries in the world are from Asia, where China's 7.3 million ton consumption makes it the largest consuming country in the world, accounting for 38.7% of global consumption. Among the top ten refined copper consuming countries, Asian countries and regions accounted for 10.2 million tons of consumption, or 53.6% of global consumption. The

INDUSTRY OVERVIEW

United States and Germany are the leading copper consuming countries in America and Europe. In 2011, the United States' consumption was 1.8 million tons, and Germany's consumption was 1.3 million tons. The expected CAGR of global demand growth from 2012 to 2015 is 2.8%.

2011 World Refined Copper Consumption



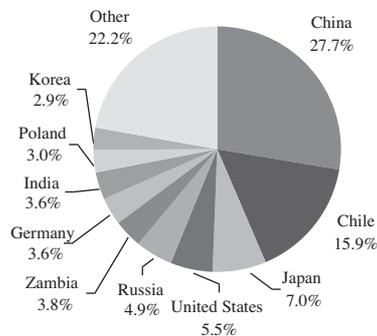
Source: Antaika

Supply of refined copper

From 2006 to 2011, the global refined copper supply increased from 17.3 million tons to 18.8 million tons at a CAGR of 1.7%.

China is the largest refined copper producer in the world. In 2011, China's production of refined copper was 5.2 million tons, accounting for 27.7% of global output. Chile, the second largest refined copper producing country in 2011, produced 3.0 million tons of refined copper, accounting for 15.9% of global output. Japan and the United States also produced more than a million tons of refined copper. The output of the above-stated four countries totaled 10.5 million tons, accounting for 56.1% of global output.

2011 World Refined Copper Production

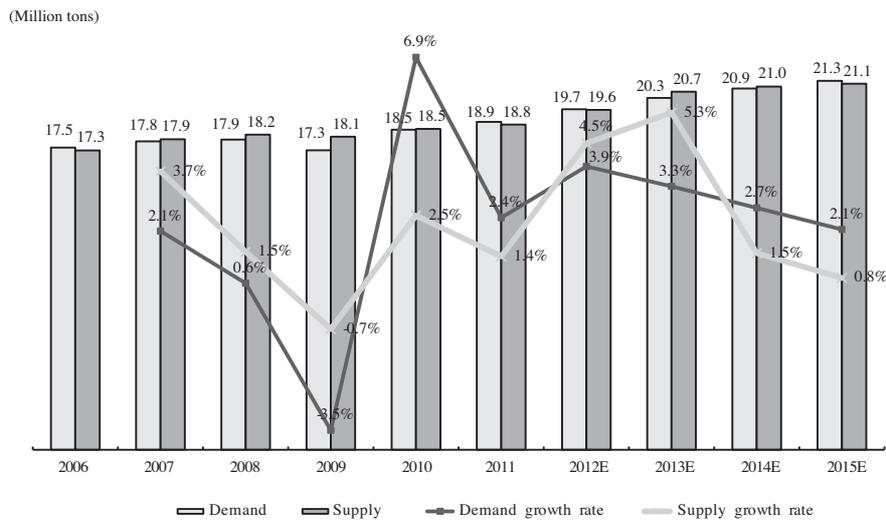


Source: Antaika

INDUSTRY OVERVIEW

The chart below shows the global demand for and supply of refined copper for the historical and forecast periods indicated. In 2008, due to the global economic crisis, copper consumption was severely hit and the copper market fell into oversupply, and in 2009 the surplus was close to 0.8 million tons. In 2010, global demand picked up quickly, taking the market to a supply and demand equilibrium. The market is expected to enter a phase of supply shortage from 2011 to 2012. From 2013 onwards, as more new copper mines come into production, refined copper output is expected to grow at a faster pace, possibly resulting in a small supply surplus.

Demand and Supply Dynamics for Refined Copper (2006-2015)



Source: Antaika

The Lead Industry

Lead products mainly include lead concentrate, refined lead, lead oxide, lead alloys and lead salts. Refined lead is used in storage battery manufacturing, lead products, lead alloys and lead oxide products. Lead oxide is widely used in kinescope manufacturing, storage battery coating, lead glass, coating, ceramics and rubber among others. Lead can be made into lead pipes, lead foil, and lead powder which are mainly used in the chemical, anticorrosion, anti-radiation, friction materials, and bob-weight industries among others.

According to the Mineral Commodity Summaries published by the United States Geological Survey in January 2011, the global lead reserves reached 85 million tons in 2011. Australia has the largest lead reserves in the world and its reserves reached 29 million tons by 2011, accounting for 34.1% of the world reserves. China ranked second in the world in terms of lead reserves. Other countries with large reserves in the world include, among others, the United States, Peru, Kazakhstan, Mexico and Russia. Based on mine production volume in 2010, the existing static guarantee period of lead reserves is 18 years. Judging from the current lead production and consumption trend, it is unlikely that there would be any shortage of lead resources in the world for a relatively long period of time.

INDUSTRY OVERVIEW

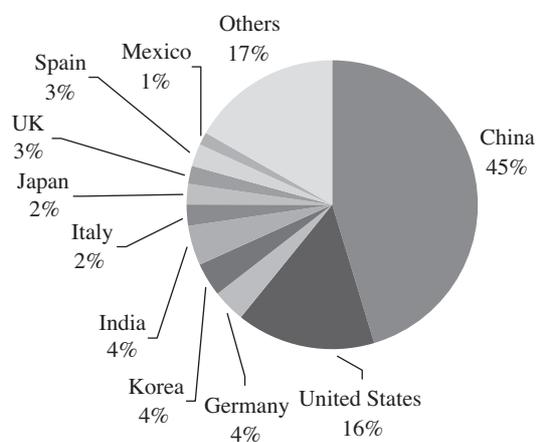
Refined lead

Demand for refined lead

From 2006 to 2011, the global refined lead demand increased from 8.21 million tons to 9.59 million tons at a CAGR of 4.0%.

The chart below shows the top ten refined lead consuming countries in 2011. The world's major refined lead consuming countries are China, the United States and India. In 2011, refined lead consumption in the three countries accounted for 45%, 16% and 4% of total world consumption respectively.

2011 World Refined Lead Consumption



Source: Antaike

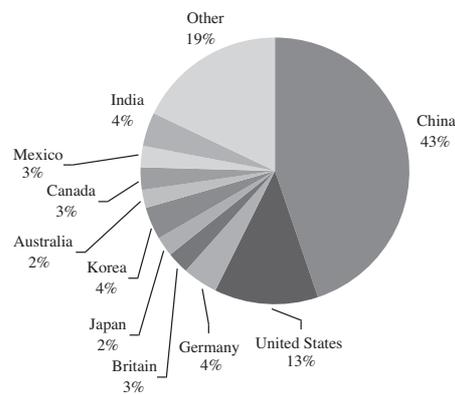
INDUSTRY OVERVIEW

Supply of refined lead

The global supply of refined lead increased from 7.92 million tons in 2006 to 9.99 million tons in 2011 at a CAGR of 4.7%.

The chart below sets forth the top refined lead producing countries in 2011. Refined lead supply is mainly from China and the United States. In 2011, production volume from the two countries reached 5.6 million tons, accounting for 55.7% of global output.

2011 World Refined Lead Production

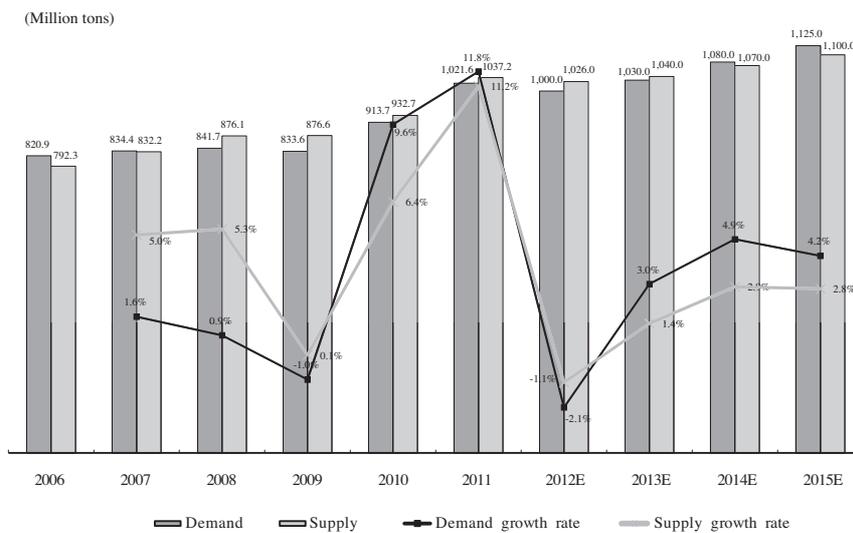


Source: Antaike

INDUSTRY OVERVIEW

The chart below shows the global demand for and supply of refined lead for the historical and forecast periods indicated. The world lead market fell into oversupply in 2008. Supply surplus further increased in 2009 but declined in 2010. Global refined lead production is expected to achieve a CAGR of 2.3% during 2012 to 2015, reaching a production volume of 11.0 million tons in 2015. The oversupply is expected to remain until 2011. From 2012 to 2015, a supply shortage is expected. Global refined lead demand is expected to achieve a CAGR of 4.0% from 2012 to 2015 and to reach a total demand of 11.3 million tons in 2015.

Demand and Supply Dynamics for Refined Lead (2006-2015)



Source: Antaika

The Zinc Industry

Zinc is the fourth most common metal, following iron, aluminum and copper. A protective layer is easily generated on the surface of zinc at normal temperatures, so zinc is widely used in the galvanizing industry. Die casting is another important application of zinc in the automotive, construction, electrical equipment, household appliances, toy and hardware manufacturing industries. Zinc concentrate and refined zinc are the down-stream products of zinc ore. Zinc concentrate can be processed through the roasting-leaching-cleaning-electrolytic process to produce refined zinc.

INDUSTRY OVERVIEW

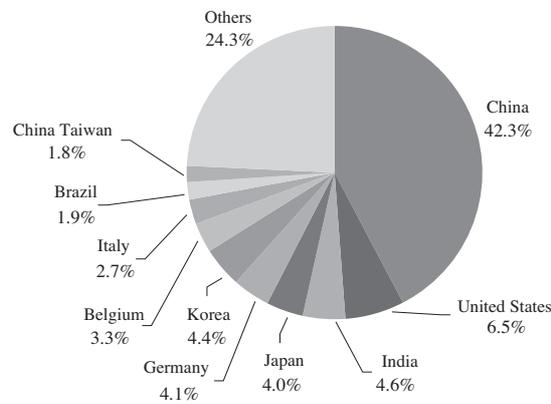
Refined zinc

Demand for refined zinc

From 2006 to 2011, the global refined zinc demand increased from 11.0 million tons to 12.4 million tons at a CAGR of 2.4%.

The chart below shows the top ten refined zinc consuming countries/regions in 2011. China is the largest refined zinc consuming country in the world. China's refined zinc consumption was 5.3 million tons in 2011, accounting for 42.3% of global demand in 2011, far more than that of the United States, which was the second largest refined zinc consuming country.

2011 World Refined Zinc Consumption



Source: Antaike

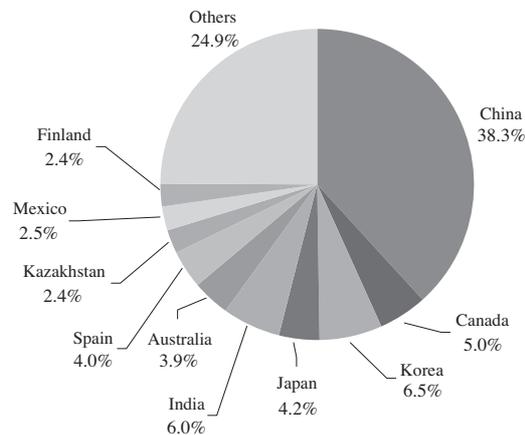
INDUSTRY OVERVIEW

Supply of refined zinc

The global supply of refined zinc increased from 10.7 million tons in 2006 to 13.1 million tons in 2011 at a CAGR of 4.2%.

The chart below sets forth the top ten refined zinc producing countries in 2011. Asia, Europe and the Americas have the largest zinc smelting capacities in the world. From 2001 to 2011, Asia's refined zinc supply increased at a CAGR of 7.3% and reached 8.0 million tons in 2011, accounting for 61.5% of global supply. China is the only country in the world that has an annual refined zinc production volume of more than one million tons. In 2011, China's refined zinc output reached 5.0 million tons. The zinc smelting industry in China and India experienced the fastest growth in the world. Benefiting from robust domestic demand, it is expected that the zinc smelting industry in these two countries will continue to grow in the next five years.

2011 World Refined Zinc Production

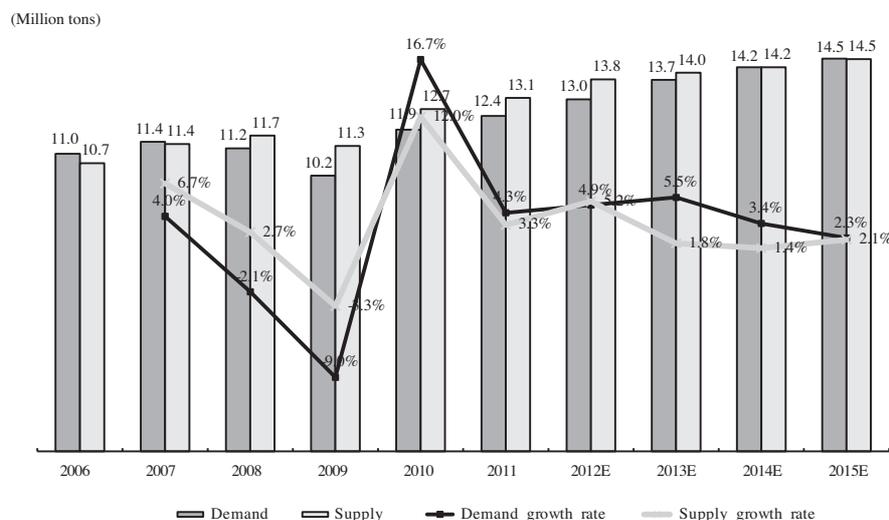


Source: Antaika

The chart below shows the global demand for and supply of refined zinc for the historical and forecast periods indicated. The refined zinc market experienced supply shortfall during 2005 to 2006. The supply of refined zinc increased rapidly in 2007, reaching supply and demand equilibrium. Due to the global economic downturn, refined zinc consumption took a hit globally and the refined zinc market fell into oversupply from 2008 to 2011. In 2009, the oversupply amounted to 1.1 million tons, the highest oversupply in history. Although the oversupply in 2010 is significant, the positive outlook of the global economy is likely to push the refined zinc price up, which would result in increased production.

INDUSTRY OVERVIEW

Demand and Supply Dynamics for Refined Zinc (2006-2015)



Source: Antaika

CHINA'S NONFERROUS METALS INDUSTRY OVERVIEW

Overview

China has abundant nonferrous metals resources of diverse varieties. In terms of proved reserves of certain metals, including tungsten, molybdenum, tin, antimony and rare-earth metals, China ranks among the top countries globally.

China is a major producer and consumer of nonferrous metals. It has established a large-scale nonferrous metals industry by capitalizing on resources both at home and abroad. The nation's production of ten nonferrous metals (namely, copper, aluminum, lead, zinc, tin, nickel, antimony, mercury, magnesium and titanium) has ranked first in the world for ten consecutive years.

The Aluminum Industry

Driven by the rapid growth of domestic construction, packaging, household electric appliances manufacturing and transportation sectors, China's aluminum industry has experienced robust demand in recent years.

Aluminum

China's aluminum production rose to 19.6 million tons in 2011 from 3.6 million tons in 2001. The nation became the world's largest aluminum producer in 2001, with the production accounting for 17.2% of the world's total in that year.

The world's aluminum production, except for a decline in 2009 due to the economic downturn, rose steadily from 2002 to 2011, with a CAGR of 6.4%. However, the figure fell far behind China's aluminum production growth rate of 19.0% during the same period. As a result, China has gained a bigger share in the world's aluminum production.

INDUSTRY OVERVIEW

From 2009 to the present, China made significant efforts to reduce its obsolete aluminum smelting capacity, which forced producers to upgrade technologies and expand scales. As a result of this technology upgrade, production is expected to increase in the years to come.

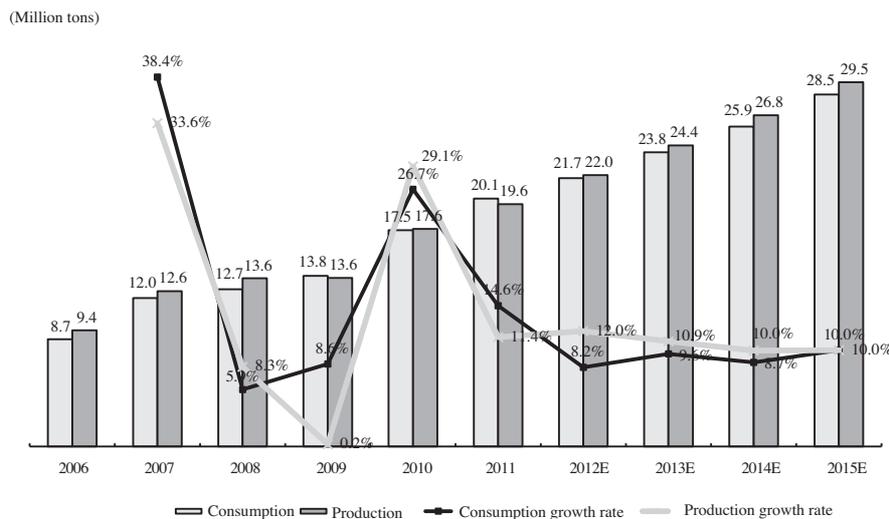
Chinese aluminum producers, after the global economic downturn, are aiming at transferring facilities to regions which may provide favorable conditions. The efforts were made to offset disadvantages such as the rising energy and power prices. In the next few years, the nation's aluminum production capacity is expected to move gradually to western areas, where abundant resources exist. Aluminum production is expected to grow steadily due to improved production technology and increased single series electrolytic aluminum production capacity.

Compared to historical production, aluminum consumption in China has grown at a relatively steady pace, which is closely related to China's continuous rapid economic growth. The expected slowdown in the world's economic recovery and China's tightened monetary policy has not affected aluminum consumption.

In the period from 2006 to 2011, consumption and production of aluminum in China grew at a CAGR of 18.3% and 15.8%, respectively. Aluminum consumption is expected to grow due to the acceleration of urbanization in China and the rising demand for construction, transportation, durable goods and other aluminum-related consumption goods. The consumption of aluminum is expected to reach 28.5 million tons in 2015, with a 2012-2015 CAGR of 9.2%. China's aluminum production is expected to reach 29.5 million tons in 2015, with a 2012-2015 CAGR of 10.7%.

The following chart shows the consumption and production of aluminum in China for the historical and forecast periods indicated:

Consumption and Production Dynamics for Aluminum in China (2006-2015)



Source: Antaika

INDUSTRY OVERVIEW

The Copper Industry

Refined copper

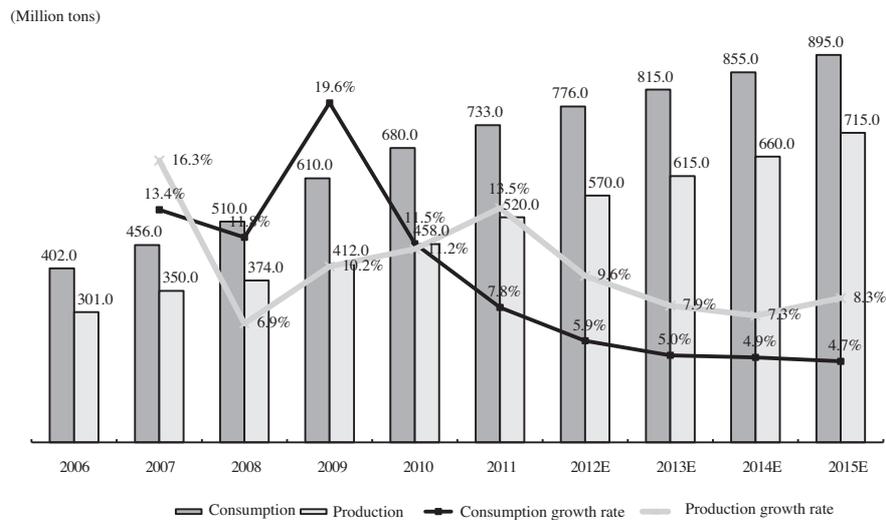
China's industrialization and urbanization have driven rapid growth in the demand for refined copper. The shortage of domestic refined copper production increased from 0.5 million tons in 2000 to 2.1 million tons in 2011 and was met entirely through imports.

In 2011, about 46.2% of total domestic refined copper consumption was in the power industry. The air conditioning and refrigeration industry was the second largest refined copper consumer, accounting for 15.6% of refined copper consumption, and the third was the transportation industry, accounting for 10.5% of refined copper consumption.

From 2006 to 2011, consumption and production of refined copper in China grew at a CAGR of 12.8% and 11.6%, respectively. China's refined copper production is expected to reach 7.2 million tons in 2015, with a 2012-2015 CAGR of 7.8%. The consumption of refined copper is expected to reach 9.0 million tons in 2015, with a 2012-2015 CAGR of 4.9%.

The following chart shows the consumption and production of refined copper in China for the historical and forecast periods indicated:

Consumption and Production Dynamics for Refined Copper in China (2006-2015)



Source: Antaika

The Lead Industry

Refined lead

Refined lead is mostly used in lead-acid batteries and lead oxide manufactured in China. It is also used to produce lead products, lead alloy, lead salt and electric cables. Refined lead demand from lead-acid battery production as a percentage of total refined lead demand increased from 71.3% in 2005 to 84.0% in 2010.

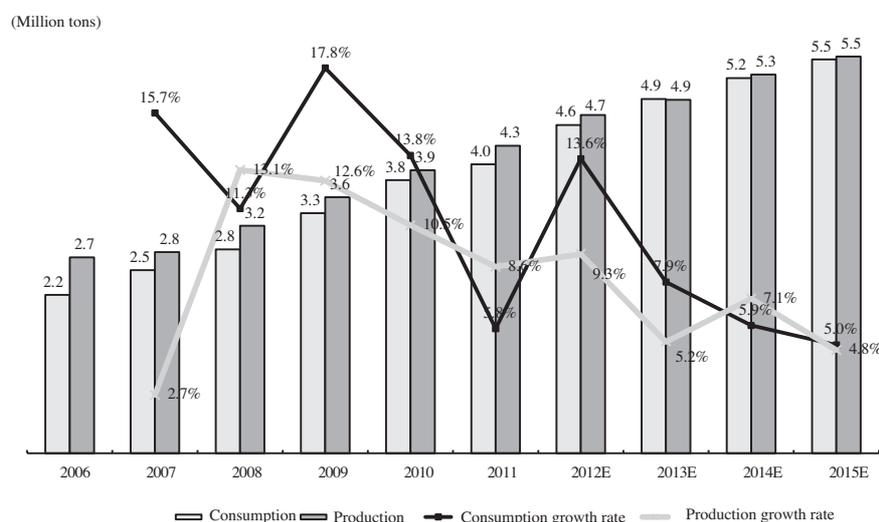
INDUSTRY OVERVIEW

According to Antaika's forecast, the technology upgrades in the lead smelting industry will focus on eliminating backward production capacity, and domestic refined lead production growth will rely mainly upon secondary lead. The CAGR of primary lead output is estimated to be nil from 2012 to 2015, while the CAGR of secondary lead output will be 17.9%. In 2015, secondary lead output is expected to account for 41.6% of total lead output.

China's refined lead production is expected to reach 5.5 million tons in 2015, with a 2012-2015 CAGR of 5.7%. The consumption of refined lead is expected to reach 5.5 million tons in 2015, with a 2012-2015 CAGR of 6.3%.

The following chart shows the consumption and production of refined lead in China for the historical and forecast periods indicated:

Consumption and Production Dynamics for Refined Lead in China (2006-2015)



Source: Antaika

The Zinc Industry

Refined zinc

Refined zinc is mainly used for the manufacturing of steel, antiseptics, batteries, alloys and chemical products. In 2011, the galvanizing industry accounted for 48.0% of total refined zinc consumption, while the die casting alloy industry and brass industry accounted for 26.5% and 13.1%, respectively.

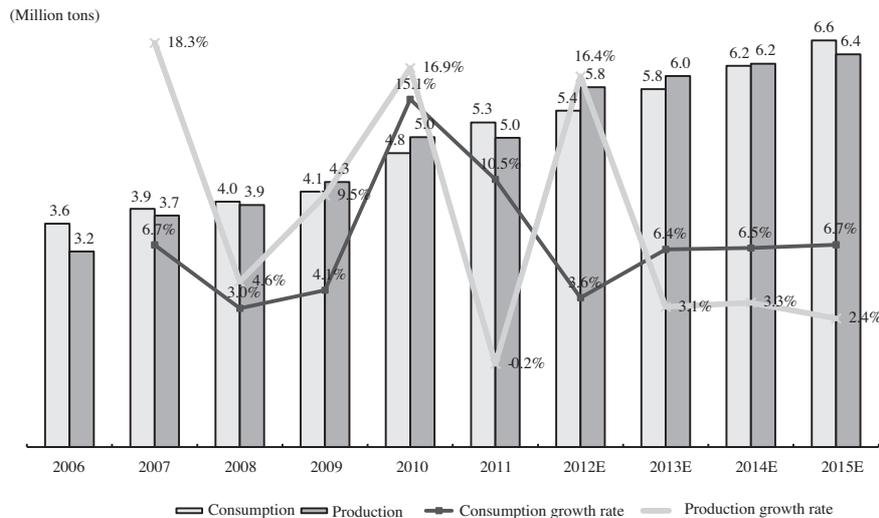
Growth in the production of refined zinc in China has also been tremendous in recent years. After 2003, domestic zinc production grew rapidly. The CAGR of refined zinc output reached 9.4% from 2001 to 2011. In the next few years, appreciation of the RMB and strong domestic consumption will continue to attract zinc imports.

INDUSTRY OVERVIEW

In the period from 2006 to 2011, consumption and production of refined zinc in China grew at a CAGR of 7.8% and 9.6% respectively. China's refined zinc production is expected to reach 6.4 million tons in 2015, with a 2012-2015 CAGR of 2.9%. The consumption of refined zinc is expected to reach 6.6 million tons in 2015, with a 2012-2015 CAGR of 6.5%.

The following chart shows the consumption and production of refined zinc in China for the historical and forecast periods indicated:

Consumption and Production Dynamics for Refined Zinc in China (2006-2015)



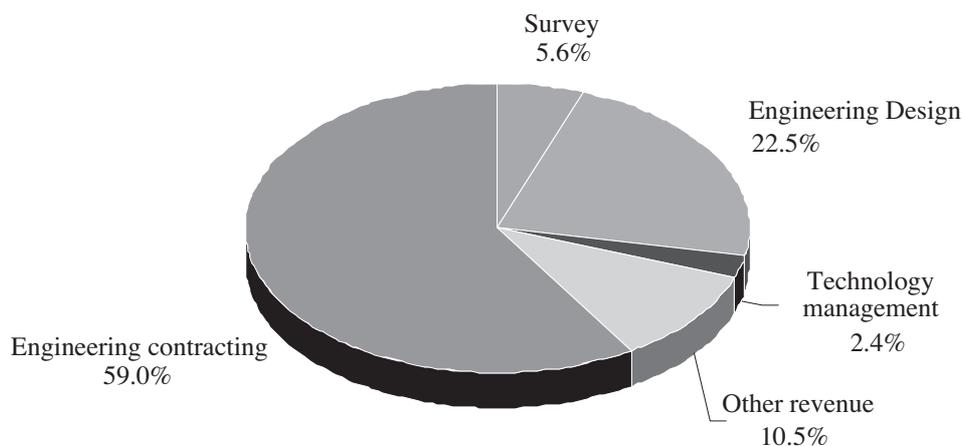
Source: Antaika

OVERVIEW OF CHINA'S ENGINEERING SURVEY AND DESIGN INDUSTRY

Based on the statistics from MOHURD, there were a total of 14,622 engineering survey and design companies in China at the end of 2010, including 3,147 A-grade companies, 4,133 B-grade companies, and 3,321 C-grade companies. In 2010, the total revenue of China's engineering survey industry amounted to RMB 53.0 billion, and the total revenue of China's engineering design industry amounted to RMB 215.1 billion, representing 5.6% and 22.5% of the total revenue of China's engineering survey and design industry, respectively. According to the development plan of China's survey and design industry prepared by MOHURD, by 2015, based on the assumption that the social fixed asset investment target will be reached, the revenue of China's engineering survey and design companies is expected to achieve an annual growth rate of more than 15%, and the overseas revenue of these companies are expected to reach an annual growth rate of more than 20%.

INDUSTRY OVERVIEW

Revenue Breakdown of China's Engineering Survey and Design Industry (2010)



Source: MOHURD, Antaika

The engineering survey and design industry is a knowledge-intensive service, and requires a high-level of technology, notably for projects covering a range of different technical sectors. Therefore, leading companies all possess highly-experienced and qualified professional teams whose skills are refined over time through years of hard work and accumulated expertise. Coupled with strict market-admission restrictions imposed by the PRC government, this sector has high barriers-to-entry.

The following table illustrates major market players in China's engineering survey and design industry. In 2010, Chalico ranked 8th by total revenue and third by overseas revenue. Chalico ranked No. 1 among China's survey and design companies in nonferrous metals industry:

Ranking of Major Chinese Players by Total Revenue (2010)

Ranking	Company name	Sub-sectors
1	Sinopec Engineering Incorporation	Chemicals, petrochemicals & pharmaceuticals
2	China Huanqiu Contracting & Engineering Corp.	Chemicals, petrochemicals & pharmaceuticals
3	HydroChina Corporation	Electricity
4	MCC Capital Engineering & Research Incorporation Limited	Metallurgicals
5	China Nuclear Power Engineering Co., Ltd.	Nuclear industry
6	CISDI Engineering Co., Ltd.	Metallurgicals
7	WISDRI Engineering & Research Incorporation Limited	Metallurgicals

INDUSTRY OVERVIEW

Ranking	Company name	Sub-sectors
8	China Aluminum International Engineering Corporation Limited	Metallurgicals (nonferrous metals)
9	China Petroleum Group Engineering Design Co. Ltd.	Oil & gas
10	SINOMA Tianjin Cement Design and Research Institute	Building materials
11	Luoyang Petrochemical Engineering Corporation/Sinopec	Chemicals, petrochemicals & pharmaceuticals
12	China Railway Eryuan Engineering Group Co., Ltd.	Railway
13	China Chengda Engineering Co., Ltd.	Chemicals, petrochemicals & pharmaceuticals
14	Pan-China Construction Group Limited.	Construction
15	Hefei Cement Research & Design Institute	Building materials
16	China Triumph International Engineering Co., Ltd.	Building materials
17	China Construction Engineering Design Group Corporation Limited	Construction
18	China Huadian Engineering Co., Ltd.	Electricity
19	China Enfi Engineering Corporation	Metallurgicals (nonferrous metals)
20	Wison Engineering (China) Co., Ltd.	Chemicals, petrochemicals & pharmaceuticals

Source: MOHURD, Antaika

INDUSTRY OVERVIEW

Ranking of Major Chinese Players by Overseas Revenue (2010)

Ranking	Company name	Sub-sectors
1	Sinopec Engineering Incorporation	Chemicals, petrochemicals & pharmaceuticals
2	SINOMA Tianjin Cement Design and Research Institute	Building materials
3	China Aluminum International Engineering Corporation Limited	Metallurgicals (nonferrous metals)
4	China Huanqiu Contracting & Engineering Corp.	Chemicals, petrochemicals & pharmaceuticals
5	China Oil & Gas Pipeline Company Limited	Oil & gas
6	Hefei Cement Research & Design Institute	Building materials
7	China Chengda Engineering Co., Ltd.	Chemicals, petrochemicals & pharmaceuticals
8	Shandong Province Metallurgical Engineering Co., Ltd	Metallurgicals
9	Pan-China Construction Group Limited	Construction
10	China Jingye Engineering Corporation Limited	Construction

Source: MOHURD, Antaika

The following tables set forth the top ten of China's engineering design enterprises ranked by total general contracting revenue of the previous year from 2008 to 2010. Chalico ranked No. 10, No. 4 and No. 8 in 2008, 2009 and 2010, respectively:

2010 Ranking of China's Engineering Design Enterprises by Total General Contracting Revenue (RMB millions)

Ranking	Company	Total Contracting Revenue
1	Sinopec Engineering Incorporation	14,380
2	China Huanqiu Contracting & Engineering Corp.	12,721
3	China Power Engineering Consulting Group Corporation	6,996
4	CISDI Engineering Co., Ltd.	6,212
5	Sinopec Shanghai Engineering Co., Ltd.	6,084
6	Luoyang Petrochemical Engineering Corporation/Sinopec	5,930
7	WISDRI Engineering & Research Incorporation Limited	5,563
8	China Aluminum International Engineering Corporation Limited	4,585
9	ACRE Coking & Refractory Engineering Consulting Corporation, MCC	4,248
10	China Tianchen Engineering Corporation Co., Ltd.	4,211

Source: ENR/Construction Times

INDUSTRY OVERVIEW

2009 Ranking of China's Engineering Design Enterprises by Total General Contracting Revenue (RMB millions)

Ranking	Company	Total Contracting Revenue
1	Sinopec Engineering Incorporation	9,760
2	China Huanqiu Contracting & Engineering Corp.	6,257
3	CISDI Engineering Co., Ltd.	5,912
4	China Aluminum International Engineering Corporation Limited	5,482
5	Sinopec Shanghai Engineering Co., Ltd.	5,319
6	Luoyang Petrochemical Engineering Corporation/Sinopec	4,982
7	China Power Engineering Consulting Group Corporation	4,780
8	ACRE Coking & Refractory Engineering Consulting Corporation, MCC	4,649
9	WISDRI Engineering & Research Incorporation Limited	4,510
10	Sinopec Ningbo Engineering Company Limited	4,296

Source: ENR/Construction Times

2008 Ranking of China's Engineering Design Enterprises by Total General Contracting Revenue (RMB millions)

Ranking	Company	Total Contracting Revenue
1	China Enfi Engineering Corporation	8,416
2	Sinopec Engineering Incorporation	6,629
3	Luoyang Petrochemical Engineering Corporation/Sinopec	4,935
4	Sinopec Shanghai Engineering Co., Ltd.	4,713
5	CISDI Engineering Co., Ltd.	4,338
6	China Power Engineering Consulting Group Corporation	4,158
7	China Shipbuilding NDRI Engineering Co., Ltd.	3,876
8	Sinopec Ningbo Engineering Company Limited	3,736
9	China Chengda Engineering Co., Ltd.	3,539
10	China Aluminum International Engineering Corporation Limited	3,452

Source: ENR/Construction Times

INDUSTRY OVERVIEW

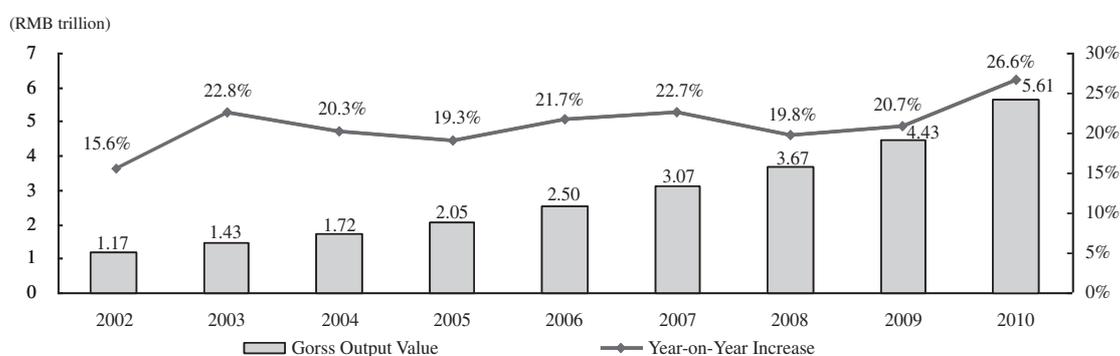
NON-METALLURGICAL ENGINEERING AND CONSTRUCTION INDUSTRY

Building construction

Driven by China's strong economic growth in the past decade, the building construction sector has developed rapidly in China. In recent years, factors such as industrialization, urbanization, the development of western China and the upgrade of public utilities have accelerated the development of the building construction sector. In 2010, the gross output value of the building construction sector in China reached approximately RMB5.6 trillion, representing a CAGR of 21.6% since 2002.

The following chart illustrates the gross output value and growth rate of China's building construction sector for the periods indicated.

Gross Output Value of Building Construction Sector in China and Growth Rate



Source: NBSC

Transportation construction

In recent years, the transportation construction sector in China has experienced rapid growth. Even during the global financial crisis, investment continued with China's RMB4 trillion stimulus package.

Highway construction

The rapid growth of China's economy has led to an increasing demand for highways and has therefore boosted highway construction. In 2010, China witnessed a total highway passenger transportation volume of 30.5 billion persons and a total highway cargo transportation volume of 24.5 billion tons, representing a CAGR of 9.0% and 9.8%, respectively, since 2001. The highway construction investment in 2010 amounted to RMB1.1 trillion, representing a CAGR of 17.6% since 2001.

In the case of expressway construction, China completed its expressway construction investment of RMB2.2 trillion from 2006 to 2010, which was almost 2.5 times the amount completed from 2001 to 2005. At the end of 2010, the total length of China's expressways reached 74,100 km, ranking 2nd in the world.

INDUSTRY OVERVIEW

Urban rail transit construction

The construction of urban rail transit in China has entered into a high-growth period. Before 2000, there were only four cities in Mainland China, namely Beijing, Shanghai, Tianjin and Guangzhou, that operated metropolitan railway lines. By June 2011, 28 cities had obtained approval to construct and operate urban rail transit systems. The number is estimated to further increase with other cities reportedly preparing their proposals for commencing urban rail transit construction.

Over the next few years, China's growing population and accelerating urbanization will lead to fast development of urban rail transit.

Overseas Project Contracting

Business scale

Overseas project contracting brings trade in goods, technology and services. China overseas project contracting is a rising industry together with the implementation of China's Reform and Opening-up Policy. According to the China International Contractors Association, China overseas project contracting started at the end of the 1970s, and expanded during the mid-1980s and early-1990s with broadening coverage. By 1990, China's overseas project contracting has spread to over 130 countries and regions, covering a series of projects with relatively higher technology in addition to traditional build and bridge projects.

By 1999, the new contract value of overseas project contracting by PRC companies surpassed USD10 billion while turnover reached USD8.5 billion. Since 2000, under the governmental policy of "Go Global Strategy", China's overseas project contracting industry stepped upon a constantly and rapidly developing stage. The industry made breakthroughs in a series of fields, such as enterprises team, business areas, market development, construction technology, project financing and so forth.

According to the NBSC, revenue of PRC companies from overseas project contracting work completed was USD92.2 billion in 2010, representing an increase of approximately 981.9% from 1999, or a CAGR of 24.2% from 1999. The total new contract value amounted to USD134.4 billion in 2010, representing an increase of almost 1,217.8% from 1999, or a CAGR of 26.4% from 1999.

By the end of 2010, the accumulated revenue of PRC companies from overseas project contracting was USD435.6 billion and the total contract value from such overseas project contracting was USD699.4 billion. The following charts show China's revenue from overseas project contracting and new contract value, respectively, for the periods indicated.

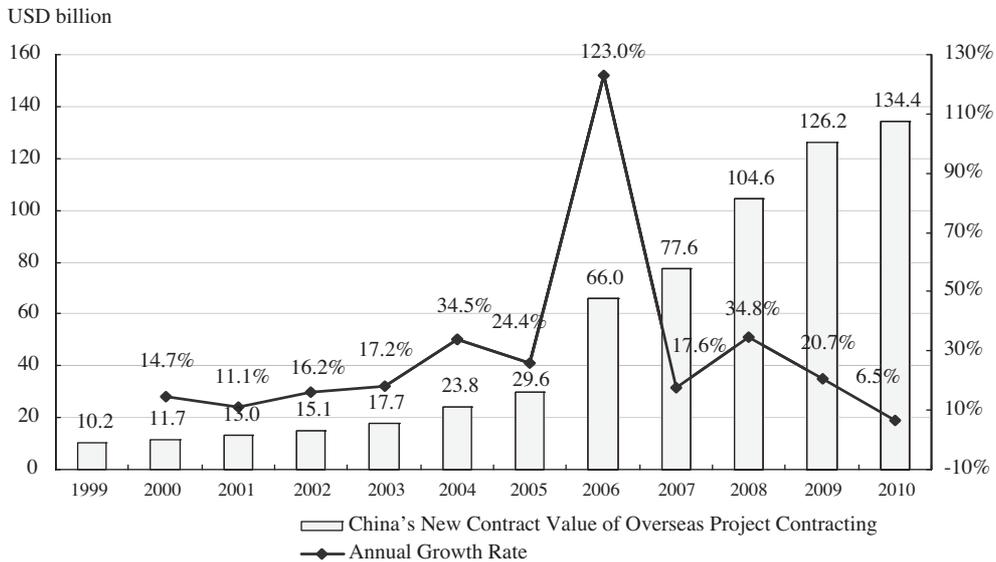
INDUSTRY OVERVIEW

China's Revenue from Overseas Project Contracting and Growth Rate



Sources: NBSC

China's New Contract Value of Overseas Project Contracting and Growth Rate



Source: NBSC

INDUSTRY OVERVIEW

According to the China International Contractors Association, in 2010, 54 Chinese overseas project contractors were listed in the ENR Top 225 International Contractors. The revenue from overseas projects realized by these contractors grew by about 41.6% over the previous year to USD50.6 billion, accounting for 13.2% of the total revenue of the global top 225 contractors. Measured by this percentage, Chinese companies on the list have surpassed those of the United States and France to rank first.

As to business scope, according to the China International Contractors Association, Chinese international contractors have continuously expanded their operations from labor-intensive sectors like housing construction and road pavement into capital and technology-intensive sectors like metallurgy, petrochemicals power generation, rail transit, electronic communications, mining and sewage treatment.

According to the Twelfth Five-Year Plan for Construction Development issued by MOHURD, the annual growth rate of the overseas contracting turnover of domestic construction enterprises will be over 20% from 2011 to 2015.

The following table illustrates the top ten companies by finished contract value of overseas EPC contracting in China in 2010. Chalico ranks eighth:

Top ten companies by finished contract value of overseas EPC contracting (2010)

Rank	Company
1	China Petroleum Engineering & Construction Corp.
2	Sinoma International Engineering Co., Ltd.
3	Sinopec Engineering Incorporation
4	China Huanqiu Contracting & Engineering Corporation
5	China Chengda Engineering Co., Ltd.
6	China Power Engineering Consulting Group Corporation
7	SINOMA Tianjin Cement Design and Research Institute
8	China Aluminum International Engineering Corporation Limited
9	China Tianchen Engineering Corporation
10	Wuhuan Engineering Co., Ltd.

Source: China Exploration & Design Association, Antaike

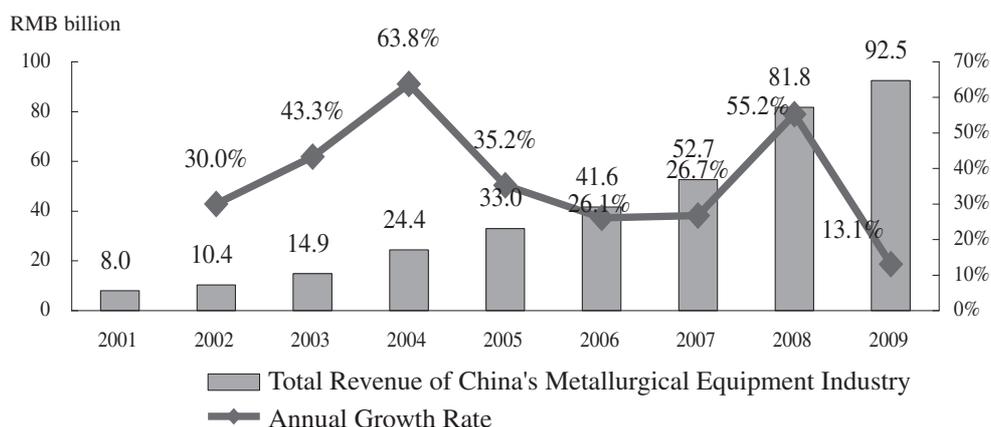
SPECIALIZED METALLURGICAL EQUIPMENT MANUFACTURING

Specialized metallurgical equipment refers to specialized equipment used in the metallurgical industry for exploring, mining, refined selection, smelting and rolling of ferrous and nonferrous metals.

INDUSTRY OVERVIEW

Recent years have witnessed steady development in China's metallurgical industry, which has contributed to the growth in the specialized metallurgical equipment manufacturing industry. The chart below shows the total revenue of China's metallurgical equipment manufacturing industry and annual growth rate for the periods indicated.

Total Revenue of China's Metallurgical Equipment Industry and Growth Rate, 2001-2009



Source: China Heavy Machinery Industry Yearbook (2002-2010)

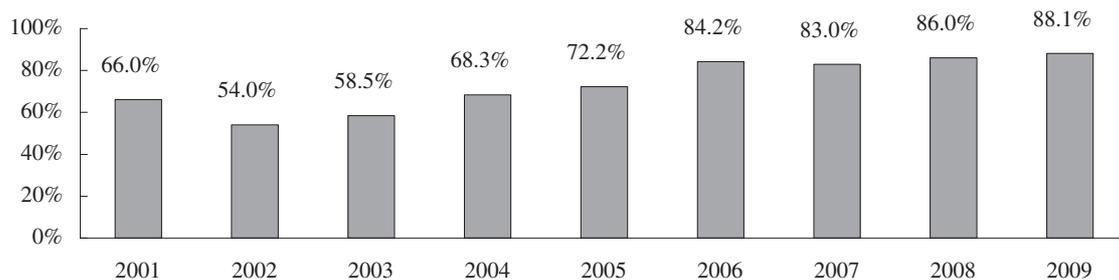
The growth of China's specialized metallurgical equipment manufacturing industry has been driven by the steady development of China's metallurgical industry. China's nonferrous smelting and processing industry has also developed quickly. A number of large aluminum refineries, smelters and metal material processing plants, as well as large production bases of nonferrous metals, were established around the country.

The strengthening science and technology resources available in China's metallurgical industry has led to recent industrial reforms in structural optimization, energy saving, emission reduction, technological standards enhancement and obsolete production capacity elimination, which may stimulate the demand for technologically advanced specialized metallurgical equipment.

INDUSTRY OVERVIEW

The metallurgical equipment supply was once dominated by some international manufacturers, for example, European world-class manufacturers such as SMSD, VAI and DANIELI. China has been catching up in this industry in the past few decades by researching and learning the advanced technology and techniques, and, as a result, domestic metallurgical equipment manufacturers have gradually increased their market share in the domestic market. The chart below sets forth the market share of domestic metallurgical equipment manufacturers in China for the periods indicated.

Market Share of Domestic Metallurgical Equipment Manufacturers in China, 2001-2009



Source: China Heavy Machinery Industry Yearbook (2002-2010)

To date, China's specialized metallurgical equipment manufacturing industry features the main characteristics listed below:

Growth in the high-end integrated metallurgical equipment manufacturing industry is steady with an emphasis on technology research and development

The high-end integrated metallurgical equipment manufacturing industry has shown a steady growth pattern. The independent research and development and integration capabilities for large-sized integrated equipment, such as wide and heavy plate mills, wide strip cold and hot rolling mills, have been significantly enhanced. In view of the challenges arising from the global financial crisis, emphasis is placed on technology research and development in the specialized metallurgical equipment manufacturing industry to further improve the level of processing and technology for large-sized integrated metallurgical equipment, and to meet the demand from domestic high-end market and international markets.

The trend toward the EPC contracting model in the integrated metallurgical equipment manufacturing industry

The integrated metallurgical equipment manufacturing industry is gradually moving towards the EPC contracting model. With the globalization in the metallurgical equipment procurement process, the enhancement of domestic integration capabilities and the decrease in the number of new projects in China, many large and mid-sized metallurgical state-owned companies and private enterprises have stronger demands for metallurgical EPC projects. This trend has provided the specialized metallurgical equipment manufacturing industry with a new platform to develop upon, and urges current players to shift to becoming full-service providers rather than pure manufacturers.

LAWS AND REGULATIONS APPLICABLE TO THE INDUSTRY

PRC

Regulations on the Engineering Design and Consulting Industry in China

Principal regulatory authorities

The National Administration of Surveying, Mapping and Geoinformation (hereinafter NASMG) and the local administrative authorities for surveying and mapping are responsible for the organization and administration of the national surveying and mapping projects, the administration of the qualifications and requirements for mapping and surveying, and the supervision and administration of the quality of surveying and mapping outcomes and the surveying and mapping activities.

MOHURD and the local administrative authorities for construction are responsible for the qualifications for national construction project survey and the engineering design, and the supervision and administration of the construction project survey and design activities and the supervision and administration of the construction project survey quality.

The Ministry of Transport and the local administrative authorities for transportation, the Ministry of Railways and/or the railway construction quality supervisory authority appointed by the Ministry of Railway, the Ministry of Water Resources and the local administrative authorities for water resources, in compliance with their divisions of duties and responsibilities, shall assist the MOHURD and the local construction administrative authorities to implement the construction project survey, construction design qualification management in the relevant industries, and shall be responsible for the supervision and administration of construction project survey and design and the quality of the construction project survey in the relevant industries.

The NDRC is responsible for the qualification accreditation and supervision of engineering consulting entities, as well as the guidance of the development of engineering consulting industry.

Principal laws and regulations

Enterprises engaged in the engineering design and consulting activities are subjected to a series of laws and regulations promulgated by the PRC Government, including the Construction Law of the PRC (《中華人民共和國建築法》), the Surveying and Mapping Law of the PRC (《中華人民共和國測繪法》), the Regulations on Administration of Survey and Design of Construction Projects (《建設工程勘察設計管理條例》), the Circular of the State Bureau of Surveying and Mapping on Issuing the Regulations of the Survey Qualification Administration and the Standards for the Survey Qualification Classification (《國家測繪局關於印發測繪資質管理規定和測繪資質分級標準的通知》), the Regulation on the Administration of Qualifications for Survey and Design of Construction Projects (《建設工程勘察設計資質管理規定》), the Measures for the Qualification Accreditation of Engineering Consulting Entities (《工程諮詢單位資格認定辦法》), the Tender and Bidding Law of the PRC (《中華人民共和國招標投標法》), the Measures on Administration of Tenders for the Design of Construction Projects (《建築工程設計招標投標管理辦法》), the Measures for Survey and Design Bidding of Construction Projects (《工程建設項目勘察設計招標投標辦法》), the Regulations on the Administration of Quality Control of Construction Projects (《建設工程質量管理條例》) and the Measures for the Administration of Quality of Construction Engineering Surveying (《建設工程勘察

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質量管理辦法》)。These laws and regulations set forth the qualifications for survey, design and consultation related to the engineering design and consultation, the bids for survey and design of construction projects, the quality management of survey and design and the work safety of survey and design and so on.

Qualifications

Under the Construction Law of the PRC (《中華人民共和國建築法》), the Surveying and Mapping Law of the PRC (《中華人民共和國測繪法》) and the Regulations on the Administration of Qualifications for Survey and Design of Construction Projects (《建設工程勘察設計資質管理規定》), enterprises engaged in the engineering design and consultation shall apply for the qualifications of different grades according to its registered capital, professional and technical personnel, technical equipment and achievements and after passing the qualification examination, would separately obtain qualification certificates of commensurate grades for surveying, mapping, design, consultation and so on, only with which, can it undertake survey, design and consulting activities within the scope set out in its qualifications.

Qualifications for survey enterprises

Pursuant to the Surveying and Mapping Law of the PRC (《中華人民共和國測繪法》) and the Circular of the State Bureau of Surveying and Mapping on Issuing the Regulations of the Survey Qualification Administration and the Standards for the Survey Qualification Classification (《國家測繪局關於印發測繪資質管理規定和測繪資質分級標準的通知》), the PRC has implemented a system of survey qualification administration for enterprises engaged in survey activities. Such enterprises shall obtain a survey qualification certificate in accordance with the laws and regulations and conduct the survey activities within the scope of the certificate.

Qualifications for survey and design enterprises

Pursuant to the Regulations on Administration of Survey and Design of Construction Projects (《建設工程勘察設計管理條例》) and Regulations on the Administration of Qualifications for Survey and Design of Construction Projects (《建設工程勘察設計資質管理規定》), the PRC has implemented a system of qualification administration for enterprises engaged in construction engineering survey and design. Such enterprises engaged in construction project survey and design shall apply for the qualifications according to their registered capital, professional and technical personnel, technical equipment, achievements of survey and design and so on. After passing the qualification examination, they would obtain qualification certificates of construction project survey and design, only with which, can they undertake survey and design activities of construction projects within the scope set out in its qualifications.

Project survey qualifications are classified into comprehensive qualifications, specialty project survey qualifications and project survey labor qualifications. There is only one class, Class A, for comprehensive qualifications. Specialty project survey qualifications are classified into two classes, Class A and Class B, based on the nature and technical characteristics of the relevant construction projects, there is an additional Class C for certain specialized projects. There is no classification for project survey labor qualifications. Any enterprise that has obtained the comprehensive qualifications may undertake all types (other than survey related to marine construction projects) and classes of construction project survey business. Any enterprise that has obtained such

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qualifications may undertake project survey business commensurate with the class and specialty of such qualifications. Any enterprise that has obtained project survey labor qualifications may undertake project survey-related labor services such as ground construction administration, drilling projects and pit-sinking projects.

Project design qualifications are classified into comprehensive project design qualifications, industry-specific project design qualifications, specialty project design qualifications and specialized project design qualifications. Class A is the only category for comprehensive project design qualifications. Industry-specific project design qualifications, specialty project design qualifications and specialized project design qualifications are each classified into Class A and Class B. Based on the nature and technical characteristics of the relevant construction projects, there is an additional Class C category for certain industry-specific, specialty and specialized project design qualifications, as well as a Class D category for specialized construction project qualifications. An enterprise which has obtained Class A comprehensive project design qualifications may undertake the design business for construction projects in any industry and of any class. An enterprise which has obtained comprehensive project design qualifications may undertake the design business for construction projects in any industry and of any class. An enterprise which has obtained industry-specific project design qualifications may undertake the project design business in accordance with the class of the qualifications as well as the related specialty and specialized project design business (other than those requiring integrated design and construction qualifications) in the same industry and of the same class. An enterprise which has obtained specialty project design qualifications may undertake the project design business within the relevant specialty commensurate with the class of the qualifications as well as the related specialized project design business (other than those requiring integrated design and construction qualifications) of the same class. An enterprise which has obtained the specialized project design qualifications may undertake the specialized project design business in accordance with the class of the qualifications.

Qualifications for engineering consultancy

Pursuant to the Measures for the Qualification Accreditation of Engineering Consulting Entities (《工程諮詢單位資格認定辦法》), enterprises engaged in engineering consultancy must obtain engineering consulting qualification certificates issued by the NDRC in accordance with the laws and regulations and conduct the relevant engineering consultancy business in accordance with the certificate. The engineering consulting qualification certificate consists of three parts, namely, qualification grading, professional consultation and scope of services. The qualification grades of engineering consulting entities are classified into Class A, Class B and Class C, according to the basic conditions such as tenure the relevant company having been engaged in the engineering consultancy business and its registered capital, technical strength, technical level and equipment and management Level. The engineering consulting entities at each grade shall carry out their business according to the relevant provisions of the state, and the requirements of the project owners. Generally an entity that newly applies for the engineering consulting qualification certificate shall start from Class C. The qualification profession shall be classified into 31 fields, including but without limitation, road, railway, urban rail transport, civil aviation, water power and nonferrous metallurgy. An engineering consulting entity shall provide eight kinds of service in the related fields, such as planning and consulting, working out project proposals, working out project feasibility

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study reports, project applications and fund applications, appraisal consulting, project design, proxy-based bidding, project supervision and equipment supervision, and engineering project management. The entities possessing the engineering consulting qualification certificates shall establish corresponding self-inspection systems and be subject to annual practice inspections.

Tenders and bidding of the construction projects survey and design

Pursuant to the Tender and Bidding Law of the PRC (《中華人民共和國招標投標法》), the Regulations on the Implementation of the Tender and Bidding Law of the PRC (《中華人民共和國招標投標法實施條例》) and Measures for Survey and Design Bidding of Construction Projects (《工程建設項目勘察設計招標投標辦法》), a bid inviter may, on the basis of different characteristics of each construction project, conduct an once-and-only overall survey and design bidding; or conduct phased or itemized biddings according to the technical requirements, provided that the integrity and continuity of the project is ensured. A bid inviter may not, avoid the bidding by breaking a project, which is subject to bidding according to law, into parts or by any other means. With respect to a construction project subject to bidding according to law, the bid inviter may invite bids for contracting the whole survey, design, or construction of the project, or purchase of the important equipment and materials related to the project construction. The tender and bidding process includes five phases: invitation for tender, bid submission, bid opening, bid evaluation and bid granting.

Invitations for tender are categorized as public tender and tender by invitation. Construction projects completely financed by state-owned funds or the investment of state-owned funds take the controlling or leading position, as well as the state key projects determined by the development and reform department under the State Council, and the local key projects determined by the people's governments of the provinces, autonomous regions, and municipalities directly under the PRC central government, must be subject to open bidding, except those meeting the relevant laws and regulations and obtain the approval according to law. For a construction project subject to survey and design bidding according to law, selected bidding may be carried out under any of the following circumstances:

- The project is very technical or professional, or the environment and resource conditions are special, and thus there are a limited number of tenderers meeting the conditions;
- The funds needed for open bidding would account for too large a proportion of the total investment of the construction project;
- The construction conditions are restricted by natural factors, and open bidding would affect the timing for implementation of the project.

Where the method of selected bidding is applied, the bid inviter shall ensure that there are more than 3 specified corporations or other organizations that have the capacity to undertake the survey and design of the project inviting bids and that have the relevant qualifications.

A bidder shall have the capability to undertake the project subject to the tender; if any PRC regulations or the documents of the invitation for tender set forth any qualification conditions for the bidder, the bidder shall meet the required qualifications.

Bid opening shall be made at the same time as the deadline for the submission of bid documents that is fixed in the documentation of the invitation for bids; other than force majeure, the bid inviter shall not delay bid opening or refuse to open bid for any other reasons. The venue for the bid opening shall be fixed in advance in the documents of the invitation for tender.

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The bid evaluation committee will be responsible for evaluating the bids. Bid evaluation for survey and design projects shall generally adopt the method of comprehensive evaluation. An evaluation committee shall, pursuant to the bid evaluation standards and methods specified in the bid invitation documents, and in combination with the approved project proposal, feasibility study report, or the official reply for the design of previous phase, make comprehensive evaluation of the achievements and reputation of the tenderers, the capacity of the survey and design personnel, and the advantages and disadvantages of the survey and design schemes. The winning bidder will be determined by the bid inviter based on the recommendation of the bid evaluation committee. The bid inviter may also authorize the bid evaluation committee to directly determine the winning bidder. The bid inviter shall not restrict and reject any potential bidder or bidder on the unreasonable grounds.

When the winning bidder is selected, the bid inviter shall issue a bid winning notice to the winning bidder and notify all other bidders of the tender results. The bid winning notice is legally binding on both the bid inviter and the winning bidder.

Survey and design quality controls

Pursuant to the Regulations on the Administration of Quality Control of Construction Projects (《建設工程質量管理條例》), a survey or design enterprise must, in accordance with the mandatory project construction standards, complete the survey or design work and shall be responsible for the quality thereof. All construction activities must be conducted in strict compliance with basic construction procedures and by adhering to the principle of surveying first, designing second and then constructing. When the enterprise to develop the project receives the completion report for the construction project, it shall organize all the enterprises that have undertaken design, construction, project supervision and other works for the project to conduct a completion inspection.

The Measures for the Administration of Quality of Construction Engineering Surveying (《建設工程勘察質量管理辦法》) further provide that a project surveying enterprise shall improve the survey quality management system and the quality liability system and shall refuse the unreasonable demands of a customer in violation of any relevant state regulations. The project surveying enterprise is entitled to propose the on-site working conditions and reasonable project duration necessary to ensure the quality of the project surveying. The project surveying enterprise shall participate in the examination of construction trench, promptly resolve surveying-related problems in the project design and construction, participate in the analysis of construction quality accidents and propose corresponding technical resolutions for the quality accidents due to surveying reasons, and shall ensure the equipment and devices in good condition. The machinery equipment for drilling or sampling, and the devices for on-site test, indoor experiments and measurement shall be in compliance with the requirements of relevant regulations and rules.

Surveying and mapping work safety

Pursuant to the Construction Law of the PRC (《中華人民共和國建築法》), the Regulations on the Administration of Construction Safety (《建設工程安全生產管理條例》), survey and design enterprises must abide by the provisions of the work safety laws and regulations, guarantee the work safety of construction projects and bear liability for the work safety of construction projects. A survey enterprise shall conduct surveys in accordance with the laws, regulations and the mandatory standards for construction projects, and shall provide authentic and exact survey documents to satisfy the needs of the work safety of construction projects. When conducting surveys, a survey

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enterprise shall strictly implement the operational procedures, and take measures to guarantee the safety of various pipelines, wires, appliances, the neighboring buildings and fixtures. A design enterprise shall make designs in accordance with the laws, regulations and mandatory standards for construction projects to prevent any work safety accident that might incur from unreasonable designs. In light of the needs of construction safety operation and protection, a design enterprise shall specify the important parts and sectors related to the work safety in the design documents and shall render some advice about preventing work safety accidents. With regard to a construction project adopting new structures, new materials, new techniques or special structures, a design enterprise shall offer advice on ensuring the safety of the builders and preventing work safety accidents.

Principal macroeconomic policies for the relevant industry

The Restructuring and Development Plan of the Nonferrous Metals Industry

The General Office of the State Council issued the Restructuring and Development Plan of the Nonferrous Metals Industry (《有色金屬產業調整和振興規劃》) (the “Plan”) on 11 May 2009. It clarifies that emphasis should be placed on control over total capacity, elimination of outdated capacity, reinforcement of technical renovation and promotion of corporate restructuring, to facilitate restructuring, optimization and upgrade of the nonferrous metals industry. The Plan sets out the main tasks for the industry restructuring and development including maintaining the stability of the domestic market and improving the export environment, strictly controlling the total capacity and accelerating the process of eliminating outdated capacity, spending more efforts on technical transformation and promoting technical progress, enhancing enterprise reorganization and adjusting the industrial layout, developing domestic and overseas resources and enhancing the resource guarantee capability, promoting the development of circular economy and promoting the recycling; strengthening corporate management and safety control and attaching importance on talent cultivation. In order to implement the total capacity control, the Plan further requires to implement national industrial policies, generally not approving the addition and expansion of aluminum smelter projects in the next three years from 2009, and to implement the standards for admittance and filing system and controlling the additional capacity of copper, lead, zinc, titanium and magnesium.

Chinese government’s macroeconomic control for the nonferrous metals industry

To guarantee the implementation of the Plan, the country began to implement certain measures to facilitate restructuring of nonferrous industry. The State Council and the relevant authorities have issued various polices and notices since 2009 to adjust the industrial structure, restraining the production capacity surplus and duplicate construction in certain industries and further eliminating outdated capacity, the major control measures include:

- On May 25, 2009, the State Council issued the Circular on Adjusting the Capital Ratio of Fixed-assets Investment Projects (《國務院關於調整固定資產投資項目資本金比例的通知》) to improve the latest capital ratio of aluminum smelter projects to 40%;
- On August 25, 2009, the State Council made to the 10th meeting of the Standing Committee of the 11th National People’s Congress of the PRC the Report on Making a Change in Mode Of Development and Adjusting Economical Structure (《國務院關於轉變發展方式調整經濟結構情況的報告》), clarifies the measures for high energy consumption, high emission industries such as aluminum smelting, including controlling the addition and expansion, adjusting the

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inventory, building larger plants to replace smaller ones, survival of the fittest, requiring enterprises to promote technical transformation focusing on energy conservation and emission reduction and further making perfect the policies and measures to procure the elimination of outdated capacity;

- On September 26, 2009, the State Council issued the Circular of Opinions on Guiding Industries towards Healthy Development by Restraining Overcapacities and Duplication in Construction in Certain Industries (《關於抑制部分行業產能過剩和重複建設引導產業健康發展若干意見的通知》) to further clarifies the requirement of implementing national industrial policies. Generally, the PRC would not approve the addition and expansion of aluminum smelter projects in the future three years in principle; the usage of electricity per ton of aluminum of major smelters shall be reduced to below 12,500 KWatts; the discharge amount of fluoride per ton of aluminum is going to be reduced significantly; and eliminate 800,000 tons outdated small pre-baked cell smelting production capacity by the end of 2010;
- On February 6, 2010, the State Council issued the Circular of the State Council on Further Strengthening the Elimination of Backward Production Capacities (《國務院關於進一步加強淘汰落後產能工作的通知》), requiring emphasizing industries such as nonferrous and eliminating outdated capacities; the specific objective task of the nonferrous industry by the end of 2011 to eliminate outdated capacities including eliminating small pre-baked anode aluminum electrolysis cells with a capacity of 100 kA or less; eliminating copper smelting technologies and equipment including hermetic blast furnaces, electric furnaces and reverberatory furnaces; eliminating technologies and equipment for smelting lead by such backward means as sintering pots, sintering pans and simple blast furnaces, and eliminating the technology of smelting lead by sintering machines without the construction of a related acid accumulator and tail gas absorption system; and eliminating production technologies and equipment for smelting zinc or producing zinc oxide products by such backward means as roasting by using a muffle furnace, manger furnace, horizontal tank or small vertical tank (with a daily capacity of less than 8 tons per tank) and collecting dust by using simple condensation facilities;
- On March 7, 2011, the Ministry of Industry and Information Technology issued the Magnesium Industry Access Conditions (《鎂行業准入條件》), which requires the capacity access size of existing magnesium smelting enterprises not less than 15,000 tons per year, the capacity of renovated and expanded magnesium smelting projects not less than 20,000 tons per year, the capacity of newly-built magnesium and magnesium alloy projects not less than 50,000 tons per year; encourages large-and-mid-sized superior magnesium smelting enterprises merging with smaller magnesium plants; newly-built magnesium and magnesium alloy projects selecting dolomite resource in compliance with magnesium smelting requirement, applying thermal magnesium smelting and production process system with high effectiveness, advanced process, low energy consumption, meeting environmental standards and effective integrated utilization of resources; encourages actively research on new technology, new process and new equipment of energy saving and environmental protection; and clarifies the standards for product quality and the consumption of resources and energy;
- On March 27, 2011, the National Development and Reform Commission issued the Guideline Catalog for Adjustment of Industrial Structure (2011 Version) (《產業結構調整指導目錄(2011年本)》), listing the new types of smelting technology development with high efficiency, low consumption and low pollution, and recycling and integrated utilization of sizable resource with high efficiency, low consumption and low pollution etc. into the encouraged nonferrous metals industrial catalog; listing aluminum smelter projects excluding eliminating outdated

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capacity and replacing and optimizing industrial layout, lead smelting projects excluding technology transformation and environmental transformation with single series of 50,000 tons or more and with no additional capacity, and magnesium smelting projects excluding integrated utilization etc. into the restricted nonferrous metals industrial catalog; and listing secondary magnesium and secondary lead less than 10,000 tons per year using processes such as such backward means as sintering pots, sintering pans and simple blast furnaces, technology of smelting led by sintering machines without the construction of a related acid accumulator and tail gas absorption system, and sintering- blast furnaces lead smelting technology into the eliminated nonferrous metals industrial Catalog;

- On April 14, 2011, the Ministry of Industry and Information Technology, the NDRC, Ministry of Supervision and other 6 ministries and commissions jointly issued Urgent Circular Concerning Curbing Overcapacity and Repeated Construction of Electrolytic Aluminum Industry and Guiding the Healthy Development of the Industry (《關於遏制電解鋁行業產能過剩和重複建設引導產業健康發展的緊急通知》), against the trend of overcapacity and unnecessary expansion of aluminum smelter, to strictly control the proposed aluminum smelter projects, since the Circular is issued, terminating all the proposed aluminum smelter projects throughout the country, terminating the procedure such as land approval, ability assessment and review, environmental impact assessment, power supply and new added credit granting for the proposed aluminum smelter projects that violate regulations; cancelling various preferential policies made by local governments; prohibiting expanding the capacity of aluminum smelting by all means, under the premise of not increasing the production capacity of aluminum smelting, continuing to support the trans-industrial, trans-regional and trans-ownership joint restructuring of enterprises linked by the assets, guaranteed with resources and supported with technologies; supporting driving the advancement of technologies, energy conservation and emission reduction and structure adjustment based on the existing enterprises.

Our Directors are of the view that such regulations and policies, in particular the Plan, the Circular of Opinions on Guiding Industries towards Healthy Development by Restraining Overcapacities and Duplication in Construction in Certain Industries and Urgent Circular Concerning Curbing Overcapacity and Repeated Construction of Electrolytic Aluminum Industry and Guiding the Healthy Development of the Industry, will facilitate the restructuring of China's nonferrous metal industry, accelerate the elimination of obsolete production capacities, promote the technology upgrading, stimulate the development of an ecological economy and enhance the requirements for work safety. We believe that we are well positioned to take advantage of this trend of production technology and equipment upgrading by leveraging our strong technology capabilities. We have developed advanced production equipment and technologies of mining, ore-dressing, smelting and processing of nonferrous metals, and devoted our research and development efforts toward energy conservation, environmental protection and work safety. In addition, given the restrictions on the new nonferrous projects in eastern China under such regulations and policies, we have actively expanded our business into central and western China, which we believe will be new growth area of the industry. In addition, we believe these policies are critical to the sustainable and healthy development of the nonferrous metal industry in China, which will also contribute to our future success in the long run.

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Regulations on Engineering and Construction Contracting in China

Principal regulatory authorities

The NDRC and the local development and reform commissions are responsible for the planning, review and approvals of fixed assets investments construction projects.

The MOHURD and the local administrative authorities for construction are responsible for the administration of the requirements and qualifications of enterprises in the constructions industry, including the review and approval of market entry requirements for, and the endorsement and confirmation of qualifications of, various types of construction enterprises, the establishment of industry standards, and the supervision and administration of industry quality standards.

The MOFCOM and the local administrative authorities for commerce are responsible for the supervision and administration of the qualifications and project bidding of, and the establishment of any overseas company through outbound investments by, enterprises engaging in overseas project contracting, as well as foreign investments in the construction industry.

The Ministry of Transport and the local administrative authorities for transportation are responsible for administering the highways and waterways construction markets, and implementing unified leadership and multi-level oversight for the administration of highways and waterways construction projects.

The State Administration of Work Safety and the local administrative authorities for work safety are responsible for the supervision and administration of work safety of construction projects in China.

The Ministry of Environmental Protection and the local administrative authorities for environmental protection are responsible for the administration of environmental protection of construction projects, including the review and approval of environmental impact assessment documents for construction projects, the assessment of the qualifications of enterprises that conduct evaluation of the environmental impact of construction projects, and the inspection of environmental protection facilities of construction projects.

The State Administration of Quality Supervision and the local administrative authorities for quality supervision, inspection and quarantine are responsible for the supervision of product quality and safety, the administration of product quality and safety-related matters, including mandatory inspection, risk monitoring and control, the monitoring and selective examination and exemption from examination by the state, and the administration of production permits for industrial products.

Principal law and regulations

Enterprises engaged in engineering and construction contracting activities are subject to a series of laws and regulations promulgated by the PRC Government, including the Construction Law of the PRC (《中華人民共和國建築法》), the Tender and Bidding Law of the PRC (《中華人民共和國招標投標法》), the Regulations on the Implementation of the Tender and Bidding Law of the PRC (《中華人民共和國招標投標法實施條例》), the Regulations on the Administration of Quality Control of Construction Projects (《建設工程質量管理條例》), the Regulations on Administration of Survey and Design of Construction Projects (《建設工程勘察設計管理條例》), the Rules on Administration of

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Foreign-Invested Construction Enterprises (《外商投資建築業企業管理規定》), the Measures on Administration of Tenders for the Design of Construction Projects (《建築工程設計招標投標管理辦法》), the Regulations on Administration of Qualifications of Construction Enterprises (《建築業企業資質管理規定》), the Guidance Opinions on Fostering and Developing EPC Contracting and Project Management Enterprises (《關於培育發展工程總承包和工程項目管理企業的指導意見》), the Administrative Regulation on Contracting Foreign Projects (《對外承包工程管理條例》) and the Measures for the Administration of the Competence for Contracting Foreign Construction Projects (《對外承包工程資格管理辦法》). These laws and regulations set forth the qualifications for such business as consultancy, survey and design, construction, and supervision in the engineering and construction contracting industry, tenders and bidding for construction projects and the quality of construction projects.

Qualifications requirements

Under the Construction Law of the PRC (《中華人民共和國建築法》) and other relevant laws and regulations, enterprises engaged in consultancy, survey and design, construction, EPC contracting and environmental impact assessment business related to construction projects shall only engage in construction activities within the scope set out in their qualifications.

Qualifications for engineering consultancy

See “Laws and Regulations Applicable to the Industry — PRC — Regulations on the Engineering Design and Consulting Industry in China — Principal Laws and Regulations — Qualifications for Project Consultancy”.

Qualifications for survey and design enterprises

See “Laws and Regulations Applicable to the Industry — PRC — Regulations on the Engineering Design and Consulting Industry in China — Principal Laws and Regulations — Qualifications for Survey and Design Enterprises”

Qualifications for general construction contractors and general specialty contractors

Pursuant to the Regulations on Administration of Qualifications of Construction Enterprises (《建築業企業資質管理規定》), qualifications for construction enterprises are divided into three groups, namely general construction contracting, specialty contracting and labor subcontracting. Each group is divided into various categories of qualifications according to the nature and technical characteristics of the relevant construction projects, and each category of qualifications is further divided into various classes in accordance with the stipulated conditions.

An enterprise which has obtained general construction contracting qualifications may undertake general construction contracting projects. A general construction contracting enterprise may undertake the construction of each specialty project in its general construction contracting project, or subcontract any specialty projects or labor works to specialty contracting enterprises or labor subcontractors with relevant qualifications in accordance with the laws and regulations.

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An enterprise which has obtained specialty contracting qualifications can undertake specialty construction projects subcontracted by the general construction contractor and those contracted out by a construction enterprise in accordance with the relevant regulations. A specialty contracting enterprise may undertake the construction of all of its specialty projects or subcontract any labor works to labor service subcontractors with relevant qualifications in accordance with the laws and regulations.

An enterprise which has obtained the labor subcontracting qualifications can provide labor services subcontracted by the general construction contractor or specialty contractor.

Qualifications for project supervision enterprises

Pursuant to the Regulations on the Administration of Qualifications of Project Supervision Enterprises (《工程監理企業資質管理規定》) and the Opinions for the Implementation of the Regulations on the Administration of Qualifications of Project Supervision Enterprises (《工程監理企業資質管理規定實施意見》), qualifications for project supervision enterprise are classified into general qualifications, specialty qualifications and firm qualifications. There are no sub categories for general qualifications. Specialty qualifications are divided into Class A and Class B, and there is an additional Class C category for the specialty qualifications for building construction, irrigation and hydro-electricity work, highway and municipal public utilities projects. Furthermore, based on the nature and technical characteristics of relevant construction projects, specialty qualifications are classified into different project types, and among them, the supervision in smelting projects include five types, including iron and steel smelting and continuous casting projects; steel rolling projects; auxiliary smelting projects; nonferrous smelting projects and building material projects.

Qualifications for EPC contracting

Pursuant to the Guidance Opinions on Fostering and Development EPC Contracting and Project Management Enterprises (《關於培育發展工程總承包和工程項目管理企業的指導意見》) issued by the MOHURD, engineering companies with comprehensive functions of design, procurement and construction (construction management) may undertake EPC contracting business within the scope of the project permitted by the class of its survey and design, and general construction contracting qualifications. Project survey, design and construction enterprises may also form a consortium to jointly undertake an EPC project.

Pursuant to the *Qualification Standard for Engineering Design* (工程設計資質標準) promulgated by MOHURD, enterprises with qualification for engineering design may undertake corresponding EPC contracting business within the scope stipulated in the qualification certificates.

Qualifications for environmental impact assessment

Pursuant to the Regulations on the Administration of Qualifications for Assessment of Environmental Impact of Construction Projects (《建設項目環境影響評價資質管理辦法》), an organization entrusted to provide technical services for assessment of the environmental impact of construction projects must obtain the Certificate of Qualifications for Assessment of Environmental Impact of Construction Projects (《建設項目環境影響評價資質證書》) and may then provide technical services for environmental impact assessment within the qualifications class and evaluation scope stipulated in such certificate. The environmental impact assessment qualifications are divided into Class A and Class B. Assessment organizations with Class A are allowed to be responsible for

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formation of environmental impact reports on construction projects and environmental impact reports which are examined and approved by different levels of competent administrative departments of environmental protection within the scope of qualifications. Assessment organizations with Class B are allowed to be responsible for formation of environmental impact reports on construction projects or environmental impact forms which are examined and approved by provincial and following competent administrative departments of environmental protection within the scope of qualifications.

Project tenders and bidding

The Construction Law of the PRC (《中華人民共和國建築法》), the Tender and Bidding Law of the PRC (《中華人民共和國招標投標法》), the Regulations on the Implementation of the Tender and Bidding Law of the PRC (《中華人民共和國招標投標法實施條例》) and the Measures on Administration of Tenders for the Design of Construction Projects (《建設工程設計招標管理辦法》) set forth the procedures of the invitation for and tendering bids for survey, design, construction and supervision of construction projects and certain related matters. See “Laws and Regulations Applicable to the Industry — PRC — Regulations on the Engineering Design and Consulting Industry in China — Principal Laws and Regulations — Tenders and Bidding of the Construction Projects Survey and Design”.

Construction project quality controls

The Regulations on the Administration of Quality Control of Construction Project (《建設工程質量管理條例》) provide that enterprises that develop the project or undertake surveying, design, construction or project supervision are responsible for the project quality control. All construction activities must be conducted in strict compliance with basic construction procedures and by adhering to the principle of surveying first, designing second and then constructing. When an enterprise to develop the project receives the completion report for the construction project, it shall organize all the enterprises that have undertaken design, construction, project supervision and other work for the project to conduct a completion inspection. In addition, the Measures for the Administration of Quality of Construction Engineering Surveying (《建設工程勘察質量管理辦法》) further provide that a project survey enterprise shall conduct the survey in accordance with the laws and regulations regarding the quality of construction projects, the mandatory standards for project construction and the relevant survey contract and shall be responsible for the quality of its survey.

Under the Provisional Measures for the Administration of Retention Funds for the Warranty of Construction Projects (《建設工程質量保證金管理暫行辦法》), the project owner shall specify the portion to be withheld from the amounts payable as retention funds to cover the costs required for the maintenance and repairs of any construction defects by the contractor during the warranty period. Upon the completion of the construction project, the project owner shall make timely payment of the balance of the contract price to the constructor and withhold the retention funds according to the relevant contract. With respect to any construction project which is wholly or partially funded by investments of the PRC Government, an amount of approximately 5% of the contract price shall be withheld as retention funds.

Work safety and environmental protection related to construction projects

Work Safety

With respect to the administration of work safety in the process of engineering and construction contracting, in addition to the Construction Law of the PRC, China has promulgated various laws

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and regulations, including, among others, the Work Safety Law of the PRC (《中華人民共和國安全生產法》) the Regulations on Work Safety Permits (《安全生產許可證條例》), the Regulations on the Administration of Construction Safety (《建設工程安全生產管理條例》) and the Regulations on Administration of Construction Enterprises' work Safety Permit (《建築施工企業安全生產許可證管理規定》) to regulate the administration of the work safety of construction projects. Under the foregoing laws and regulations, construction enterprises shall establish a work safety management organization or provide personnel dedicated for work safety management. The PRC Government implements the work safety permit system for construction enterprises. Without obtaining a work safety permit, a construction enterprise should not engage in construction activities. To develop the project or undertake survey, design, construction, project supervision or other work safety-related activities, enterprises must comply with the provisions of the work safety laws and regulations, ensure the work safety of the construction project and assume responsibilities for work safety in accordance with laws and regulations.

In addition, the Provisional Measures for the Supervision and Administration of Work Safety of Central State-owned Enterprise (《中央企業安全生產監督管理暫行辦法》) provide that an enterprise owned by the central government shall adopt rules to establish a work safety leader responsibility system that focuses mainly on the responsibilities of the primary senior managers in charge of the enterprise and shall also be subject to the supervision and administration of the work safety supervision and administration bodies at the national level, of the province, autonomous region or municipality, and city or prefecture where the enterprise is located as well as within the industry of the enterprise.

Environmental Protection

With respect to the environmental protection in the process of engineering and construction contracting, according to such laws and regulations as the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》), the Environmental Impact Evaluation Law of the PRC (《中華人民共和國環境影響評價法》), the Law of the PRC on the Prevention of the Environmental Pollution of Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Regulations on the Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) and the Regulations on the Administration of the Completion Check for Acceptance of the Environmental Protection Facilities of Construction Projects (《建設項目環境保護設施竣工驗收管理規定》), the construction of any project that causes pollution to the environment must comply with the PRC Government's regulations on environment protection relating to the construction projects. The PRC Government has implemented a mechanism for the evaluation of environmental impact of construction projects. A construction enterprise shall adopt measures to control environmental pollutions and damages caused by dust, waste gas, sewages, solid waste, noises and vibrations at the construction site in accordance with the environmental protection and work safety laws and regulations.

Penalties for an enterprise that has violated the environmental protection laws are determined based on the extent of the pollution caused and the seriousness of the particular violations. Such penalties include warning, fines, remedial actions to be taken within the fixed time period, suspension of business, and closure. A non-compliance enterprise shall also pay damages to other enterprises for

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the losses they incurred due to the pollution. For any significant environmental pollution accident resulting from violations of the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) and causing such serious consequences as major losses of public and private assets or casualties, perpetrators bear criminal liability in accordance with laws and regulations.

Operating permits for overseas project contracting and foreign labor services

Under the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), the Regulations on the Administration of Overseas Project Contracting (《對外承包工程管理條例》), the Measures for the Administration of the Competence for Contracting Foreign Construction Projects (《對外承包工程資格管理辦法》), the Measures for the Administration of the Bidding or Negotiation of Overseas Project Contracting (《對外承包工程項目投標(議標)管理辦法》) and related laws and regulations, enterprises that undertake overseas project contracting shall hold appropriate credentials or qualifications. An operational qualification permit system has been implemented for overseas project contracting business. All enterprises engaged in overseas project contracting shall apply for the overseas project contracting qualifications in accordance with laws and regulations. Only after the enterprises obtain the PRC Certificate of Qualification for Contracting Overseas Project (《中華人民共和國對外承包工程資格證書》), can they engage in the contracting of foreign construction projects within the permitted scope. When contracting the overseas construction projects with a contract quote of no less than US \$5 million by means of bidding or negotiation, the enterprise legally obtaining the qualification of contracting foreign construction project shall apply for the approval of the bidding or negotiation of overseas project contracting through the data base system for overseas project contracting established by the Ministry of Commerce prior to overseas bidding or negotiation, and obtain the Approval Permit of Bidding or Negotiation of Overseas Project Contracting.

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) and the Administrative Measures for Foreign Cooperative Labor Services Qualifications (《對外勞務合作經營資格管理辦法》), enterprises that engage in foreign labor services shall obtain relevant permits from the MOFCOM and acquire foreign labor services qualifications. Such enterprises may not undertake any foreign labor service activities until they obtain the PRC Certificate of Qualification for Cooperative Operation of Foreign Labor Services Business (《中華人民共和國對外勞務合作經營資格證書》).

Principal macroeconomic policies for the relevant industry

Nonferrous metals metallurgical project contracting

The Restructuring and Development Plans of the Nonferrous Metals Industry (《有色金屬產業調整和振興規劃》) requires actively implementing the state measures for expanding domestic demands, improving the product structure, increasing the effective supply, meeting the need for the nonferrous metals products of downstream industries such as electricity, transportation, construction, machinery and light industry, and adapting the demand of sectors such as aviation and spaceflight, national defense and military industry and high-new technology, striving to develop new products and new materials, cultivating new consumption growth points, maintaining and expanding domestic market; assisting the development of the advanced deep processing projects to meet the need of key sectors of national economy, utilizing advanced and applicable smelting technology transformation and eliminating outdated capacity, improving the processes and equipment; strictly

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controlling the nonferrous metals capacity in the area without the condition of resources, energy and environmental capacity, implementing joint operation pattern of aluminum and electricity in the mid and western region with abundant energy (especially regions with the advantage of water and electricity), extending the industry chain to develop advanced deep processing in aluminum industrial bases approved to build in regions with enough resources, energy and environmental capacity; implementing nonferrous metals projects confirmed in the specific plan on the reconstruction production layout and industrial adjustments for the Wenchuan earthquake hit area.

Ferrous metals metallurgical project contracting

Construction of Social Security Housing

In order to make more efforts in the construction of social security housing, further improve the living conditions of the people and promote the healthy development of the real estate market, the PRC has issued many policies and notices since the end of 2008, the major control measures include:

- On December 20, 2008, the General Office of the State Council issued the Several Opinions of the General Office of the State Council on Promoting the Healthy Development of the Real Estate Market (《國務院辦公廳關於促進房地產市場健康發展的若干意見》), stating making more efforts in the construction of social security housing, trying to basically solve the housing difficulties of urban low-income families and the reconstruction of shed areas in three years, having basically solved the housing difficulties of 7.47 million existing urban low-income families and the relocation, maintenance and reconstruction of housing of 2.4 million families in the shed areas of forest regions, reclamation regions, coal mines, etc. by the end of 2011. From 2009 to 2011, the average national annual growth of economically affordable housing shall be 1.3 million suites;
- On March 18, 2009, the People's Bank of China and China Banking Regulatory Commission jointly issued the Guiding Opinions of on Further Adjusting the Credit Structure to Promote the Rapid yet Steady Development of the National Economy (《關於進一步加強信貸結構調整促進國民經濟平穩較快發展的指導意見》), claiming to actively support of the social security housing projects such as low rented housing and economically affordable housing which meet the prescribed requirements;
- On May 25, 2009, the State Council issued the Circular on Adjusting the Capital Ratio of Fixed-assets Investment Projects (《國務院關於調整固定資產投資項目資本金比例的通知》) to improve the minimal capital ratio of social security housing projects to 20%;
- On January 7, 2010, the General Office of the State Council issued the the Circular of the General Office of the State Council on Promoting the Stable and Sound Development of the Real Estate Market (《國務院辦公廳關於促進房地產市場平穩健康發展的通知》), referring to enhance the effective supply of social security housing, make more efforts in the construction of economically affordable housing and expand the supply scope of economically affordable housing. Cities with over high commercial housing price or over quick hikes shall increase the supply of price-limited commercial housing, economically affordable housing and public rental housing practically;
- On March 8, 2010, the Ministry of Land and Resources issued the Circular on Certain Issues Concerning Strengthening Land Supply and Supervision for Real Estate (《國土資源部關於加強房地產用地供應和監管有關問題的通知》), which requires ensuring the land for social security housing with priority, and ensuring the implementation of the plan for the land of social security housing;

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- On April 17, 2010, the State Council issued the Circular of the State Council on Resolutely Curbing the Soaring of Housing Prices in Some Cities (《國務院關於堅決遏制部分城市房價過快上漲的通知》), which requires the land supply for social security housing, shantytowns renovation, and small and medium-sized common commercial housing not less than 70% of the total supply of housing construction land and shall be ensured with priority; speeding up the construction of peaceful life housing projects, ensuring the completion of the tasks of constructing 3 million housing units for low-income people and 2.8 million shantytown renovation housing units in 2010;
- On January 26, 2011, the General Office of the State Council of the PRC issued the Circular of the General Office of the State Council on Issues Concerning Further Properly Regulating and Controlling the Real Estate Market (《國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知》), which requires ten million units of social security housing and rebuilding shanty areas housing will be constructed in the whole country in 2011; and diversifying the sources of social security housing by ways of construction, rebuilding, purchase and long-term lease in all regions, gradually enlarging the coverage of housing security system. Each region should increase the effective supply of land and strictly implement the requirement that the land supply for social security housing, shantytowns renovation, and small and medium-sized common commercial housing not less than 70% of the total supply of housing construction land;
- The Twelfth Five-Year Plan for National Economic and Social Development of the PRC (《中華人民共和國國民經濟和社會發展第十二個五年規劃綱要》) requires enlarging the supply of social security housing, 36 million units of urban subsidized housing should be constructed during the Twelfth Five-Year period;
- On April 2, 2011, the SASAC issued the Circular on the Relevant Matters Relating to the Active Participation in the Development and Construction of Social Security Housing (《關於積極參與保障性住房開發建設有關事項的通知》), which requires the central enterprises to active participate in the development and construction of social security housing, ensuring the quality of social security housing practically.

Transportation Infrastructure Construction

Highway Construction

The Twelfth Five-Year Plan for National Economic and Social Development of the PRC (《中華人民共和國國民經濟和社會發展第十二個五年規劃綱要》) requires the basic completion of national highway network on a modest advance basis.

The Twelfth Five-Year Plan for Transportation (《交通運輸「十二五」發展規劃》) issued by the Ministry of Transport on May 26, 2011 stipulates that during the Twelfth Five-Year period, the total length of highways is targeted to reach 4.5 million kilometers, of which the total length of expressways is expected to reach 108,000 kilometers, and rural roadways 3.9 million kilometers.

Urban Rail Transit Construction

The Twelfth Five-Year Plan for National Economic and Social Development of the PRC (《中華人民共和國國民經濟和社會發展第十二個五年規劃綱要》) requires the orderly construction of urban rail transit network such as light rails, subways and trams.

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Overseas project contracting

Overseas project contracting is a form of trade in services. On July 21, 2008, the State Council promulgated the Regulations on the Administration of Overseas Project Contracting (《對外承包工程管理條例》), which represented the important measures to encourage and support domestic enterprises to contract overseas projects and to promote the healthy development of overseas project contracting.

The Measures on Administration of Qualification for Overseas Project Contracting (《對外承包工程資格管理辦法》), promulgated by the Ministry of Commerce and the MOHURD on October 12, 2009, provides the detailed requirements in respect of the qualification for overseas project contracting and its application procedures, which further promote the standardization and systematization on the management of the qualification for overseas project contracting.

The Twelfth Five-Year Plan for National Economic and Social Development of the PRC (《中華人民共和國國民經濟和社會發展第十二個五年規劃綱要》) requires to accelerate the implementation of “open-door” strategies, and pursuant to the market-oriented principles and based on the independent decision by enterprises, to guide various ownership enterprises to orderly make overseas investment and cooperation, as well as develop the overseas project contracting and labor cooperation. As an important basis for the economic regulation and market supervision by the government in the next five years, the Twelfth Five-Year Plan for National Economic and Social Development of the PRC (《中華人民共和國國民經濟和社會發展第十二個五年規劃綱要》) is very significant to further promote the healthy development of overseas project contracting.

Regulations on Equipment Manufacturing in China

Principal regulatory authorities

The NDRC and the local development and reform commissions are responsible, among other things, for coordinating the resolution of major issues related to the popularization and application of significant technological equipment.

In addition to the review and approval of the establishment of enterprises overseas with outbound investments by domestic companies, the MOFCOM and the local administrative authorities for commerce are also responsible for formulating and organizing the implementation of trade policies regarding the import and export of complete sets of equipment.

The Ministry of Industry and Information Technology has the organizational and coordination responsibility for the development of the PRC equipment manufacturing industry. It formulates plans and policies regarding the development and independent innovation of major technologic equipment, coordinates the implementation of major specialty projects by relying on key national engineering and construction projects, promotes the domestic production of significant technological equipment, and provides guidance for the attraction and innovation of imported major technological equipment. It is also responsible for the organizational and coordination functions for the popularization and application of major model projects, new products, new technologies, new equipment and new materials.

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The State Administration of Quality Supervision is responsible for the supervision of product quality and safety, the administration of product quality and safety related matters, including mandatory inspection, risk monitoring and control, monitoring and selective examination, and administration of production permits for industrial products.

Under the State Administration of Quality Supervision, the specialty Equipment Supervision Bureau is responsible for the monitoring and supervision of safety of relevant specialty equipment, the supervision and examination of design, manufacturing, integration, renovation, maintenance, use, testing and checkup, and import and export of specialty equipment, the investigation and settlement of specialty equipment related accidents, related data collection and analysis, the supervision and administration of the qualifications of the institutes and personnel responsible for testing, inspection and operation of specialty equipment, and the supervision and inspection of the implementation of the energy saving standards for specialty equipment with high level energy consumption.

The State Administration of Work Safety and the local supervision and administrative authorities for work safety are responsible for the supervision and administration of work safety in the industrial, mining, commercial and trade industries.

The Ministry of Environmental Protection and the local administrative authorities for environmental protection are responsible for the establishment of a basic system of comprehensive environmental protection, the coordination, supervision and administration of major environmental issues, and the supervision and administration of environmental pollution prevention.

Principal laws and regulations

The principal laws and regulations relating to equipment manufacturing include, among others, the Work Safety Law of the PRC (《中華人民共和國安全生產法》), the Product Quality Law of the PRC (《中華人民共和國產品質量法》), the Measures for the Administration of Production License for Industry Products (《中華人民共和國工業產品生產許可證管理條例》), the Regulations on Supervision of the Safety of Specialty Equipment (《特種設備安全監察條例》) and the Regulations on Supervision of the Quality and Safety of Specialty Equipment (《特種設備質量監督與安全監察規定》). These rules and regulations govern the qualifications, quality and safety management and others for equipment manufacturing operations.

Qualifications requirements

Pursuant to the Measures for the Administration of Production License for Industrial Products (《中華人民共和國工業產品生產許可證管理條例》) and the Implementation Rules for the Measures for the Administration of the Production License for Industrial Products (《中華人民共和國工業產品生產許可證管理條例實施辦法》), China has implemented a production permit system for key industrial products. Under the Regulations on Supervision of the Quality and Safety of Specialty Equipment (《特種設備質量監督與安全監察規定》) and the Regulations on Supervision of the Safety of Specialty Equipment (《特種設備安全監察條例》), the relevant manufacturer may manufacture boilers, pressure vessels, elevators, cranes machineries, passenger ropeways, large entertainment facilities, the special motor vehicle within a site (plant) and other specialty equipment and be engaged in

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relevant activities only after it has obtained the permission from the State Council's supervisory and administrative department of specialty equipment safety. With respect to the specialty equipment not subject to the production permit administrative system, a safety approval system shall be implemented.

Quality supervision and work safety administration

Under the Work Safety Law of the PRC (《中華人民共和國安全生產法》), a production enterprise shall satisfy the work safety conditions set forth in the relevant laws and regulations as well as national or industrial standards. No enterprise that fails to satisfy such work safety conditions may engage in any production and operating activity.

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》), the PRC has implemented quality system certification mechanisms. The certifying agency will issue a quality system certificate and a product quality certificate once an enterprise is certified.

The Regulations on Supervision of the Quality and Safety of Specialty Equipment (《特種設備質量監督與安全監察規定》) and the Regulations on Supervision of the Safety of Specialty Equipment (《特種設備安全監察條例》) provide that any enterprise using specialty equipment shall be responsible for the safety during its use and operation and shall only use the specialty equipment with the production permit or the safety approval certificate.

Principal macroeconomic policies for the relevant industry

The equipment manufacturing industry is a strategic industry which provides technical equipment for various industries of national economy and is an important guarantee to promote the industrial upgrade and technical advancements of various industries and an embodiment to the national comprehensive strength. Under the direction of the Opinions on Accelerating the Development of the Equipment Manufacturing Industry (《國務院關於加快振興裝備製造業的若干意見》) promulgated by the State Council on June 23, 2006, China's equipment manufacturing industry has developed significantly accelerate, the level of localization of major technical equipment has greatly improved and the international competitiveness has further enhanced.

On May 12, 2009, the State Council issued the Plan on the Overhaul and Development of the Equipment Manufacturing Industry (《裝備製造業調整和振興規劃》). In order to facilitate the adjustment and upgrading of the industry structure, as well as to strengthen the technological innovation and promote continuous and steady development of equipment manufacturing industry, the Plan expressly provides that the localization of major technical equipment must be carried out on a large scale based on the major national projects. Also, innovation of enterprises must be enhanced through increased investments in technological improvements, with a view to significantly improving basic component manufacturing and basic technological standards. Furthermore, corporate mergers and restructuring as well as upgrading of products must be accelerated, with a view to facilitating the optimization and upgrading of the industry structure, enhancing the overall competitiveness of the industry and promoting equipment manufacturing industry to change from large scales to strong capacities.

The Twelfth Five-Year Plan for National Economic and Social Development of the PRC (《中華人民共和國國民經濟和社會發展第十二個五年規劃綱要》) further requires to develop an advanced

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equipment manufacturing industry. The research and development as well as system integration level must be enhanced on the basic technology, materials and components to promote the industry structure adjustment. The research and development as well as industrialization also must be strengthened in respect of major technical and integrated equipment to promote the intellectualization of equipment products. The Twelfth Five-Year Plan for National Economic and Social Development of the PRC (《中華人民共和國國民經濟和社會發展第十二個五年規劃綱要》) points out that, the main development direction of the equipment manufacturing industry is to promote equipment manufacturing to change from production manufacturing to service-oriented manufacturing, and to produce CNC equipment, make the production more environment-friendly and carry out enterprises informatization. Also, the required equipment in the strategically new industries and infrastructures as well as some other key areas must be developed. Furthermore, the specialized production in casting, forging, welding, heat treatment, surface treatment and other basic industries must be reinforced, with a view to enhancing the standards in respect of bearings, gears, molds, hydraulic pressure, automatic control and other basic components.

Specialized metallurgical equipment

The Opinions on Accelerating the Development of the Equipment Manufacturing Industry (《國務院關於加快振興裝備製造業的若干意見》) promulgated by the State Council on June 23, 2006 requires to focus on 16 types of major technical equipment, including the researching and manufacturing large-scale integrated sheet cold-hot rolling equipment and integrated coating processing equipment with increased policy support and guidance, in order to achieve significant breakthroughs in key areas.

The Plan on the Overhaul and Development of the Equipment Manufacturing Industry (《裝備製造業調整和振興規劃》) points out that, the main tasks on the adjustment and revitalization of the equipment manufacturing industry include the invigoration of equipment manufacturing industry through relying on the key projects in ten specified fields, and the implementation of equipment autonomy based on the nine key industrial projects. In respect of the former task, through relying on the construction of large-scale metal mines, it requires to develop the new mining, lifting, processing equipment, in order to manufacture the electric traction shearers, hydraulic trestles, electric wheel dump trucks for large mines, excavators and other equipment for large open-pit mines. In respect of the later task, with the implementation of nonferrous metals industry restructuring and revitalization plans, it requires to focus on the high-precision rolling mills, large and complex cross section extrusion machines, in order to promote nonferrous metallurgical equipment self-developed by Chinese enterprises.

Currently, our Group conducts business in the PRC and overseas. Therefore, apart from the laws and regulations in the PRC, our Company may be subject to the laws and regulations in other jurisdictions, such as Vietnam and India.

VIETNAM

Law on Construction

Over the course of the development of Vietnam, the Law on Construction has been amended and revised, granting investors more discretionary power in construction implementation and

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constructor selection. Respective responsibilities of the investor are extended at the same time. The construction activities, rights and obligations of the investors and constructors are regulated under the Law on Construction No. 16/2003/QH11 dated 26 November 2003, as amended by Law No. 38/2009/QH12 dated 19 June 2009, and the relevant guiding legal documents.

Under prevailing laws on construction, the development of a civil construction (namely resident domicile and public constructions including cultural, educational, medical structure; commercial and service building; workshop; restaurant; sport facilities, etc.) comprises mainly the following phases: (i) the construction project preparation (consisting of the formulation of basic design and presentations); (ii) the construction survey phase (involving surveys of topography and geology status); (iii) the building design phase (including various steps under the effect of size and features of the construction, i.e. basic design, technical design and construction design); (iv) construction permit procurement; (v) construction building; and (vi) construction inspection. Investors with insufficient expertise to carry out these steps can engage the services of local individuals or organizations (including Vietnamese enterprises or foreign direct investment enterprises) or foreign individuals or organizations (hereinafter “foreign contractor”) for construction work.

The Law on Construction allows foreign contractors to operate in Vietnam upon the issuance of a contractor permit issued by the competent construction authority, either being the Ministry of Construction or the Provincial Department of Construction subject to the rank A, B or C of the project. The rank of the project is based on the features of the project and the size of the investment.

Vietnam has drafted sets of construction regulations. However, foreign construction regulations of other national, regional or international standard organizations are also allowed for construction projects in Vietnam. The application of foreign construction regulations must be processed in line with the special conditions of Vietnam specified in the compulsory construction standards.

Despite the availability of sample contracts for the construction industry introduced by the Ministry of Construction, parties may use their own versions which must include the basic terms and conditions required or the FIDIC sample contract which may be adjusted to the realities of the project in Vietnam.

Commercial Law

The Commercial Law No. 36/2005/QH11 was adopted by the National Assembly on 18 May 2005 and came into effect on 1st January 2006. The Commercial Law provides regulations and rules applicable for commercial activities carried out by business entities conducting commercial activities and other organizations and individuals conducting acts relating to commerce.

The governing scope of the Commercial Law includes: (i) any commercial activity conducted within the territory of Vietnam; (ii) commercial activities conducted outside of the territory of Vietnam in cases where the parties agree to choose this regulation or where it is applicable by the foreign law or international treaty of which Vietnam is a member; and (iii) non-profit activities of one party to a transaction with a business entity in the territory of Vietnam in cases where application of the Commercial Law is selected by the party conducting such activities.

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The Commercial Law also outlines procedures, establishment and management of representative offices of foreign business entity in Vietnam.

Labor Laws

The Labor Code dated 23 June 1994 (amended in 2002, 2006 and 2007) serves as the main legislation for employment matters in Vietnam. The Law on Social Insurance, an important legislation relating to employees, took effect on 1 January 2007. A number of separate decrees and circulars, the Labor Code and the Law on Social Insurance create a uniform legal framework. The labor laws of Vietnam are characterized as providing a wide range of protection for employees. Although some flexible changes have been brought about by the 2002 amended Labor Code, it is generally agreed that the labor legislation of Vietnam is strict and still favors employees. It should be noted that the labor laws of Vietnam apply to both local Vietnamese and expatriates working in Vietnam, and most importantly, it is not possible to contract out of the terms of the employment legislation. Generally, an employer is encouraged to grant a more favorable treatment to its employees than that provided for by the law.

Tax Laws

The Law on Personal Income Tax No. 04/2007/QH12 was passed by the National Assembly of Vietnam on 21 November 2007, which came into effect on 1 January 2009 (“**Law on PIT**”). The Law on PIT provides regulations on the tax duty with respect to Vietnamese resident individuals and non-resident individuals generating taxable income in Vietnam. The determination of personal income tax payers regardless of their nationality is a crucial point of the Law on PIT.

Under the Circular No. 134/2008/TT-BTC promulgated by the Ministry of Finance dated 31 December 2008 (“**Circular No. 134**”), foreign contractors doing business or generating income in Vietnam are liable for foreign contractor tax, including Corporate Income Tax and Value Added Tax (“**VAT**”). It is noted that a foreign contractor for taxation purposes includes foreign companies, regardless of permanent establishment in Vietnam, and foreign individuals residing or non-residing in Vietnam. Individual foreign contractors shall be liable for his/her Personal Income Tax (PIT) instead of Corporate Income Tax.

The Law on Corporate Income Tax was promulgated on 3 June 2008 (effective on 1 January 2009) (“**Law on CIT**”). Under the Law on CIT, companies incorporated in Vietnam are subject to a standard corporate income tax rate of 25%. Preferential rates of 10% and 20% are available where certain criteria are met. The criteria for receiving preferential rates depend on the scope of activities and location of the investment. Preferential rates are available for a period of 15 years and 10 years respectively, starting from the first year the company has turnover. When the preferential rate expires, the corporate income tax rate generally reverts to the standard rate.

The Law on Value Added Tax was ratified on 3 June 2008 (effective on 1 January 2009) (“**Law on VAT**”) and applies to goods and services which are manufactured, traded or consumed in Vietnam. VAT applies to goods and services used for production, trading and consumption in Vietnam (including goods and services purchased from abroad). In each case the business must charge VAT on the value of goods or services supplied. In addition, VAT applies on the duty paid value of imported goods. The importer must pay VAT at the same time that they pay import duties. VAT rates are 0%, 5%, 10%. Certain goods and services are VAT exempt.

LAWS AND REGULATIONS APPLICABLE TO THE INDUSTRY

The Civil Code 2005

The Civil Code No. 33/2005/QH11 was passed by the National Assembly of Vietnam on 14 June 2005, which took its effect on 1 January 2006 (“**Civil Code**”). The Civil Code regulates the legal status of and the legal standards for conduct of individuals, legal entities and other subjects; the rights and obligations of subjects in property and personal relations arising from civil relations, marriage and family, business, trade and labor (hereinafter together referred to as *civil relations*). The Civil Code protects the legal rights and interests of individuals and organizations and the interests of the State and the public; ensures equality and legal stability in civil relations; contributes to the satisfaction of the physical and spiritual needs of the people, and promotes socio-economic development.

Law on Environmental Protection

The Environmental Law No. 52/2005/QH11 on environmental protection was passed by the National Assembly of Vietnam dated 29 November 2005 (“**Environmental Law**”). The Environmental Law provides regulations on environmental protection with respect to activities of environmental protection; policies, measures and resources for environmental protection; and rights and obligations of organizations, households and individuals.

The Environmental Law applies to state agencies, organizations, households and individuals in the country; overseas Vietnamese, foreign organizations and individuals carrying out activities in the territory of Vietnam. Nevertheless, it is noted that in cases where there is an international treaty which Vietnam is a member and such treaty contains provisions which are different from the provisions in the Environmental Law, the provisions of such international treaty shall prevail.

Anti-corruption Laws

Currently there is no stand-alone anti-corruption legislation applicable to organizations in Vietnam. Nevertheless, corruption is considered as an illegal act in Vietnam and therefore an organization and/or its associated individuals that commit corrupt acts may be subject to specific penalties stipulated in different portions of Vietnamese legislation. Given the activities of a particular organization, the relevant legislation would differ though the main pieces would likely include: (i) the Commercial Law; (ii) the Law on Tendering No. 61/2005/QH11 which was passed by the National Assembly of Vietnam on 29 November 2005 and came into effect on 1 April 2006, being subsequently amended on 19 June 2006 under the Law No. 38/2009/QH12; (iii) the Criminal Code No. 15/1999/QH10 which was passed by the National Assembly of Vietnam on 21 December 1999 and subsequently amended on 19 June 2009 by Law No. 37/2009/QH12; and (iv) the Law on Competition No. 27/2004/QH11 which was passed by the National Assembly of Vietnam on 3 December 2004 and came into effect on 1 July 2005 to govern restraints of competition as well as other practices that create unhealthy or unfair competition in Vietnam.

INDIA

Foreign Exchange Laws

The Foreign Exchange Management Act, 1999 and the rules, circulars, notifications and regulations issued thereunder (“**FEMA**”) is the central legislation enacted in India in relation to foreign exchange with the objective of facilitating foreign trade and cross border transactions and maintenance of foreign exchange market. The Government of India also issues a consolidated

LAWS AND REGULATIONS APPLICABLE TO THE INDUSTRY

foreign direct investment policy which is intended to provide a comprehensive regulatory framework in relation to foreign investment policies in India. The Indian foreign exchange laws permit an Indian entity to make payments for royalty, lump sum fees for transfer of technology and payments for use of trademark/brand name, without any limits on amounts that may be paid for such purposes. Certain taxes called ‘*research and development cess*’ have to be paid by the Indian company as a percentage of lump-sum fees for technology transfer. An Indian company is also permitted to issue equity shares against lump-sum fee, royalty due and payable, and against external commercial borrowings received in convertible foreign currency, subject to meeting all tax liabilities and compliance with the procedures prescribed. Under the foreign exchange laws, there are certain limits in relation to amounts that may be remitted by an Indian company towards payment for consultancy services received from an offshore entity.

Foreign Trade Policy

Under the Foreign Trade (Development and Regulation) Act, 1992, the Central Government is empowered to periodically formulate the Export Import Policy (“EXIM Policy”) and amend it thereafter whenever it deems fit. All exports and imports are required to be in compliance with the EXIM Policy. The Government of India periodically extends various schemes for the promotion of imports and exports in India including by way of tax incentives, duty drawbacks, etc.

Customs ACT, 1962

The Customs Act, 1962 (“Customs Act”) provides, *inter alia*, for the prevention of smuggling by facilitating the detention and confiscation of goods smuggled into the country and goods sought to be smuggled out of the country. The Customs Act operates in relation to Indian resident entities which are importing machinery and/or raw materials from abroad. The Customs Act allows for the Central Government to prohibit importation of any goods as may be specified in the notification or of specific description. The aforesaid prohibition can be absolute or subject to certain conditions which include *inter alia* prevention of shortage of goods of any description, establishment of any industry, prevention of serious injury to domestic products to goods of any description, protection of health, protection of intellectual property rights, prevention of deceptive practices etc. The purposes may also include the implementation of a treaty, agreement or covenant with another country. The Customs Act also gives the Government of India the power to take special measures if it is satisfied that the level of smuggling of any particular good requires it. Further, the Customs Act also specifies that duties of customs shall be levied on all goods imported into India. The goods imported shall have to be valued accordingly and the applicable duty is payable to the relevant authorities.

The Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007

The Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007 (“Intellectual Property Enforcement Rules”) have been notified by the Central Government under the Customs Act, 1962. The Rules provide for a mechanism whereby the holder of intellectual property rights can give notice to the Commissioner of Customs in relation to goods which are suspected to be infringing and which are proposed to be imported into the country. The holder of rights can request the suspension of clearance of such goods which are suspected to be infringing. The Intellectual Property Enforcement Rules cover patents, trademarks, copyrights, designs as well as geographical indications within its scope.

LAWS AND REGULATIONS APPLICABLE TO THE INDUSTRY

The Prevention of Corruption Act, 1988

The Central Indian legislation on anti-corruption laws is the Prevention of Corruption Act, 1988 (“PCA”). The PCA is primarily designed to punish a public servant (or someone expecting to be a public servant) for any gratification taken in respect of, *inter alia*, an official act. The term “public servant” is broadly defined and includes: (i) any person in the service or pay of the Government or remunerated by the Government by fees or commission for the performance of any public duty; (ii) any person in the service or pay of a local authority; (iii) any person in the service or pay of a corporation established under a Central, Provincial or State Act, or an authority or a body owned or controlled or sided by the Government or a Government company; (iv) any judge, including any person empowered by law to discharge, whether by himself or as a member of any body of persons, any adjudicatory functions; (v) any person authorized by a court of justice to perform any duty, in connection with the administration of justice, including a liquidator; (vi) any person who holds an office by virtue of which he is authorized or required to perform a public duty. The following are punishable under the PCA: (a) if a public servant or a person expecting to be a public servant, accepting or obtaining or agreeing to accept or attempting to obtain from any person, for himself or for any other person, any form of gratification (other than legal remuneration) as a notice or reward for doing or forbearing to do any official act or for showing or forbearing to show, in exercise of his official functions, favour or disfavour to any person or for rendering or attempting to render any service or disservice to any person; (b) taking gratification from any person for inducing a public servant through illegal means to act or forbear from performing any official function; (c) taking gratification from any person for inducing a public servant through personal influence to act or forbear from performing any official function; or (d) a public servant or a person expecting to be a public servant who, *inter alia*, obtaining for himself or for any other person a valuable thing for either no or inadequate consideration for the purposes detailed above. The PCA punishes the giver of any gratification as an abettor in respect of certain offences, whether or not the offence is actually committed as a result of the abetment.

Indian Contract Act, 1872

The Indian Contract Act, 1872 is the consolidated enactment which sets out the framework within which contracts are to be governed under Indian law. The enforceability of the contracts that the Issuer has executed with the Indian counterparties and on the basis of which contracts, the Issuer conducts its business operations in India would be governed under the enactment.

Indian Penal Code, 1881

The Indian Penal Code, 1881 (“IPC”) *inter alia*, codifies the various criminal offences recognised by law in India. The offences under the IPC include offences (i) against the human body such as murder, culpable homicide, causing of simple or grievous hurt, wrongful restraint or confinement, assault, kidnapping and abduction and rape and (ii) offences against property such as theft; robbery, cheating, forgery. Any person convicted of any of the offences under the IPC may be punishable with fine or imprisonment or both.

Competition Act, 2002

The Competition Act, 2002 (“Competition Act”) regulates combinations (such as mergers, takeovers and amalgamations), agreements, and trade practices that are anti-competitive. The competition commission of India (“CCI”) constituted under the Competition Act is empowered to undertake investigations and pass orders and directions in furtherance of the objects of the act. The key offences under the Competition Act are:

- Entry into anti competitive agreements or arrangements

LAWS AND REGULATIONS APPLICABLE TO THE INDUSTRY

- Practices which are in abuse of a dominant position in the market
- Consummating mergers and amalgamations and other combinations except in accordance with the Competition Act
- Contravention of orders of the CCI (such orders may relate to penalties or changes to anti competitive agreements, arrangements or business practices or the division of combinations or entities in a dominant position)
- Failure to pay fine for contravention of orders of the CCI

Indian Stamp Act and Local Stamp Acts

If a document is executed in India, or if executed outside India, such document or (in the case of certain states in India) a copy thereof, is subsequently brought into India, it will have to be stamped in accordance with the stamp laws in force in India. The stamp duty payable on a document varies from state to state and is governed by the Indian Stamp Act or the local, state specific statute in relation to stamp duties. No document (or copy where applicable) will be admissible in evidence in India for the purposes of enforcement unless it is duly stamped in accordance with the stamp laws in force in India. Since stamp duties vary between different states within India, in order to enforce a document in a particular state, the document (or copy where applicable) concerned would have to be stamped at the rate applicable on such document in the state in which enforcement is sought.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

Our history dates back to the 1950s, when the predecessors of our three principal subsidiaries, SAMI, Changsha Institute and GAMI, were established in 1951, 1953 and 1958, respectively. Our predecessor CAIEC was established as a limited liability company in the PRC on December 16, 2003, with a registered capital of RMB200 million. Upon the establishment of CAIEC, Chinalco and China Aluminum International Trading Company Limited (中鋁國際貿易有限公司), a subsidiary of Chalco, held 95% and 5% of its equity interest, respectively. On February 10, 2011, China Aluminum International Trading Company Limited transferred its 5% equity interest in CAIEC to Chinalco and subsequently, CAIEC became a wholly owned subsidiary of Chinalco. We are the primary operating platform for the engineering technology segment of Chinalco, and primarily conduct engineering design and consultancy, engineering and construction contracting and equipment manufacturing business.

Through the Reorganization in 2011, our Group retained substantially all of the core business, and Chinalco transferred certain subsidiaries under its engineering technology segment to our Group, which comprise substantially all of our current business segments, namely engineering design and consultancy, engineering and construction contracting and equipment manufacturing. For more details, please see the sub-section headed “Reorganization” in this section.

The following are the important milestones in our history to date:

- | | |
|-------|--|
| 1950s | The predecessors of our three principal subsidiaries, SAMI, GAMI and Changsha Institute, were established. |
| | We entered into the engineering design and consultancy business in the PRC. |
| 1960s | The predecessors of our four principal subsidiaries, Sixth Metallurgical Company, Twelfth Metallurgical Company, Changkan Institute and Shanlv Construction, were established. |
| | Luoyang Institute, one of our Promoters, was established. |
| 1970s | The predecessor of our principal subsidiary Changlv Construction was established. |
| 1980s | We entered into the equipment manufacturing business in the PRC. |
| 1990s | We entered into the engineering and construction contracting business in the PRC. |
| 1992 | The predecessor of our principal subsidiary Jinlv Construction was established. |
| 2002 | Our principal subsidiary CNPT, to which the core business of Luoyang Institute was transferred, was established. |
| 2003 | Our predecessor CAIEC was established. |
| | SAMI and GAMI became subsidiaries of CAIEC. |
| 2006 | Our principal subsidiary China Aluminum Technology was established. |

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- 2007 Changsha Institute became a subsidiary of CAIEC.
- 2010 Our principal subsidiary China Aluminum Equipment was established.
- 2011 CAIEC became a wholly owned subsidiary of Chinalco.
- Our principal subsidiary Duyun Tongda was established.
- Pursuant to the Reorganization, Chinalco transferred certain equity interests of its then subsidiaries to our Company at nil consideration. Subsequently, Changkan Institute, Sixth Metallurgical Company, Twelfth Metallurgical Company, Jinlv Construction, Changlv Construction, Shanlv Construction and CNPT became subsidiaries of CAIEC.
- Our principal subsidiary Chongqing Tongye was established.
- Our Company was converted from CAIEC into a joint stock limited company.

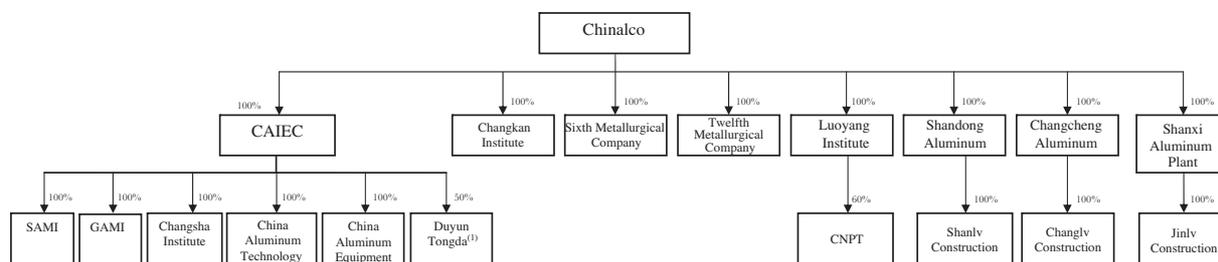
REORGANIZATION

In 2011, we underwent the Reorganization in preparation for the Global Offering. Before the Reorganization, our Company had six principal subsidiaries, namely SAMI, GAMI, Changshan Institute, China Aluminum Technology, China Aluminum Equipment and Duyun Tongda. Pursuant to several equity transfer agreements entered into in March 2011, Chinalco and its then wholly owned subsidiaries, including Shanxi Aluminum Plant, Changcheng Aluminum, Shandong Aluminum and Luoyang Institute, transferred to our Company the following equity interests in seven companies at nil consideration:

- the entire equity interest held by Chinalco in Changkan Institute
- the entire equity interest held by Chinalco in Sixth Metallurgical Company
- the entire equity interest held by Chinalco in Twelfth Metallurgical Company
- the entire equity interest held by Shanxi Aluminum Plant in Jinlv Construction
- the entire equity interest held by Changcheng Aluminum in Changlv Construction
- the entire equity interest held by Shandong Aluminum in Shanlv Construction
- a 60% equity interest held by Luoyang Institute in CNPT

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following diagram sets out the subsidiaries of our Company and Chinalco involved prior to the Reorganization:



Note:

(1) the remaining 50% of the equity interest is held by Sixth Metallurgical Company (30%) and GAMI (20%).

Pursuant to an equity transfer agreement dated March 18, 2011, our Company acquired a 13.5% equity interest in CNPT from Luoyang Junhe Technology Development Co., Ltd (洛陽君合科技開發有限公司), an Independent Third Party, at a consideration of RMB34,825,535.93, which was determined with reference to the valuation conducted by an independent valuer.

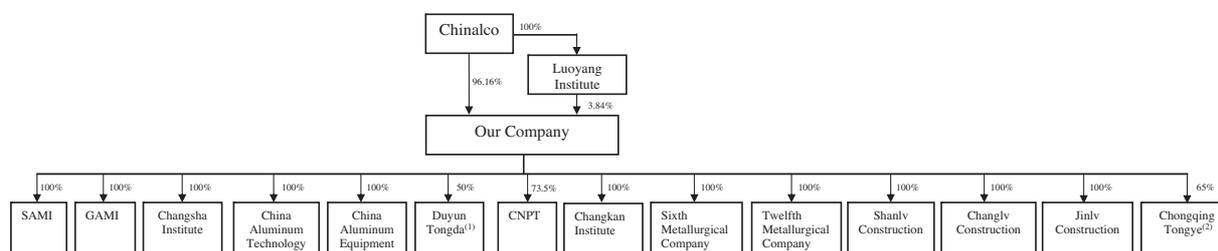
Pursuant to an equity transfer agreement entered into by Chinalco and Luoyang Institute on March 30, 2011, Chinalco transferred 3.84% of its equity interest in CAIEC to Luoyang Institute at nil consideration. Subsequently, Chinalco and Luoyang Institute held 96.16% and 3.84% equity interest in CAIEC, respectively.

Pursuant to the *Approval on Establishment of China Aluminum International Engineering Corporation Limited* issued by SASAC in June 2011 and approved on the establishment meeting of our Company as well as the first extraordinary shareholders' meeting of year 2011 held by Chinalco and Luoyang Institute, CAIEC was converted into a joint stock limited company and renamed China Aluminum International Engineering Corporation Limited on June 30, 2011.

The Reorganization required approvals from the SASAC. Our PRC legal advisors confirmed that we have obtained the necessary approvals from the SASAC with respect to the Reorganization.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following diagram sets out the shareholders and the principal subsidiaries of our Company after the completion of the Reorganization:



Notes:

- (1) the remaining 50% of the equity interest is held by Sixth Metallurgical Company (30%) and GAMI (20%).
- (2) it was established in November 2011 and its remaining 35% of the equity interest is held by Twelfth Metallurgical Company.

Principal Subsidiaries

1. SAMI

The predecessor of SAMI is the Building Construction Design Company of Heavy Industry Ministry of Northeast People’s Government (東北重工業部土木建築設計公司), which was established in March 1951. SAMI is one of the oldest large scale design research institutes in the PRC, and also a “Top 100 Unit in Respect of Investigation and Design Comprehensive Strength of our Country” (全國勘察設計綜合實力百強單位). SAMI became a subsidiary of CAIEC in December 2003, and was converted into a limited liability company with a registered capital of RMB403,743,216 through the Reorganization in March 2011. SAMI is currently our wholly owned subsidiary.

2. GAMI

The predecessor of GAMI is Guiyang Metallurgical Industry Engineering Institute (貴陽冶金工業設計院), which was established in September 1958. GAMI is one of the best smelting, design and research institutes of light metal in the PRC, as well as a “Selected Unit of Intellectual Property Work of National-wide Enterprises” (全國企事業知識產權工作試點單位). GAMI became a subsidiary of CAIEC in December 2003, and was converted into a limited liability company with a registered capital of RMB616,207,500 through the Reorganization in March 2011. GAMI is currently our wholly owned subsidiary.

3. Changsha Institute

The predecessor of Changsha Institute is the Central South Nonferrous Branch Design Company, Changsha Branch (中南有色分局設計公司), which was established in 1953. Changsha Institute is one of the oldest design research institutes in the PRC, which has been cited as a “Top 100 Engineering Contracting Companies” (工程總承包百強企業) by the China Federation of Engineering Project Management Website (中國工程項目管理聯合網) for four consecutive years. Changsha Institute became a subsidiary of CAIEC on June 9, 2007, and was converted into a limited liability company with a registered capital of RMB359,938,200 through the Reorganization in March 2011. Changsha Institute is currently our wholly owned subsidiary.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

4. CNPT

CNPT was established in 2002 with a registered capital of RMB50,000,000. CNPT is the only integrated institute in the PRC which engages in engineering design and consultancy, equipment manufacturing, scientific research development and engineering contracting of nonferrous metals processing. CNPT was cited by China Exploration & Design Association as a “Top 100 Investigation and Design Enterprise” (百強勘察設計企業) in 2010 and 2011, and was recognized as a “Key High-tech Enterprise of the National Torch Plan” (國家火炬計劃重點高新技術企業) by the National Torch Center (國家火炬中心) in 2010. Through the Reorganization in March 2011, we own 73.5% of its equity shares, while the remaining equity interest of 17.5% is held by Suzhou Changguang, 6% is held by China Nonferrous Engineering Co., Ltd. (中國有色工程有限公司), 2% is held by Beijing General Research Institute for Nonferrous Metals (北京有色金屬研究總院) and 1% is held by the Powder Metallurgy Engineering Research Centre of Central South University (中南大學粉末冶金工程研究中心), which are Independent Third Parties.

5. Changkan Institute

The predecessor of Changkan Institute is Changsha Branch of Ministry of Metallurgical Industry Investigation Headquarter (冶金部勘察總公司長沙分公司), which was established in 1964. Changkan Institute is a “Class A Investigation and Design Unit under General Category” (綜合類甲級勘察、設計單位) authorized by MOHURD. Through the Reorganization, Changkan Institute was integrated into our Group by means of an equity transfer at nil consideration and transformed into a limited liability company in March 2011, with a registered capital of RMB50,730,000. Changkan Institute is currently our wholly owned subsidiary.

6. Sixth Metallurgical Company

The predecessor of Sixth Metallurgical Company is Luoyang Metallurgical Construction Company (洛陽冶金建設公司), which was established in 1963. Sixth Metallurgical Company is one of the “The Largest 500 Construction Companies of China” (中國500家最大建築企業). Through the Reorganization, Sixth Metallurgical Company was integrated into our Group by means of an equity transfer at nil consideration and transformed into a limited liability company in March 2011, with a registered capital of RMB167,724,700. Sixth Metallurgical Company is currently our wholly owned subsidiary.

7. Twelfth Metallurgical Company

The predecessor of Twelfth Metallurgical Company is Twelfth Metallurgical Construction Company (第十二冶金建設公司), which was established in 1964. Twelfth Metallurgical Company is a large-scale comprehensive construction enterprise operating various business, including construction contracting and equipment manufacturing. Through the Reorganization, Twelfth Metallurgical Company was integrated into our Group by means of an equity transfer at nil consideration and transformed into a limited liability company in March 2011, with a registered capital of RMB213,419,395. Twelfth Metallurgical Company is currently our wholly owned subsidiary.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

8. Jinlv Construction

The predecessor of Jinlv Construction is Jinlv Construction Company (晉鋁建設公司), which was established in February 1992. Jinlv Construction is an enterprise mainly focusing on industrial and civil construction projects, with a registered capital of RMB50,000,000. Through the Reorganization, Jinlv Construction was integrated into our Group by means of an equity transfer at nil consideration in March 2011. Jinlv Construction is currently our wholly owned subsidiary.

9. Changlv Construction

The predecessor of Changlv Construction is Zhengzhou Aluminum Engineering Plant Company (鄭州鋁廠工程公司), which was established in March 1970. Changlv Construction is a company with National Class A Qualifications of Smelting Projects Construction Contracting (國家冶煉工程施工總承包) and Housing Projects Construction Contracting (房屋建築工程施工總承包一級企業). Changlv Construction became the first PRC manufacturer exporting aluminum smelting equipment to European developed countries with the cooperation of an Icelandic smelter, namely Nordural, in an aluminum reduction cell manufacture project (電解鋁槽製造專案). Through the Reorganization, Changlv Construction was integrated into our Group by means of an equity transfer at nil consideration and transformed into a limited liability company in March 2011, with a registered capital of RMB123,536,261.1. Changlv Construction is currently our wholly owned subsidiary.

10. Shanlv Construction

Shanlv Construction, is a company with First Class Quality of Smelting Engineering and Construction Contracting (冶煉工程總承包一級施工資質), the predecessor of which is Capital Construction Project Department of Shandong Aluminum Plant (山東鋁廠基建工程處) established in February, 1965. It changed its name into Shandong Aluminum Corporation Engineering Corporation (山東鋁業工程公司) in March 1991, and further, in October 2001, was converted into a limited liability company with a registered capital of RMB50,900,000. Through the Reorganization, Shanlv Construction was integrated into our Group by means of an equity transfer at nil consideration in March 2011. Shanlv Construction is currently our wholly owned subsidiary.

11. China Aluminum Technology

China Aluminum Technology, our wholly owned subsidiary, was established on August 15, 2006 with a registered capital of RMB60,000,000. Its main scope of business includes the technological development, technology consulting, technology transfer, technical service of nonferrous metals and mineral products, the sales and research and development of equipment, the sales and development of software, the purchase of materials, import and export of cargo and technology, import and export agency.

12. China Aluminum Equipment

China Aluminum Equipment, our wholly owned subsidiary, was established on November 2, 2010 with a registered capital of RMB100,000,000. Its main scope of business includes sales of machinery equipment, technology development and technology service, and the import and export of cargo.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

13. Duyun Tongda

Duyun Tongda was established on January 27, 2011 with a registered capital of RMB230,000,000. Its main scope of business includes the investment, development and construction of the municipal infrastructure (operating in accordance with the valid period of the license if the administrative approval is involved). The equity interest of Duyun Tongda is held by our Company (50%), Six Metallurgical Company (30%) and GAMI (20%).

14. Chongqing Tongye

Chongqing Tongye was established on November 2, 2011 with a registered capital of RMB10,000,000, and its main scope of business is related to construction work. 65% of the equity interest of Chongqing Tongye is held by our Company, while the remaining 35% of the equity interest is held by Twelfth Metallurgical Company.

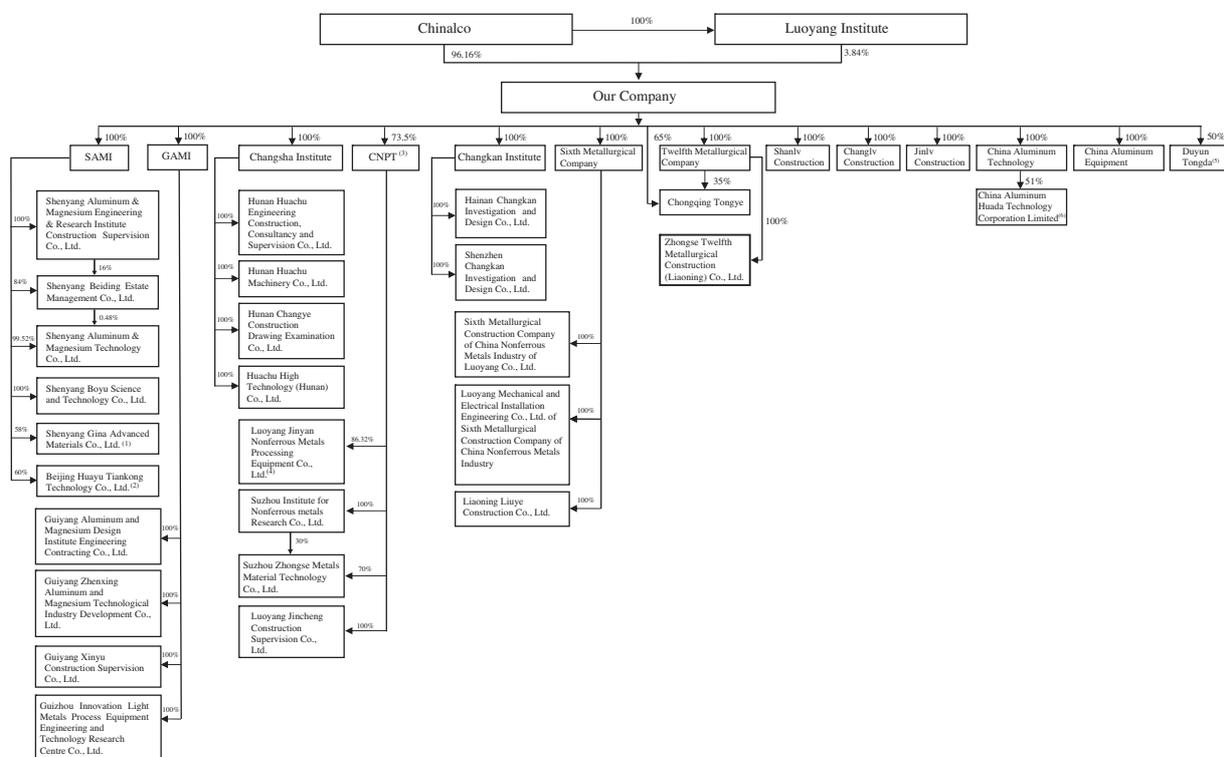
Non-Competition Agreement

We entered into the Non-Competition Agreement with Chinalco on June 2, 2012. Please see the section headed “Relationship with Chinalco” in this prospectus for details.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

The following diagram sets out all the subsidiaries of our Company immediately prior to the completion of the Global Offering:

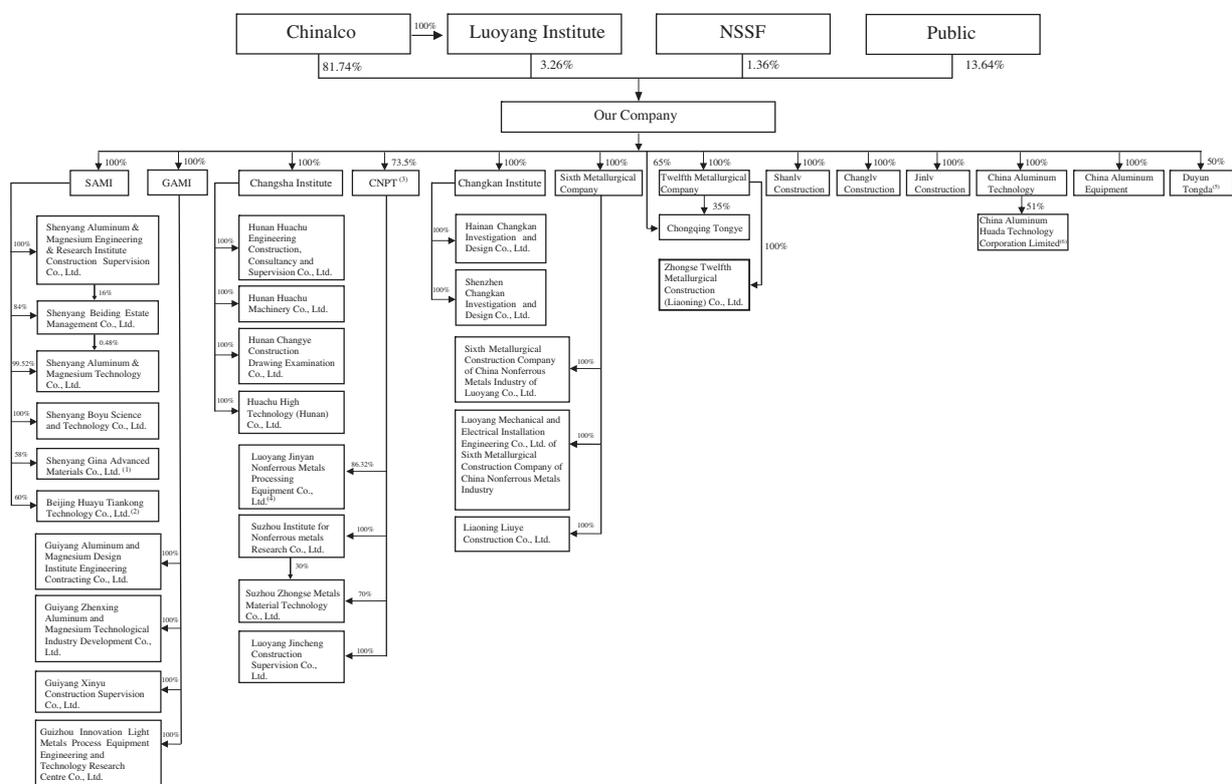


Notes:

- (1) the remaining 42% of the equity interest is held by Liaoning Technology Venture Capital Co., Ltd. (遼寧科技創業投資有限責任公司) (10%), Institute of Metal Research, Chinese Academy of Sciences (中國科學院金屬研究所) (5%), Shenyang Technology Venture Capital Co., Ltd. (瀋陽科技風險投資有限公司) (3.75%), Hu Zhuanglin (胡壯麟) (0.225%), Ma Wenbin (馬文斌) (3.375%), Cao Shuyi (曹淑儀) (2.625%), Guo Dadong (郭大東) (2.25%), Wang Ran (王然) (2.3875%), Cheng Huiming (成會明) (2.675%), Li Hongxi (李洪錫) (6.2625%), Liu Hongguang (劉洪光) (1.25%), Wang Yongsheng (王永勝) (1.125%) and Tang Chenbin (湯晨濱) (1.075%), all of which are Independent Third Parties.
- (2) the remaining 40% of the equity interest is held by Beijing Huabang Tiankong Technology Development Co., Ltd (北京華邦天控科技發展有限公司) (28.46%), Zhou Yanshan (周炎山) (9.81%), and Li Feng (李楓) (1.73%), all of which are Independent Third Parties.
- (3) the remaining 26.5% of the equity interest is held by Suzhou Changguang (17.5%), China Nonferrous Engineering Co., Ltd. (中國有色工程有限公司) (6%), Beijing General Research Institute for Nonferrous Metals (北京有色金屬研究總院) (2%) and Powder Metallurgy Engineering Research Centre of Central South University Co., Ltd (中南大學粉末冶金工程研究中心有限公司) (1%), all of which are Independent Third Parties.
- (4) the remaining 13.68% of the equity interest is held by Shaanxi Rolling Equipment Plant (陝西壓延設備廠), which is an Independent Third Party.
- (5) the remaining 50% of the equity interest is held by Sixth Metallurgical Company (30%) and GAMI (20%).
- (6) the remaining 49% of the equity interest is held by Hunan University Science Park Co., Ltd. (湖南大學科技園有限公司) (4.084%), Luo Longfu (羅隆福) (17.214%), Zheng Zhiwen (張志文) (9.251%), Liu Fusheng (劉福生) (1.633%), Liu Qiping (劉奇平) (6.37%), Ouyang Zhiquo (歐陽志國) (4.165%), Yang Cheng (楊成) (4.165%) and Liu Manwen (劉曼文) (2.118%), all of which are Independent Third Parties.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following diagram sets out all the subsidiaries of our Company immediately after the Global Offering (assuming the Over-allotment Option is not exercised):



Notes:

- (1) the remaining 42% of the equity interest is held by Liaoning Technology Venture Capital Co., Ltd. (遼寧科技創業投資有限責任公司) (10%), Institute of Metal Research, Chinese Academy of Sciences (中國科學院金屬研究所) (5%), Shenyang Technology Venture Capital Co., Ltd. (瀋陽科技風險投資有限公司) (3.75%), Hu Zhuanglin (胡壯麟) (0.225%), Ma Wenbin (馬文斌) (3.375%), Cao Shuyi (曹淑儀) (2.625%), Guo Dadong (郭大東) (2.25%), Wang Ran (王然) (2.3875%), Cheng Huiming (成會明) (2.675%), Li Hongxi (李洪錫) (6.2625%), Liu Hongguang (劉洪光) (1.25%), Wang Yongsheng (王永勝) (1.125%) and Tang Chenbin (湯晨濱) (1.075%), all of which are Independent Third Parties.
- (2) the remaining 40% of the equity interest is held by Beijing Huabang Tiankong Technology Development Co., Ltd (北京華邦天控科技發展有限公司) (28.46%), Zhou Yanshan (周炎山) (9.81%), and Li Feng (李楓) (1.73%), all of which are Independent Third Parties.
- (3) the remaining 26.5% of the equity interest is held by Suzhou Changguang (17.5%), China Nonferrous Engineering Co., Ltd. (中國有色工程有限公司) (6%), Beijing General Research Institute for Nonferrous Metals (北京有色金屬研究總院) (2%) and Powder Metallurgy Engineering Research Centre of Central South University Co., Ltd (中南大學粉末冶金工程研究中心有限公司) (1%), all of which are Independent Third Parties.
- (4) the remaining 13.68% of the equity interest is held by Shaanxi Rolling Equipment Plant (陝西壓延設備廠), which is an Independent Third Party.
- (5) the remaining 50% of the equity interest is held by Sixth Metallurgical Company (30%) and GAMI (20%).
- (6) the remaining 49% to the equity interest is held by Hunan University Science Park Co., Ltd. (湖南大學科技園有限公司) (4.084%), Luo Longfu (羅隆福) (17.214%), Zheng Zhiwen (張志文) (9.251%), Liu Fusheng (劉福生) (1.633%), Liu Qiping (劉奇平) (6.37%), Ouyang Zhiquo (歐陽志國) (4.165%), Yang Cheng (楊成) (4.165%) and Liu Manwen (劉曼文) (2.118%), all of which are Independent Third Parties.

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OVERVIEW

We are a leading technology, engineering service and equipment provider in the nonferrous metals industry in China, capable of providing full business-chain integrated engineering solutions throughout various stages of the nonferrous metals industry chain. According to Antaika and the MOHURD, in terms of revenue in the PRC in 2010, we were ranked first among engineering survey and design enterprises in the PRC nonferrous industry and eighth among engineering survey and design enterprises, and according to ENR/Construction Times, we were ranked tenth, fourth and eighth for 2008, 2009 and 2010, respectively, among engineering design enterprises in terms of total general contracting revenue.

Leveraging our advanced technology, we maintain engineering design and consultancy as our key business, which drives the development of our engineering and construction contracting, as well as our equipment manufacturing business. We have also expanded our business to include providing engineering services in other sectors, such as metallurgy, transportation, power, oil, petrochemicals, construction materials, environmental protection, municipal and public utility construction and new materials, and our business has grown rapidly in overseas nonferrous metals markets in recent years.

We regard technological innovation as our core competency, and have developed a series of proprietary technologies relating to mining, ore-dressing, smelting and metal material processing. As of December 31, 2011, we had 2,781 patents (including 474 invention patents) in China and 12 overseas patents, as well as 1,091 patent applications (including 883 invention patent applications) in China. In addition, as of December 31, 2011, we had 19 computer software copyrights registered in China. As of December 31, 2011, we had won 76 National Science and Technology Awards and 549 provincial and ministerial Science and Technology Awards.

For the years ended December 31, 2009, 2010 and 2011, the new contract value⁽¹⁾ of our operations was approximately RMB6,565.8 million, RMB14,256.5 million and RMB28,889.8 million, respectively. As of December 31, 2009, 2010 and 2011, our backlog⁽²⁾ was approximately RMB12,360.7 million, RMB15,384.0 million and RMB32,079.3 million, respectively.

Engineering design and consultancy

Engineering design and consultancy has historically been our key business. Our subsidiaries include four of the first eight large-scale design and research institutes established in the 1950s and 1960s in the PRC nonferrous metals industry, namely SAMI, GAMI, Changsha Institute and CNPT (which has acquired the core business of Luoyang Institute), and one survey and design institute, namely Changkan Institute. As of December 31, 2011, we had 54 qualifications issued by relevant government authorities, which enable us to provide engineering design and consultancy services in various sectors including qualifications in engineering design, engineering consultancy, environmental impact evaluation consultancy, engineering costs consultancy, engineering and geological survey, mapping, geological hazards evaluation and treatment design and construction,

(1) New contract value represents the aggregate value of the contracts we entered into during a specific period.

(2) Backlog represents our estimate of the contract value of work that remains to be completed as of a certain date assuming the performance is in accordance with the terms of the contract.

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special equipment design, municipal and rural planning, technology trading, and over 4,000 engineers and technicians with expertise in over 40 specialized fields. For the details of the qualifications held by us, see “Appendix V — Statutory and General Information — 3. Further Information about our Business — C. Our Qualifications.”

We have established leading market positions in various fields of the PRC nonferrous metals industry. According to Antaike, as of December 31, 2011, we have designed approximately 40%, 45%, 90% and 30% of the total designed production capacity in China of nonferrous metals mines, alumina, electrolytic aluminum and heavy nonferrous metals, rare metals and rare-earth metals, respectively. In addition, we are the only large-scale integrated design and research enterprise in China specialized in design and consultancy for nonferrous metals material processing, with a market share of over 90% in terms of designing large and medium-scale projects, and a market share of approximately 70% in terms of all projects, in the PRC nonferrous metals processing sector.

For the years ended December 31, 2009, 2010 and 2011, revenue generated from our engineering design and consultancy operations was RMB1,108.4 million, RMB1,350.5 million and RMB1,595.2 million, respectively, representing 11.5%, 11.8% and 12.8% of our total revenue during the same periods before inter-segment elimination. During the same periods, the segment operating profit of our engineering design and consultancy operations was RMB303.0 million, RMB340.1 million and RMB308.9 million, respectively, representing 55.5%, 33.5% and 26.1% of our total operating profit before inter-segment elimination during the same periods.

Engineering and construction contracting

Leveraging our strengths in engineering design and consultancy, we have successfully developed engineering and construction contracting operations, which have become a new driver of profit growth, with engineering and construction contracting having contributed 60.2% of our operating profit before inter-segment elimination for the year ended December 31, 2011. According to ENR / Construction Times, we have been among the top ten engineering design enterprises in China for the years of 2008, 2009 and 2010 in terms of total general contracting revenue of the previous year.

Our engineering and construction contracting model is centered around our core competency in engineering design and consultancy and highlights the crucial role of engineering design in quality control, expense control and progress control during the course of an engineering and construction contracting project. This model distinguishes us from engineering general contractors that focus on construction and project management, and has been increasingly recognized and accepted by our customers.

We carry out engineering and construction contracting operations mainly in the nonferrous metals industry in China and overseas markets in the form of EPC and EP. We also use other contracting models, such as project management contracting, construction contracting and BT contracting. In China, we have served as the engineering general contractor for a number of large-scale nonferrous metal projects. In emerging overseas markets, we have served as the EPC contractor for the first and second alumina projects in Vietnam, and the EP contractor for the largest-scale one-off alumina and electrolytic aluminum projects in the world in terms of designed annual production capacity in India.

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Our five construction subsidiaries carry out engineering and construction contracting business for mining, ore-dressing, smelting and metal material processing projects. To meet the needs of our construction business, some of them established an internal processing base for selected core equipment and metal components to ensure supply stability, maintain product quality and protect technology intellectual property.

For the years ended December 31, 2009, 2010 and 2011, revenue generated from our engineering and construction contracting operations was RMB7,590.1 million, RMB9,058.2 million and RMB9,863.1 million, respectively, representing 78.8%, 79.0% and 79.2% of our total revenue during the same periods before inter-segment elimination. Our segment operating profit was RMB146.6 million, RMB599.1 million and RMB712.2 million, respectively, for the years ended December 31, 2009, 2010 and 2011, representing 26.8%, 59.0% and 60.2%, respectively, of our total operating profit before inter-segment elimination during the same periods.

Equipment manufacturing

Equipment manufacturing is a high-technology industry that we have prioritized for development. Our equipment manufacturing operations mainly focus on producing equipment by utilizing our proprietary and patented technologies. Our main products include customized core metallurgical and processing equipment, environmental protection equipment, mechanical and electronic equipment and industrial automation systems. Our products are used in various aspects of the nonferrous metals industry chain, and have been exported to countries such as Vietnam, India, Brazil, Nigeria and Pakistan.

For the years ended December 31, 2009, 2010 and 2011, revenue generated from our equipment manufacturing operations was RMB931.7 million, RMB1,060.9 million and RMB1,002.4 million, respectively, representing 9.7%, 9.2% and 8.0% of our total revenue during the same periods before inter-segment elimination. During the same periods, the segment operating profits of our equipment manufacturing operations were RMB96.4 million, RMB76.4 million and RMB161.2 million, respectively, representing 17.7%, 7.5% and 13.6% of our total operating profit before inter-segment elimination during the same periods, respectively.

COMPETITIVE STRENGTHS

We have advanced technologies in the nonferrous metals industry and a strong capacity for continuous technological innovation

Technologies and equipment in the nonferrous metals mining, ore-dressing, smelting and metal material processing industry are generally required to be suitable for practical, flexible and efficient applications. The development of such technologies and equipment requires multi-disciplinary and integrated cooperation, while the implementation and elevation of such technologies and equipment are achieved through a significant amount of engineering practice and continuous technological innovation. Our strong capacity for continuous technological innovation ensures that we can maintain a leading position in terms of technologies in the nonferrous metals industry. We have one state level engineering technology research institution, namely the State Technology Research Center

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of Engineering Equipment of Electrolytic Aluminum and Electrolytic Magnesium and two industry non-ferrous metals engineering research centers, namely Research Center of Engineering Technology and Equipment of Aluminum Smelting and Research Center of Engineering Equipment of Electrolytic Aluminum and Electrolytic Magnesium.

Relying on our four large-scale design and research institutes with over 50 years of track records, we have established a highly-cooperative and creative team of technicians with comprehensive expertise and extensive experience. Through long-term involvement in engineering design and consultancy, engineering construction and continuous technological innovation, we have developed and formed a series of advanced technologies relating to the mining, ore-dressing, smelting and metal material processing of nonferrous metals including aluminum, magnesium, copper, lead, zinc, titanium, nickel as well as rare metals and rare-earth metals, such as the mining and reclamation technology for extra-large-scale karst accumulation type bauxite, the new CCF countercurrent contact inflatable flotation column technology, the technologies to extract alumina with the ore-dressing Bayer process and to produce sandy alumina using diaspore, the super-large-sized pre-baked anode aluminum electrolytic cell technology, the oxygen side-blown bath smelting technology for direct smelting of copper, nickel and lead, key technologies of highly efficient and clean production of lead and recycling of resources, and the aluminum and aluminum alloy hot rolling, cold rolling and foil rolling technology, which have won the national, provincial or ministerial Science and Technology Awards or the Excellent Technological Innovation Project Award.

In addition to the provision of technology to the nonferrous metals industry market, we use our new and advanced technology to produce equipment in order to further enhance our core competency. For example, we have produced and sold equipment using our new CCF countercurrent contact inflatable flotation column technology, aluminum electrolytic cell uninterrupted switch technology, metallurgical furnace dust removal and purification device technology and nonferrous metals sheet, strip and foil rolling mill technology.

Taking a leading role in the engineering design and consultancy field of the PRC nonferrous metals industry, we have actively led, or participated in, the formulation of national standards and industry design specifications, which further increased our prominence and influence in the PRC nonferrous metals industry. In addition, we actively seek opportunities to cooperate with reputable universities and scientific and technological research institutes to jointly develop new technologies. Over the years, we have established cooperative relationships with Central South University, Huazhong University of Science and Technology, Hunan University, Guizhou University and Xi'an University of Architecture and Technology in China, as well as Oakland University in New Zealand.

We believe that our advanced technologies in the nonferrous metals industry and strong ability of innovation will continually provide us with a significant competitive advantage in both domestic and emerging overseas markets, and will facilitate the development of our business operations.

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We can provide comprehensive and integrated technology and engineering services throughout the nonferrous metals industry chain

Relying on our design professionals who are specialized in different areas of the nonferrous metals industry and the qualifications that we hold for the provision of various engineering services, we benefit from our capability to provide integrated full business-chain engineering service solutions at different stages of the nonferrous metals industry chain. Our prominent engineering design capacity and full industry chain coverage enables us to:

- effectively reduce operational risks associated with each specific line of business, and capture business opportunities in a broader scope of business;
- procure clients to pre-order related services such as engineering and construction contracting and equipment manufacturing from us. In particular, by providing engineering design service, we can gain in-depth knowledge about the project, which places us in an advantageous position to bid for the engineering and construction contracting business; and
- benefit from the integration of resources and processes throughout the business chain to generate synergy, increase efficiency, reduce costs and improve profitability. In particular, our strength in engineering design plays a crucial role in our engineering construction operations, which enables us to improve construction planning, avoid missteps in construction and reduce costs. As a result, we are able to provide one-stop shop services to our clients with lower operational risks, higher efficiency and more competitive prices.

We are well positioned to capture business opportunities in the PRC nonferrous metals market, the largest nonferrous metals market in the world

China is the largest market in the world in terms of the production and consumption volume of the ten nonferrous metals, including copper, aluminum, lead, zinc, nickel, tin, antimony, mercury, magnesium and titanium. It has been ranked No.1 for ten consecutive years from 2002 to 2011 in terms of production volume, and ranked No. 1 for nine consecutive years from 2003 to 2011 in terms of consumption volume in the world. Leveraging our advanced technologies and extensive experiences, we are in a favorable strategic position in the increment and inventory market of the nonferrous metals industry in China.

In respect of the increment market, due to abundant resources, promotion of mineral exploration efforts and supportive policies of the development of Western China and orderly industry transfer from the central government, central and western regions of China have become a new area of development for the nonferrous metals industry. Especially, a number of new and proposed nonferrous metals projects have emerged in Qinghai Province, Gansu Province, as well as Tibet and Xinjiang Uygur Autonomous Region. The engineering design and consultancy of some of these projects are carried out by us. Meanwhile, the ongoing exploration of nonferrous metals such as copper, lead and zinc will also continue to bring new business opportunities for us.

In respect of the inventory market, the State Council issued *Plans on the Adjustment and Development of the Nonferrous Metals Industry* (《有色金屬產業調整和振興規劃》), and Plan of Industrial Transformation and Upgrading (2011-2015) in May 2009 and December 2011, respectively, and in December 2011, the Ministry of Industry and Information Technology of the People's Republic of China issued the Twelfth Five Year Plan of Non-ferrous Metal Industry, according to which the PRC government planned to accelerate the replacement of obsolete

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production lines, promote technology upgrading, develop eco-efficient economy and strengthen safety monitoring. We expect that the technology upgrading and replacement of existing large-scale production capacity of the PRC nonferrous metals industry will generate significant business opportunities, which we are well-positioned to capture. In particular:

- we have developed proprietary technologies for, and are manufacturing, some of the most advanced production equipment, such as 500kA aluminum cells, which we believe give us significant competitive advantage in the replacement of obsolete production lines;
- we have developed various technologies relating to mining, ore-dressing, smelting and metal material processing for the nonferrous metals industry. Such short production process technique could achieve technology and industry upgrade to improve operational efficiency and stability, improve product quality and reduce energy consumption;
- we have strategically devoted our research and development efforts toward energy conservation, environment protection and safety monitoring, and have successfully developed advanced technologies such as super-large-sized prebaked anode aluminum electrolytic cell technology and equipment, new technology on the smoke purification for aluminum electrolysis and the multi dimensional mining safety monitoring system, which will help nonferrous metals producers and metals material processing companies comply with more stringent PRC government requirements; and
- we have built a solid client base in the PRC nonferrous metals industry. One of our clients, Chalco, a subsidiary of our Controlling Shareholder Chinalco, is the largest producer of alumina, electrolytic aluminum and aluminum products in the PRC, the second largest producer of alumina and the third largest producer of electrolytic aluminum in the world, according to Antaika. We have established good cooperative business relationships with many of the major players in the PRC and overseas nonferrous metals industry, such as Yunnan Metallurgy Group Company, China Power Investment Corporation, Shenzhen Zhongjin Lingnan Nonfermet Co., Ltd., Hunan Nonferrous Metals Holdings Group Co., Ltd., Henan Shenhua Group Company Limited, Xinjiang East Hope Nonferrous Metals Limited and China Nanshan Group.

We have achieved rapid growth in the emerging overseas nonferrous metals technology and engineering markets, which enables us to gain further market shares in certain overseas markets.

We have proved our core competency in certain overseas nonferrous metals engineering markets, and successfully entered into a number of emerging overseas nonferrous metals engineering markets that we believe have good potential for growth, such as India, Mongolia, Kazakhstan, Malaysia, Laos, Saudi Arabia, Mozambique, Azerbaijan, Peru and Vietnam. We have adopted flexible methods to cooperate with project owners, and are able to provide customized core metallurgical equipment, which enable project owners to optimize the proportion of equipment used in their projects that is manufactured in China to reduce costs. In particular, we have:

- served as the engineering general contractor for the Vietnam Lam Dong alumina project and the Vietnam Renji alumina project, the first and second alumina projects in Vietnam;
- transferred 320kA aluminum smelting technology, carbon technology and related environmental protection technology to Bharat Aluminium Company Limited in India; and

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- undertaken the planning, design and procurement of Vedanta Aluminum Limited's 1,250 kt/a electrolytic aluminum project in India, the world's largest newly constructed aluminum smelter designed and completed in a single round in terms of designed annual production capacity and 3,000 kt/a alumina project, the world's largest newly constructed alumina plant designed and completed in a single round in terms of designed annual production capacity.

Through our engagement and completion of projects in these overseas markets, we have significantly enhanced our reputation, established our credibility, gained valuable experience and local know-how, strengthened relationships with local authorities, industry players and agencies, and formed dedicated teams with local experience in various overseas markets. We believe that all of the above have helped us to lay a solid foundation for our future expansion in these markets and placed us in an ideal position to capture the growth of these markets.

Through good relationships with the relevant authorities of the PRC government and large financial institutions, we actively participate in economic and trade cooperation between the PRC government and governments of other countries. We believe that the extensive experience we have accumulated in overseas business development has provided conditions for us to take the preemptive opportunities in these intergovernmental cooperation projects, which will put us in a very favorable position.

We have senior management with extensive experience in relevant industries and a distinguished team of experts, professional technicians and skilled employees.

Our senior management comprises a group of highly experienced professionals in the nonferrous metals engineering industry and related industries. Our executive directors have an average industry experience of over 27 years. We believe that our management team possesses in-depth knowledge critical to success in the industries we operate in, and is capable of seizing market opportunities, formulating sound business strategies, assessing and managing risks, implementing management schemes and increasing our overall profit to maximize value for our shareholders.

We emphasize technological innovation in our development, and believe that a team with strong innovative capabilities is critical to our continuous success. Over the years, we have established and maintained a distinguished team of experts and professional technicians. We see it as critical to attract, nurture and incentivize human resources, and have always emphasized the corporate culture of "People First". We constantly promote such culture in our day-to-day rule-making, management and appraisals. While maintaining and boosting the initiative of existing key personnel, we have continuously focused on attracting new talent to join and have formed a well-composed talent pool with a wide range of expertise and diversified and comprehensive personnel resources, laying a solid foundation for our future development. As of December 31, 2011, we had over 4,000 experts, scholars and technicians with expertise in various areas, including 3 state-level surveying and design masters, 11 surveying and design masters of provincial and ministerial levels, 16 experts who are entitled to special government subsidies, 270 professor-level senior engineers, and over 1,000 senior professional technicians. We believe that our talent base in the nonferrous metals field is unmatched in the PRC nonferrous metals engineering industry, and will continue to contribute to our future growth.

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BUSINESS STRATEGIES

Our overall business strategy is to develop an engineering and construction contracting business led by technology advancement and driven by design business, to leverage engineering construction to extend the industry chain to upstream and downstream industries and expand related equipment manufacturing business, to selectively develop emerging industries such as energy conservation, environmental protection and new materials, and to strive to become a globally competitive industrial and technological service group in the nonferrous metals industry and other related industries.

Enhance our core competency in the nonferrous metals technology field through continuous innovation

We consider our advanced technologies as our core competency. Going forward, with the goal of maintaining a foothold in the core operations of engineering design and consultancy, we will continue to focus on our technological research and development by further integrating resources and increasing investment in research and development. In particular, we plan to:

- Consolidate our research resources among our subsidiaries, form dedicated research and development teams, while maintaining flexibility at our subsidiaries by allowing them to carry out application-oriented research based on project needs and market demand;
- Improve our research and development management system, form a streamlined process, further incentivize our research and development personnel;
- Actively apply for national science and technology plan projects in the basic industries and key technological areas promoted by the state based on our business operations to obtain favorable national policy support and then improve our core competency. For instance, we have joined the ongoing “600 kA aluminum electrolysis cells” project, which was included in Program 863 in 2010 and received financial support of RMB11.2 million under Program 863;
- Maintain our existing cooperation, and explore new cooperation opportunities, with renowned scientific research institutes and universities to carry out joint research and development initiatives in selected fields. For instance, we are cooperating with Auckland University on research projects to improve technological indicators of alumina, electrolytic aluminum and carbon production.

Our current research and development projects focus on mining, ore-dressing, smelting and metal material processing of nonferrous metals, environmental protection and energy conservation technology and new materials technology. For more details, see “— Technology, Research and Development — Current Research and Development Projects”.

Continue to enhance our leading position in the nonferrous metals engineering design and consultancy field

Our engineering design and consultancy business has higher gross margin than our other business segments and has traditionally been our key business. See “Financial Information — Consolidated Results of Operations”. We intend to consolidate and enhance our leading position in the nonferrous metals engineering design and consultancy field by further increasing market development efforts, exploiting opportunities arising from state-owned and private investment in the domestic and

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overseas nonferrous metals industry, transforming and upgrading our technology, improving design management capability and service awareness. We plan to continue to enhance our market position in the nonferrous metals engineering design and consultancy field as the priority to maximize our profit by:

- **Further increasing market development efforts.** Our market development is based on our large market share in the PRC nonferrous metals engineering design and consultancy business and our solid customer base. As China is the largest nonferrous metals producer and consumer in the world by metal quantity with huge demand for the upgrade and transformation of existing production capacity and for the construction of incremental production capacity, it creates opportunities for our business development. Meanwhile, the scale, technology and equipment of the nonferrous metals industry in foreign developing countries remain relatively undeveloped. We plan to participate in international markets by leveraging our advanced technology to increase our market share in foreign developing countries.
- **Actively exploiting the favorable opportunities arising from the restructuring in the nonferrous metals industry and expanding our presence in central and western China.** Guided by the *Restructuring and Development Plan of the Nonferrous Metals Industry* issued by the State Council, large-scale production capacity shift to central and western regions of China has started. We plan to take advantage of increased state-owned and private investment to actively develop the central and western regions of China. We have undertaken various engineering projects in the central and western regions of China.
- **Actively participating in technical improvement of enterprises, capturing market opportunities in the upgrading of enterprises.** *Twelfth Five Year Plan of the Development of the Nonferrous Metals Industry* particularly emphasizes the enhancement of the technical transformation of the nonferrous metals enterprise, and promotes technological progress. Due to the fluctuation in the prices of natural resources and energy, the nonferrous metals industry, as a large consumer of resources and energy, faces enormous challenges in technical transformation. Our advanced technology, such as the efficient pre-baked anode pots technology for aluminum smelting, low grade bauxite producing alumina technology, advanced continuous hot rolling and cold rolling technology, advanced CCF column flotation technology and the key technologies of highly efficient and clean production of lead and recycling of resources, can effectively reduce energy consumption in the nonferrous metals industry and improve the efficiency in resource utilization. Meanwhile, we plan to enhance research and development of frontier technologies with wide application, such as copper, lead and zinc shortened smelting processes technology, manganese smelting environment protection technology, mine tailings and red mud comprehensive utilization technology, high-performance dedicated copper and aluminum short production processes technology, and aluminum electrolysis purification system technology. We will actively promote the research and development of high quality deep-processing equipment to meet the needs of the domestic and overseas nonferrous metals industry.
- **Strengthening design management, improving the efficiency and maintaining high customer satisfaction level.** We plan to improve design methods by building a three-dimensional collaborative design system based on our existing computer-aided design system, which we believe can reduce the amount of time spent on drawing and designs, reduce design errors and improve the accuracy of project budgets; building an engineering design and consultancy information management platform; increasing our efforts in design staff training and education, increasing incentives for our staff, encouraging technicians to obtain national-level

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professional certifications, improving the designers' skill level; improving the quality and efficiency of engineering design by perfecting the design process and the quality control system in engineering design; and enhancing service awareness, encouraging designers to work on-site to better understand customer needs, and providing customers with high quality on-site service.

Expand and optimize our engineering and construction contracting operations

The engineering and construction contracting business model is still at its early development stage in the PRC nonferrous metal industry. With the rapid growth of the engineering design industry and the non-ferrous metals industry in China since 2005, we believe our engineering and construction contracting operations have strong growth potential. Our engineering and construction contracting operations developed rapidly and have become a new driver of profit growth. For the year ended December 31, 2011, our engineering and construction contracting operations contributed 60.2% of our operating profit. Through our engineering and construction contracting operations in recent years, we have established a professional team for engineering and construction contracting, and have accumulated comprehensive and extensive experience in the management of engineering projects. Going forward, we plan to further improve our engineering and construction contracting business by developing advanced project management system and information management system for our engineering and construction contracting projects to not only expand our presence in the engineering and construction contracting market, but also improve the profitability of, and the contribution from, the engineering and construction contracting business. As of December 31, 2011, we had invested approximately RMB5.8 million in this project management system. We plan to invest another RMB104.2 million using the net proceeds of the Global Offering. Please see "Future Plans and Use of Proceeds" in this prospectus. We expect to complete this project by the end of 2014.

With regards to market development, we will strive to secure new projects through cooperation with leading local enterprises, increase our market share through directed marketing and promotion efforts, and establish our reputation and brand name in the market by focusing on the quality of our service. We have currently secured a number of EPC projects, including the 300 kt/a aluminum alloy sheet and strip casting technology development project by adopting Hazelett Process with Yunan Yunlv Zexin Aluminum Co., Ltd. In addition to the development of our EPC engineering and construction contracting operations, we will actively use new business models such as the PMC contracting and BT contracting models subject to strict risk control.

As for sectors other than nonferrous metals industry, we will secure qualifications relevant to some fast-growing sectors on the basis of our existing qualifications and further expand into fast-growing sectors, such as resource recycling, the construction of energy-saving and environment friendly facilities, highways, subways, rural infrastructure and power plants. Such new qualifications are expected to allow us to carry out engineering design and consultancy operations across a diverse spectrum of industries in China. Relying on our broad network throughout China, we will actively explore opportunities in central and western regions of China.

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To optimize our EPC contracting business, we plan to strengthen our operational capability in the entire engineering and construction contracting process. We will:

- establish a project management system, comprising an information management platform, a professional management team, an automatic procurement information platform, a supplier platform and a performance assessment platform for project management, and a mechanism manifesting the leading role of engineering design in contracting projects to optimize and improve our EPC contracting project management;
- reduce costs of engineering and construction contracting projects by enhancing our project management skills:
 - o we will further strengthen project process audit and onsite supervision, continuously improve project on-site management and reduce project construction costs;
 - o we plan to establish a procurement information and control platform, push ahead centralized procurement and establish supply chain partnerships to reduce procurement costs. In addition, we will continue to outsource part of the raw material and equipment procurement to subcontractors to leverage their experience and bargaining power to further reduce procurement costs and reduce on-site inventory; and
 - o we will further improve our tendering management to reduce subcontracting costs. For example, we plan to refine our tendering strategy by limiting the number of subcontractors in a construction project, so that the subcontractors selected can enjoy economies of scale and reduce their bidding prices, which in turn reduces our costs. We also plan to hedge against cost increases due to change of design and unexpected workforce arrangement difficulties through the adoption of fixed-total-price subcontracting.

In addition, as of December 31, 2011, we had a backlog of our engineering and construction contracting operations of approximately RMB27,450.8 million, which represented a 137.8% growth from December 31, 2010. In addition, for 2011, the new contract value reached approximately RMB28,889.8 million. Our Directors believe that, with all the measures mentioned above, the significant growth ratio of our backlog and the significant amount of new contract value, there will be no difficulties for us to procure new contracts and we will achieve a sustainable growth of our engineering and construction contracting segment.

Continue to commercialize our technologies and expand our equipment manufacturing business

We plan to continue to incorporate our proprietary and patented technologies into our equipment manufacturing operations, upgrade our products sold to our customers, provide one-stop services, improve our profit margin and explore new sources of profit growth. In the future, we will continue to develop suitable key equipment with the potential for industrialization in alumina and aluminum smelting, copper, lead and zinc smelting, copper and aluminum material processing. We also plan to develop waste water treatment products based on our patented high-pollution-resistant hollow fiber membrane technology, and to increase our marketing efforts in the mine safety monitoring, modeling and early warning system. We will also consider investing in and acquiring relevant equipment manufacturing enterprises to further extend our industry chain, reduce costs and strengthen our equipment manufacturing capability.

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We plan to establish a manufacturing base for key high-end equipment for heavy nonferrous metals smelting in Xiangtan City, Hunan Province. We plan to invest approximately RMB247 million in this manufacturing base, of which we expect approximately RMB185 million will be from the net proceeds of the Global Offering. Please see “Future Plans and Use of Proceeds” in this prospectus. As of the Latest Practicable Date, we had not started the construction of this project. We expect to complete this project by the end of 2013.

In addition, we plan to develop high-technology equipment manufacturing operations in the following areas:

- ***New materials*** We plan to explore business opportunities for high-strength, anti-corrosive metal materials that can be used for offshore oil exploration, aviation and aerospace, including high-performance structural metallic materials such as titanium, new energy materials such as nickel-metal hydride battery materials and lithium-ion battery materials, composite materials and rare metal materials, especially rare-earth luminescent materials. We plan to expand our cooperative relationship with the Institute of Metal Research, China Academy of Science, and focus on the development of anti-corrosive materials and seawater pumps. As of December 31, 2011, we had invested approximately RMB22 million in this project. We plan to invest an additional RMB30 million using the net proceeds from the Global Offering. Please see “Future Plans and Use of Proceeds” in this prospectus.
- ***Energy conservation and environment protection*** The energy conservation and environmental protection industry has received strong support from the PRC government. We plan to focus on the development of managerial energy conservation, electromechanical energy conservation as well as waste gas treatment operations.

Continue to develop our business in overseas markets

We plan to continue to explore business opportunities in overseas markets in order to capture the growth potential in such markets, increase our profitability and diversify our operations. We will continue to focus on emerging overseas markets with good growth potential, such as Southeast Asia, South America and the Middle East. In particular, we plan to:

- continue to extend our overseas network through various means, such as participation in international conferences, exhibitions and investment forums, publishing in international journals for the nonferrous metals industry, leveraging the networks of non-government organizations such as chambers of commerce, and cooperating with PRC financial institutions and companies investing or operating overseas. We will also consider establishing more representative offices in key overseas markets such as Saudi Arabia and Venezuela;
- leverage our brand name and reputation to actively pursue business opportunities overseas through various channels, such as direct contracting with local companies, cooperation with local agents, securing work in the overseas projects of domestic companies or their overseas subsidiaries, leveraging overseas financing from domestic and international financial institutions to engage in projects, entering into joint venture arrangements and selectively acquiring local companies; and

BUSINESS

- further accumulate local know-how in overseas markets and strengthen our overseas project execution capabilities, enhance the centralized management of our development personnel in overseas markets, strengthen the training of our employees, recruit talent and local staff, enhancing our project monitoring, improve financial controls, increase support for our overseas representative offices, and strive to establish our reputation and brand name in the international market.

Continue to expand our talent pool

Our success depends on the skills and dedication of our employees. We plan to expand our high-quality talent pool with global core competency to suit our diversification strategy by:

- attracting talent through professional development and recruitment, especially individuals with an international vision and specialized in project management, market development and technology research and development;
- controlling labor costs, enhancing the remuneration system, improving the performance appraisals and remuneration mechanisms to provide incentives to our employees, and implementing mid-term and long-term incentive mechanisms for core management and technology personnel;
- carrying out systematic and multi-level training programs for our employees to keep their knowledge up-to-date, in particular by leveraging our internal training platform to train them in the latest technologies, safety, cost control and operational process management; and
- promoting our corporate culture of “Making Vigorous Efforts, Striving for Progress through Innovation” and implementing the management philosophy of “Precision, Integrity, Simplicity and Efficiency”, which we believe will facilitate our future growth.

OUR BUSINESS

Our business consists principally of the following three business segments: engineering design and consultancy, engineering and construction contracting and equipment manufacturing. The following table sets forth the revenue for each of our three principal business segments before inter-segment elimination and their respective percentages of our total revenue before inter-segment elimination for the periods indicated:

	For the Year Ended December 31,					
	2009		2010		2011	
	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total
	(RMB million)	(%)	(RMB million)	(%)	(RMB million)	(%)
Engineering design and consultancy	1,108.4	11.5	1,350.5	11.8	1,595.2	12.8
Engineering and construction contracting	7,590.1	78.8	9,058.2	79.0	9,863.1	79.2
Equipment manufacturing	931.7	9.7	1,060.9	9.2	1,002.4	8.0
Sub-total.	<u>9,630.1</u>	<u>100.0</u>	<u>11,469.6</u>	<u>100.0</u>	<u>12,460.6</u>	<u>100.0</u>
Inter-segment elimination	(76.7)		(236.4)		(266.2)	
Total	<u>9,553.4</u>		<u>11,233.2</u>		<u>12,194.4</u>	

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The following table sets forth the segment result for each of our three principal business segments, and their respective percentages of our total operating profit before inter-segment elimination for the periods indicated:

	For the Year Ended December 31,					
	2009		2010		2011	
	Segment Result	% of Total	Segment Result	% of Total	Segment Result	% of Total
	(RMB million)	(%)	(RMB million)	(%)	(RMB million)	(%)
Engineering design and consultancy	303.0	55.5	340.1	33.5	308.9	26.1
Engineering and construction contracting	146.6	26.8	599.1	59.0	712.2	60.2
Equipment manufacturing	96.4	17.7	76.4	7.5	161.2	13.6
Total operating profit.	<u>545.9</u>	<u>100.0</u>	<u>1,015.6</u>	<u>100.0</u>	<u>1,182.3</u>	<u>100.0</u>

Although the segment result of the engineering design and consultancy business increased from approximately RMB303.0 million in 2009 to RMB340.1 million in 2010 and decreased to RMB308.9 million in 2011, segment result of the engineering design and consultancy business as a percentage of total operating profit continuously decreased from approximately 55.5% in 2009 to 33.5% in 2010 and 26.1% in 2011, primarily due to the significant increase in the total operating profit as a result of the significant increase in the segment result of our engineering and construction contracting business.

We conduct business in China and overseas. The following table sets forth our revenue in China and overseas for the periods indicated:

	Year ended December 31,					
	2009		2010		2011	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
China	8,161,371	85.4	8,916,574	79.4	10,409,877	85.4
Overseas						
Vietnam	560,015	5.9	1,775,455	15.8	749,263	6.1
India	424,090	4.4	473,001	4.2	894,626	7.3
Qatar	267,893	2.8	37,483	0.3	—	—
Others ⁽¹⁾	140,024	1.5	30,689	0.3	140,679	1.2
Subtotal	<u>1,392,022</u>	<u>14.6</u>	<u>2,316,628</u>	<u>20.6</u>	<u>1,784,568</u>	<u>14.6</u>
Total	<u>9,553,393</u>	<u>100.0</u>	<u>11,233,202</u>	<u>100.0</u>	<u>12,194,445</u>	<u>100.0</u>

(1) Others include revenue from countries such as Malaysia, Indonesia, Azerbaijan, Peru, Saudi Arabia and other countries.

Revenue generated from our business in China increased from RMB8,161.4 million in 2009 to RMB8,916.6 million in 2010, and further increased to RMB10,409.9 million in 2011.

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Revenue generated from overseas business increased from RMB1,392.0 million in 2009 to RMB2,316.6 million in 2010. Revenue generated from overseas business decreased from RMB2,316.6 million in 2010 to RMB1,784.6 million in 2011, primarily due to a decrease in the amount of our engineering and construction contracting services rendered overseas, which was in turn because the construction work of certain overseas projects reached their peak in 2010, while the construction work in 2011 was at the completion stage, the volume of which was smaller than that in 2010. We have reinforced our marketing efforts overseas by, among other things, participating in international trade fairs, integrating internal marketing forces and setting up additional overseas branches. We believe that we have an established brand in the overseas markets. The contracts of our overseas operations are mainly denominated in US dollars, with some local currencies for our local expenditures. See “— Factors Affecting Our Results of Operations — Interest rates and exchange rates.”

ENGINEERING DESIGN AND CONSULTANCY

Overview

Engineering design and consultancy has historically been our key business. We provide engineering design and consultancy services to engineering projects in the nonferrous metals industry and in other industries. We have business operations in all provinces in mainland China. Our overseas business has experienced rapid growth. Our four design and research institutes were established in the 1950s and 1960s. With over 50 years of experience and continuous innovation, these design and research institutes have gained a strong command of the techniques and skills required for engineering design and consultancy services at each stage of the nonferrous metals industry chain, including mining, ore dressing, smelting and metal material processing. As of December 31, 2011, we had obtained 54 qualifications issued by relevant government authorities, which enable us to provide engineering design and consultancy services in various sectors, such as metallurgy, environmental protection, construction, municipal and public utilities, city planning and machinery manufacturing. As of December 31, 2011, we had over 4,000 technicians with expertise in over 40 specialized fields, including process design, equipment design, electrical automation, general layout, transportation, civil engineering, public utilities construction, environment protection, financial estimate project budgeting and technical economics, who held 1,108 nationally registered qualifications, including 40 certified public architects, 77 certified structural engineers, 257 certified construction engineers, 93 certified metallurgical engineers, 54 certified electrical engineers, 115 certified supervision engineers and equipment supervision engineers, 53 certified cost engineers, 71 certified investment consultants and 323 other certified professionals.

Our leading technologies, extensive experience and solid market position in the various fields of the nonferrous metals industry are demonstrated by the following:

- In respect of nonferrous metal mines design, we have established a leading position by leveraging major breakthroughs in critical technologies, such as the mining and reclamation technology we independently developed for large-scale karst accumulative bauxite deposits, large-scale explosion and large-scale goaf treatment technology, water control technology for underground mining, the combined mining technology for large-scale open-pit mines, the smart mine deployment system, and the underground mining technology for bauxite ore bodies with

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gentle slope and medium thickness. We have designed a number of nonferrous metal mines. As of December 31, 2011, we had designed nonferrous metal mines in China with a total designed production capacity of approximately 671,100 kt/a, accounting for approximately 40% of the total designed production capacity of all nonferrous metal mines in China, according to Antaike.

- In respect of alumina engineering design, we designed the first alumina in China (Shandong Aluminum Plant which has a capacity of 35 kt/a, and was put into production in 1954), the first alumina using the Bayer Method in China (Pingguo Aluminum Co., Ltd. which has a capacity of 300 kt/a, and was put into production in 1995) and the first demonstration alumina project using the ore dressing Bayer process in China (Chalco Zhongzhou Branch which has a capacity of 300 kt/a, and was put into production in 2003). We developed the Bayer-sintering joint process, the ore-dressing Bayer process and the Lime Bayer process to produce alumina using low grade bauxites and applied such methods in the alumina projects we designed. As of December 31, 2011, we achieved a total designed production capacity of alumina of approximately 20,420 kt/a, accounting for approximately 45% of the total designed production capacity of alumina in China, according to Antaike.
- In respect of aluminum engineering design, we designed the first electrolytic aluminum plant in China (Fushun Aluminum Plant which has a capacity of 15 kt/a, and was put into production in 1954), and the electrolytic aluminum series which has the largest operating current (500kA) in the world (Chalco Liancheng Branch with a capacity of 388 kt/a, and was put into production in 2011). We own a number of operative technologies for aluminum smelting, such as the mathematical modeling and computer simulation technology of thermal, electric, magnetic and mechanical for aluminum cells, 200-500 kA super capacity aluminum cells with pre-baked anodes and its supporting technology, the electrolytic cell 3-variable optimization control technology and the uninterrupted switch for aluminum electrolytic cells. As of December 31, 2011, we achieved a total designed production capacity of aluminum of approximately 26,823 kt/a, accounting for approximately 90% of the total designed electrolytic aluminum production capacity in China, according to Antaike.
- In respect of heavy nonferrous metal, rare metals and rare-earth metals engineering design and consultancy, we have provided engineering design and consultancy for a number of large- and medium-scale heavy nonferrous metal smelting projects and rare metal and rare-earth material processing projects. As of December 31, 2011, we had designed a total designed heavy non-ferrous metal production capacity of approximately 5,110 kt/a, a total acid production capacity of approximately 3,027 kt/a, a total smelting capacity for rare metals such as tungsten, molybdenum, tantalum, niobium, vanadium and rare-earth metals of approximately 63 kt/a, and a total processing capacity for hard alloy of approximately 11.5 kt/a. As of December 31, 2011, the heavy nonferrous metals, rare metals and rare-earth metals projects we have designed and completed accounted for approximately 30% of the total designed production capacity of such projects in China, according to Antaike.
- In respect of engineering design for nonferrous metal material processing, we are the only large-scale integrated design and research enterprise specializing in the design and consultancy for nonferrous metal processing in China, and have completed the design of a large number of

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nonferrous metal processing projects. In the domestic engineering design market for nonferrous metals material processing, we possessed a market share of approximately 70% (or a market share of over 90% in terms of large- to medium-scale nonferrous metals material processing engineering design projects), according to Antaike.

- We are the first PRC enterprise to design alumina and electrolytic aluminum plants in the international market. We undertook a number of alumina and aluminum smelting design projects in Vietnam, India, Kazakhstan and Malaysia, including four alumina projects with a total production capacity of 5,300 kt/a in Vietnam and India. The Jharsuguda electrolytic aluminum project with a designed capacity of 1,250 kt/a and the Lanjigarh alumina project with a designed capacity of 3,000 kt/a both in India for Vedanta Aluminum Limited are, as of the Latest Practicable Date, the two largest aluminum industry projects in the world designed and completed in a single round in terms of designed annual production capacity.
- We designed and built the first alumina factory, the first electrolytic aluminum factory, the first electrolytic magnesium factory, the first titanium sponge factory and the first factory of carbon used in aluminum smelting in the PRC. We also designed and built the largest factory of copper, aluminum and rare metal processing in the PRC. We also designed and built the first large-scale karst accumulation bauxite mine in the PRC. In addition, we designed and built the world largest factory of alumina and electrolytic aluminum.

Our engineering design and consultancy operations extend beyond the nonferrous metals industry to other related industries. We have designed carbon plants, cement plants, power generation plants, power transmission and direct current rectification systems, ancillary thermal power plants, as well as other facilities in the metallurgy, chemical and building materials industry in China. Meanwhile, we also provide engineering design and consultancy services in the municipal construction and civil engineering areas.

As a leading enterprise in the nonferrous metal engineering industry in China, we have participated in the preparation of the medium- to long-term development plans of the nonferrous metals industry in China. We have published certain national publications such as *Light Metals* (《輕金屬》), *Rare Metals and Cemented Carbides* (《稀有金屬與硬質合金》) and *Nonferrous Metal Processing* (《有色金屬加工》), and have led or participated in the preparation of various national, provincial and ministerial standards in the field of construction with nonferrous metals in China, reflecting our position as one of the most influential design and research enterprises in the nonferrous metals industry in China. As of December 31, 2011, we have obtained 73 national excellent consultation and design awards, as well as 516 provincial and ministerial excellent consultation and design awards.

Our engineering design and consultancy business is mainly undertaken by four design and research institutes, namely SAMI, GAMI, Changsha Institute and CNPT, and a survey and design institute, namely Changkan Institute.

SAMI and GAMI

Established in 1951 and 1958, respectively, SAMI and GAMI are the first two design and research institutes in aluminum and magnesium fields in China. Leveraging their technological strengths and

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high-quality technical teams, they have driven the development of the aluminum and magnesium industries in China for more than five decades. They have achieved various firsts in the development history of the aluminum and magnesium industries in China, including the design of the first bauxite mine, the first alumina plant and the first aluminum carbon plant.

As of December 31, 2011, according to Antaike, we accomplished a total designed production capacity for alumina of approximately 20,420 kt/a, accounting for approximately 45% of the total designed production capacity of alumina in China, and a total designed production capacity of aluminum of approximately 26,823 kt/a, accounting for approximately 90% of the total designed production capacity of aluminum in China, without taking into account factors such as production capacity upgrade and replacement. Leveraging their technical advantages in the aluminum and magnesium industries, SAMI and GAMI became the first Chinese enterprises to introduce technologies into the international market, and designed a total of four aluminum smelters with a total production capacity of 2,075 kt/a in India and Malaysia, and a total of four alumina refineries with a total capacity of 5,300 kt/a in Vietnam and India.

Changsha Institute

Established in 1953, Changsha Institute was one of the first large-scale and comprehensive heavy nonferrous metals design and research institutes in China. It mainly engages in the engineering design and consultancy business in relation to nonferrous metals mining and ore-dressing, as well as the smelting of heavy nonferrous metals, rare metals and rare-earth metals. In respect of the design and consultancy business of mining and ore-dressing, Changsha Institute has established a leading position in nonferrous metals mining by leveraging major breakthroughs in critical technologies. As of December 31, 2011, the nonferrous metals mines designed by Changsha Institute had a total designed production capacity of approximately 671,100 kt/a, accounting for approximately 40% of the total designed production capacity of all nonferrous metals mines in China, according to Antaike.

In respect of the engineering design and consultancy business of lead, zinc, cobalt, tungsten, molybdenum, tantalum and niobium smelting and hard alloys, Changsha Institute has occupied an important position in the market, and has undertaken certain engineering design and consulting operations for a number of large- and medium-scale heavy nonferrous metals smelting and rare metals smelting projects. As of December 31, 2011, according to Antaike, Changsha Institute had designed a newly constructed, renovated and expanded heavy nonferrous metals smelting capacity of approximately 5,110 kt/a, an acid production capacity of approximately 3,027 kt/a, a smelting capacity for rare metals such as tungsten, molybdenum, tantalum, niobium, vanadium and rare-earth metals of approximately 63 kt/a, and a processing capacity for hard alloys of approximately 11.5 kt/a.

CNPT

CNPT, the only large-scale integrated design and research institute specialized in nonferrous metals material processing designing and consultancy in China, obtained the core business of Luoyang Institute, which was established in 1964. By capitalizing on its dominant position and leading technological strengths in the domestic design and consultancy market of nonferrous metals material processing and its extensive experience in engineering design, CNPT has undertaken and accomplished design and consultancy tasks for a large number of nonferrous metals material

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processing projects. As of December 31, 2011, CNPT had an approximately 70% market share in the PRC domestic nonferrous metals material processing engineering design market, and an approximately 90% market share of large- to medium-scale nonferrous metals material processing engineering design projects in China, according to Antaike.

In 2010, CNPT was recognized as a “Key High-tech Enterprise of the National Torch Plan” (國家火炬計劃重點高新技術企業) by the National Torch Center (國家火炬中心).

Changkan Institute

Changkan Institute was established in 1964 for the development of the PRC nonferrous metals industry. It mainly engages in surveying and mapping engineering, engineering geological exploration, hydro-geological exploration, rock engineering, foundation and foundation engineering and geological disaster management projects. In recent years, Changkan Institute has undertaken and completed the measuring and exploration of a large number of large- and medium-scale plants and mines in nonferrous and ferrous metallurgy, transportation and other sectors as well as various engineering projects for urban infrastructure and civil construction in China.

Our engineering design and consultancy operations extend beyond the nonferrous metals industry to various other industries. We have designed and completed a large number of projects in the metallurgy, chemical, building materials, municipal construction and civil engineering sectors in China. In overseas markets, we provided and/or are providing engineering design and consultancy services for projects located in countries such as Vietnam, India, Azerbaijan, Malaysia, Laos, Mongolia, Mozambique, Kazakhstan and Saudi Arabia.

Major Projects

The following tables set forth our major nonferrous metals engineering design and consultancy projects in terms of scale, technology and prominence:

Domestic Projects

Client	Project	Our Service	Year of Completion
Chalco Liancheng Branch	An aluminum smelting technological upgrade project ⁽¹⁾	Engineering design	2010
Jiangxi Copper Corporation	Feasibility study on a lead and zinc smelting project ⁽²⁾	Engineering consultancy	2008
Hunan Shizhuyuan Nonferrous Metals Co., Ltd.	A multi-metal ore-dressing technology upgrade project (2kt/d) ⁽³⁾	Engineering design	2005
Jinchuan Group Co., Ltd.	A cobalt smelting technology upgrade project (4kt/a) ⁽⁴⁾	Engineering design	2003
Henan Zhongfu Industrial Co., Ltd.	Phase II of an electrolytic aluminum project ⁽⁵⁾	Engineering design	2005

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Client	Project	Our Service	Year of Completion
Southwestern Aluminum (Group) Co., Ltd.	A hot rolling production line technology upgrade project ⁽⁶⁾	Engineering design	2003
Henan Yugang Longquan Aluminum Co. Ltd.	An electrolytic aluminum project (200kt/a) ⁽⁷⁾	Engineering design	2001
Chalco Guangxi Branch (formerly Pingguo Aluminum Company)	An alumina project (300 kt/a) and an electrolytic aluminum project (100kt/a) ⁽⁸⁾	Engineering design	1989

- (1) This project utilizes large prebaked electrolytic cell technology to increase automation and reduce pollution and energy consumption.
- (2) This project won the Second Prize of the National Excellent Engineering Consultancy Results Award (2009).
- (3) This project won the National Silver Medal for Excellent Engineering Design and Exploration (2008).
- (4) This project won the National Silver Medal for Excellent Engineering Design (2006).
- (5) This project won the National Gold Medal for Excellent Engineering Design (2008).
- (6) The project is the first advanced continuous hot rolling production line in China, and won the First Prize of National Science and Technology Advancement Award (2008).
- (7) This project won the National Silver Medal for Excellent Engineering Design (2004).
- (8) This project won the National Gold Medal for Excellent Engineering Design (1999).

Overseas Projects⁽¹⁾

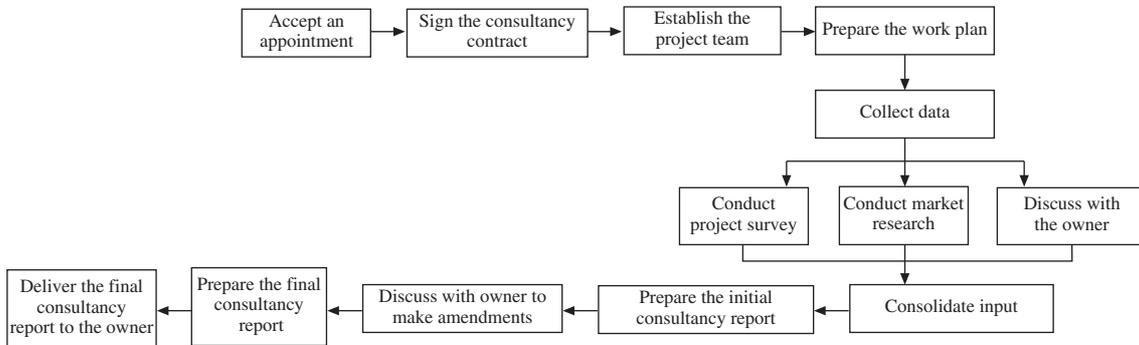
Client	Project	Our Service	Year of Completion
DET. AL Metal DMCC	An aluminum casting plates and strips project in Azerbaijan	Engineering design	2011
Vietnam National Coal-Mineral	An alumina project (650 kt/a) in Vietnam	Engineering design	2009
Malaysia Smelter	An electrolytic aluminum project (115 kt/a) in Malaysia	Engineering design and consultancy	2008
Itabira Rio Doce Company Limited	Feasibility study for a coal-power-aluminum project (600 kt/a) in Mozambique	Engineering consultancy	2006
Indian Aluminum Company, Limited	Feasibility Study for an electrolytic aluminum project (135 kt/a) in India	Engineering consultancy	2004

(1) We have entered into other EPC contracts with companies such as Corporación Venezolana de Guayana in Venezuela.

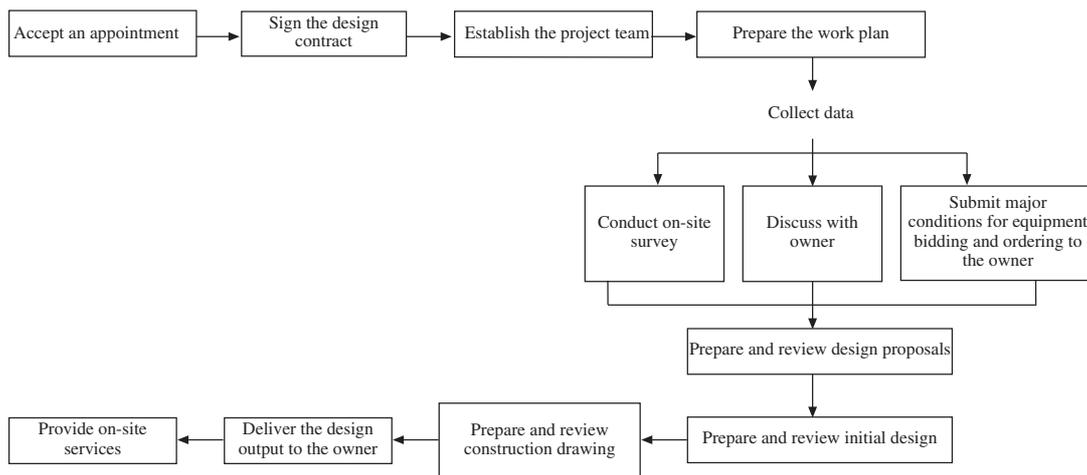
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Business Process

The general business process involved in our engineering consultancy business is set forth in the following diagram:



The general business process involved in our engineering design business is set forth in the following diagram:



We have established design process control procedures and have carried out engineering consultancy and engineering design projects according to such procedures in order to ensure the requirements specified in contracts are met. The main procedures are as follows:

Design Planning

The operation departments of our subsidiaries are responsible for preparing the work plan according to the contract, the client's requirements and relevant requirements of laws and regulations. They are also responsible for passing the design task coordination sheet and/or the contracts timely to relevant departments, such as the production planning department. The production planning department will then assign a chief project designer with appropriate qualification and distribute a design tasks list. According to the design tasks list, we will form a team comprising responsible persons for the respective specializations, designers and verification staff with the corresponding qualifications, who will be led by the chief project designer.

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The chief project designer is generally responsible for the organization of the design work, including:

- organizing project team members to conduct discussions and analyses based on the design contracts and additional project owner's requirements to determine the scope, requirements and schedule of the design task and the delegation of work among project team members;
- specifying standards of the design task and organizing for the compilation of the design commencement report, which may be revised or supplemented during the design process; and
- coordinating among project team members and facilitating communication across interfaces, managing communication with the project owner and reporting to the relevant departments and the senior management where necessary, such as in the case of further project owner requirements or additional demand on internal resources.

Design Input

The chief project designer is responsible for organizing the responsible persons for the various specializations to determine the design input content of the project and assessing the requirements on design input, source and whether or not they meet design requirements, the results of which are reflected in the project design commencement report. The design input of a project includes: (i) contract or owner's requirements on products; (ii) relevant laws, regulations and additional requirements of the local community; (iii) standards and specification of each specialization's design; (iv) engineering technical documents and product technical documents supplied by patent owners and equipment providers; (v) background information for the design work, such as geology and hydrology information; (vi) design documents and information from similar precedent projects; and (vii) other requirements necessary for design, such as design conditions. The chief project designer is responsible for organizing to review and confirm the suitability of design input to ensure various requirements of design input are complete and clear and do not contradict with one another.

After the confirmation of the suitability of the design input, the project team will carry out design work. The design documents will be prepared in consecutive phases, and at each phase the relevant design documents will be verified and reviewed.

Design Proposals

We typically prepare multiple alternative design proposals, which, after verification, will be examined and compared during the design proposals review. One proposal, or the combination of several proposals, will be chosen to be the basis of the initial design.

Initial Design

Initial design will be prepared, verified and reviewed, and will serve as the basis of the construction blueprint. We will invite representatives from the relevant government authorities to participate in the review to ensure that the initial design complies with laws and regulations on matters such as environmental protection, safety and fire prevention. The owner may also retain external experts to participate in such review.

Construction Drawing

Based on the initial design, the project team will prepare the construction drawing, which will be part of the design output.

Design Verification

Design verification includes checking, examining and reviewing (approval) the design documents of each phase, which is undertaken by persons with appropriate qualification in each unit. Persons who undertake checks and examinations are required to inspect design papers and calculation sheets, and check the important calculations through alternative methods. Important design documents are required to be approved by experienced professionals; persons who carry out checks, examinations and reviews (approval) on design will record review records, including verification results and follow-up measures, and maintain design verification records.

Design Review

Design review will be carried out during an appropriate design process (including feasibility study, initial design and construction drawing). Design review is review (confirmation) on the design proposal, including the proposal demonstration and design proposal confirmation at the company level, details of which include: (i) application at the company level design proposal review (demonstration) is filed by the chief project designer or principal and/or design proposal confirmer. The office of the chief engineer is responsible for organizing relevant departments and persons to carry it out, and inviting relevant professionals to participate in it when necessary; (ii) position of design proposal confirmer is reviewed by the engineer in charge (director and deputy director) and the specialty leading person. Relevant persons carry out specialty review on design and file applications for the design proposal demonstration at the company level if they consider it necessary during the design proposal confirmation; and (iii) the chief project designer is responsible for recording conclusions on design proposal review, while design proposal confirmer is responsible for verifying its implementation and maintaining records of the design proposal review.

Design Output

Design output includes various documents such as completed engineering consultancy / design drawings, manuals and tables. Design output shall be documented and design output documents are approved as required before their release and reviewed by relevant departments/persons to ensure design output meets the design input requirements. If necessary, equipment/material procurement information, operational procedure instructions, requisite acceptance standards and design characteristics that significantly relate to safe production and normal working relationship shall be marked and explained in such documents.

Product Delivery

Finished engineering consultancy / design products are admitted and put in the database subject to design output review. After such review, they will be delivered to clients within specified time periods and in specified numbers, and hand-over procedures will be carried out.

Payment Terms

We usually require our customers to pay a 20% to 30% down payment. For engineering design services, the remaining amounts are to be received in installments based on the amount of work that we have completed. For engineering consultancy business, the remaining amounts are to be settled after delivery of the consultancy reports.

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ENGINEERING AND CONSTRUCTION CONTRACTING

Overview

We developed our engineering and construction contracting business by leveraging our technological advantages in the nonferrous metals industry and our strengths in nonferrous metals engineering design. Our engineering and construction contracting operations developed rapidly and have become a new driver of profit growth. For the year ended December 31, 2011, our engineering and construction contracting operations contributed 60.2% of our operating profit before inter-segment elimination. As of December 31, 2011, we had obtained 22 national engineering and construction contracting awards and 122 provincial and ministerial engineering and construction contracting awards.

We are a leading engineering general contractor among all engineering design enterprises in China. According to rankings published by the ENR / Construction Times, we were among the top ten engineering design enterprises in China for the years 2008, 2009 and 2010 in terms of total engineering general contracting revenue of the previous year. According to the China Exploration & Design Association, we ranked eighth among survey and design enterprises in China in terms of the amount of finished contract value of overseas EPC projects in 2010.

We carry out engineering and construction contracting operations mainly in the nonferrous metals industry in China and overseas markets. We enter into engineering and construction contracting contracts mainly in the form of EPC and EP. We also use other contracting models, such as project management contracting, construction contracting and BT contracting. In China, we have served as the engineering general contractor for a number of large-scale nonferrous metal projects. Among these projects:

- As the EPC contractor for phase one of Guangxi Huayin Aluminum Co., Ltd.'s alumina project with a capacity of 1,600kt/a, we provided services including engineering consultancy, design, procurement and construction. In addition, we transferred our advanced process technology and sold production equipment upgraded by ourselves to the owner. The project was completed in December 2007 and was the aluminum industrial project with the largest one-off investment in the nonferrous metals industry in China at that time. The project won the first place for the Ministry-level Quality Engineering Design Prize by the Nonferrous Metal Development Association of China in 2009. It was also the only project in the nonferrous metals industry that won the Luban Prize (the highest award for engineering quality of construction industry in China) in 2011.
- As the contractor for the 230 kt/a aluminum and aluminum alloy sheet and strip project of Chinalco Ruimin Co., Ltd., we provided technology services of project engineering consultancy, engineering design, project management contracting, civil construction and equipment installation and also provided and procured advanced major production equipment such as "1+3" continuous hot rolling mills and tension leveling machines. The project was put into production in 2011.

In overseas markets, we have also served as the EPC and EP contractor for several large-scale nonferrous metal projects, including the Vietnam Lam Dong Alumina Project and the Vietnam Renji Alumina Project, the first and second alumina projects in Vietnam, respectively. We also successfully applied 320kA aluminum smelting technology, carbon technology and related environmental

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protection technology to Bharat Aluminum Company Limited in India, and undertook the planning, design and procurement of the 1,250 kt/a electrolytic aluminum project in India for Vedanta Aluminum Limited, the largest-scale newly constructed electrolytic aluminum smelter in the world designed and completed in a single round in terms of designed annual production capacity, and the Indian Lanjigarh 3,000 kt/a alumina project, the largest-scale newly constructed alumina project in the world designed and completed in a single round in terms of designed annual production capacity.

In addition, our five construction enterprises carried out engineering and construction contracting business for mining, ore-dressing, smelting and metal material processing projects. To meet the needs of our construction business, some of our construction enterprises established equipment and metal components processing bases to form a relatively complete project construction industry chain and improve profitability.

Major Projects

The following tables set forth our major engineering and construction contracting projects in terms of scale, technology and prominence:

Domestic Projects

Completed Projects

Client	Project	Our Service	Commencement of Construction	Year of Completion	Contract Value (RMB million)
Pangang Group Titanium Co., Ltd.	A titanium sponge project (15 kt/a) ⁽¹⁾	EPC	2009	2011	879.1
Zhuzhou Smelter Group Co., Ltd.	A project of KIVCET direct lead smelting with zinc leaching residue ⁽²⁾	EPC	2009	2011	628.0
Chalco	An alumina project (800 kt/a) in Chongqing ⁽³⁾	EPC	2006	2010	2,630.8
Chalco Zunyi Alumina Co., Ltd.	An alumina project (800 kt/a) ⁽⁴⁾	EPC	2008	2010	3,768.4
Guangxi Huayin Aluminum Co., Ltd.	An alumina technology upgrade project (400kt/a) ⁽⁵⁾	EPC	2009	2010	412.2
	An alumina project, phase I (1,600kt/a) ⁽⁶⁾	EPC	2005	2008	6,028.5

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Client	Project	Our Service	Commencement of Construction	Year of Completion	Contract Value (RMB million)
Zhongjin Lingnan Nonfemet Co., Ltd.	A technology upgrade project of comprehensive recovery of gallium and germanium by utilizing new zinc oxygen pressure leaching process ⁽⁷⁾	EPC	2007	2009	250.0
Zunyi Aluminum Co., Ltd.	An aluminum smelting technology upgrade project ⁽⁸⁾	EPC	2008	2009	819.8
Chalco, Guangxi Branch	An alumina project, phase III (800 kt/a) ⁽⁹⁾	EPC	2006	2008	2,765.4
Lanzhou Aluminum Corporation	An aluminum smelting technology upgrade project using large-scale pre-baked pot ⁽¹⁰⁾	PMC	2005	2007	1,151.0

- (1) This project is the largest and most advanced production system of spongy titanium in the P.R.C.
- (2) This project utilizes the KIVCET direct lead smelting, which has a high capacity and continuous production process and is environmental friendly.
- (3) This project is technically innovative, energy saving and environmental friendly.
- (4) This project utilizes the advanced tube digestion technology in the Bayer process to produce alumina, the process of which is energy saving and environmental friendly.
- (5) This project utilizes the advanced energy-preserving technology to reduce energy consumption.
- (6) This project was the then largest project in the PRC aluminum industry among all lump-sum investments and one-phase developments, and it won the National Construction Engineering Luban Prize in 2011.
- (7) This project utilizes imported advanced technology to increase the production volume of zinc to achieve comprehensive utilization of rare and precious metal resources.
- (8) This project utilizes various advanced technologies, such as the 350kA smelter technology we own, which is energy saving and cost effective.
- (9) This project utilizes the low energy-consuming Bayer process and full indirect heating digestion technology, which is energy saving and environmental friendly.
- (10) This project utilizes advanced pre-baked smelting technology which is highly automated, energy saving and environmental friendly, and won the Second Prize of National Construction Project Quality Award (2009).

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Projects under Construction

Client	Project	Our Service	Commencement of Construction	Expected Year of Completion	As of December 31, 2011			Percentage of Completion
					Contract Value	Recognized Revenue	Estimated Backlog	
(RMB millions)								
Fushun Aluminum Co., Ltd.	An electrolytic aluminum project, phase II ⁽¹⁾	EPC	2008	2012	2,204.0	1,439.6	764.4	65.3%
Duyun Company ⁽²⁾	Duyun City East Interchange (Ramp) City Road BT Project	BT	2010	2012	866.2	255.8	610.4	29.5%
Yunnan Yunlv Zexin Aluminum Co., Ltd. ⁽²⁾	Development Project of 300 kt/a aluminum alloy sheet and strip casting technology by adopting Hazelett Process (300 kt/a) ⁽³⁾	EPC	2010	2012	2,777.7	43.2	2,734.5	1.5%
Chongqing Liangjiang New District Public Rental Housing Investment and Management Co. Ltd.	Chongqing Liangjiang New District Shuitu Wanshow Public Rental Housing Project with Construction of low-cost housing	BT	2011	2013	1,000.0	23.7	976.3	2.4%

(1) This project utilizes advanced pre-baked smelting technology which is highly automated, energy saving and environmental friendly, and it is included among the initial projects under the Plan of Construction Treasury Bonds for Revitalizing Old Industrial Bases in Northeast China.

(2) According to the project schedule provided in the contracts, the significant portions of work of these two projects will be completed in 2012.

(3) This project utilizes the advanced production technology to produce high-quality aluminum alloy products.

Overseas Projects

Completed Projects

Client	Project	Our Service	Commencement of Construction	Year of Completion	Contract Value (USD million)
Vietnam National Coal-Mineral Industries Group	An alumina project (650 kt/a) in Lam Dong, Vietnam ⁽¹⁾	EPC	2008	2011	466.0
Vedanta Aluminum Limited	An electrolytic aluminum project (1,250 kt/a) in India ⁽²⁾	EP	2007	2008	101.3

(1) This is the first alumina project in Vietnam.

(2) This is the largest newly-constructed aluminum smelter in terms of designed annual production capacity in the world.

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Projects under Construction

Client	Project	Our Service	Commencement of Construction	Expected Year of Completion	As of December 31, 2011 (USD millions)			Percentage of Completion
					Contract Value	Recognized Revenue	Estimated Backlog	
DET. AL Metal DMCC	A cast-rolling aluminum strip processing project in Azerbaijan	EP	2010	2014	42.8	10.2 ⁽¹⁾	32.6	23.8%
VINACOMIN-Nhan Co Alumina Joint-stock Company	An alumina project (650 kt/a) in Renji, Vietnam	EPC	2009	2012	419.6	76.3 ⁽²⁾	343.3	18.2%

(1) equivalent to RMB64.42 million translated at the exchange rate of US\$1.00 to RMB6.3158.

(2) equivalent to RMB481.90 million translated at the exchange rate of US\$1.00 to RMB6.3353.

Contracting Models

We have used a number of contracting models for our engineering and construction contracting business. These include EPC contracts, EP contracts, PC contracts, project management contracts and BT contracts:

- **EPC contracts.** In this contracting model we act as the contractor to undertake the entire process of design, materials and equipment procurement, construction, installation of equipment and testing. An EPC contractor is responsible to the owner for the quality, safety, timely delivery and cost of the project. In China, we have served as the engineering general contractor for a number of large-scale nonferrous metal projects. In emerging overseas markets, we have served as the EPC contractor for the first and second alumina projects in Vietnam, and the largest-scale one-off alumina and aluminum smelting projects in the world in terms of designed annual production capacity in India.
- **EP contracts.** This contract model is less comprehensive than the EPC contracting model, since we are only responsible for engineering and procurement of a project. We used the EP contracting model for DET. AL Metal DMCC's cast-rolling aluminum strip processing project in Azerbaijan and for Vedanta Aluminum Limited's electrolytic aluminum project in India, respectively.
- **PC contracts.** This contract model is less comprehensive than the EPC contracting model, because we are only responsible for procurement and construction of a project. As construction work involves low technology and, in turn, lower gross margins, the gross margin of our PC contracts is lower than the gross margins of our EPC and EP contracts.
- **Project management contracts.** We mainly use this contracting model in our large-scale projects. The owner usually engages project management contractors because the project has more complicated project organization, higher technology requirements, higher difficulties in management and generally requires more coordination than other projects. We as the project management contractor take full responsibility for the management of the project on behalf of the owners. We did not enter into any project management business during the Track Record Period. We may carry out project management contracts in the future.

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- **BT contracts.** While we carry out our engineering and construction contracting business mainly through EPC contracts, we are experimenting with other contracting models such as BT contracts. Under a BT project, we act as the project investor, undertaking the financing and development of the relevant BT project. We are required to use our own cash and other resources to finance the engineering, construction and other work before we receive payments from the project owner in amounts sufficient to cover our expenditures. Upon completion and inspection for acceptance of a BT project, the whole project is transferred to the project owner, who then pays us for our construction expenditures, financing costs and services on the BT project in installments pursuant to relevant agreements. In December 2010, we entered into a BT contract with Duyun Company regarding a municipal road construction project, which was our first engineering and construction contracting project adopting the BT contracting model. In September 2011, we entered into a BT contract with Chongqing Liangjiang New District Public Rental Housing Investment and Management Co. Ltd. for a low-cost housing project in Chongqing.

We are subject to risks in relation to our BT projects. See “Risk Factors — Risks Relating to Our Business and the Industries in which We Operate — We face risks associated with undertaking BT and other similar projects requiring advances from us.” To effectively control these risks, we have implemented strict measures. To ensure that the project owners will make subsequent payments and to protect our interests, we typically require a project guarantor with strong credit and financial capability to provide a separate guarantee to us. Before entering into a BT contract, our internal risk evaluation team conducts a comprehensive risk evaluation, including evaluation of (i) whether the BT project complies with industrial policies, (ii) the financial condition of the project owner and the project guarantor, (iii) the growth potential of the local economy where the project is located and (iv) the expected return of the project. To closely monitor the financial condition of the project owner and the project guarantor, we require them to provide us with their financial information on a regular basis to evaluate their financial position, results of operations and cash flows. When there is any adverse change in the financial condition or operations of the project owner or the project guarantor, we may control our risk by suspending our fund injection and performance under the contract or declaring damages in accordance with the terms of the BT contracts. Before we commence a BT project, we prepare a detailed development schedule with the aim that all of our operations be carried out in line with such schedule to ensure the timely completion of the project. We strongly emphasize the process management of our BT projects in order to minimize our costs. During construction, we closely monitor the financial condition of the project owner and the project guarantor. We have established cooperative relationships with banks and other financial institutions to ensure the availability of funds while reducing our finance costs.

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The following table sets forth the revenue contribution of our EPC and EP contracting, PC contracting and BT contracting during the Track Record Period:

	Year ended December 31,					
	2009		2010		2011	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
EPC and EP contracting	5,057,604	66.6	6,494,026	71.7	3,972,808	40.3
PC contracting	2,532,446	33.4	2,564,195	28.3	5,605,524	56.8
BT contracting	—	—	—	—	284,723	2.9
Total revenue of engineering and construction contracting segment	<u>7,590,050</u>	<u>100.0</u>	<u>9,058,221</u>	<u>100.0</u>	<u>9,863,055</u>	<u>100.0</u>

The revenue contribution of our EPC and EP contracting business remained relatively stable at approximately 66.6% and 71.7% of our total revenue for 2009 and 2010, respectively, and the revenue contribution of our PC contracting business also remained relatively stable at approximately 33.4% and 28.3% of our total revenue during the same periods, respectively. The revenue contribution of our EPC and EP contracting business decreased from approximately 71.7% for 2010 to approximately 40.3% for 2011, primarily due to the fact that a large portion of our new EPC and EP projects were launched in the third quarter of 2011, for which we could only recognize a small portion of revenue in the second half of 2011. The revenue contribution of our PC contracting business increased from approximately 28.3% for 2010 to approximately 56.8% for 2011, primarily due to an increase in the volume of contract work.

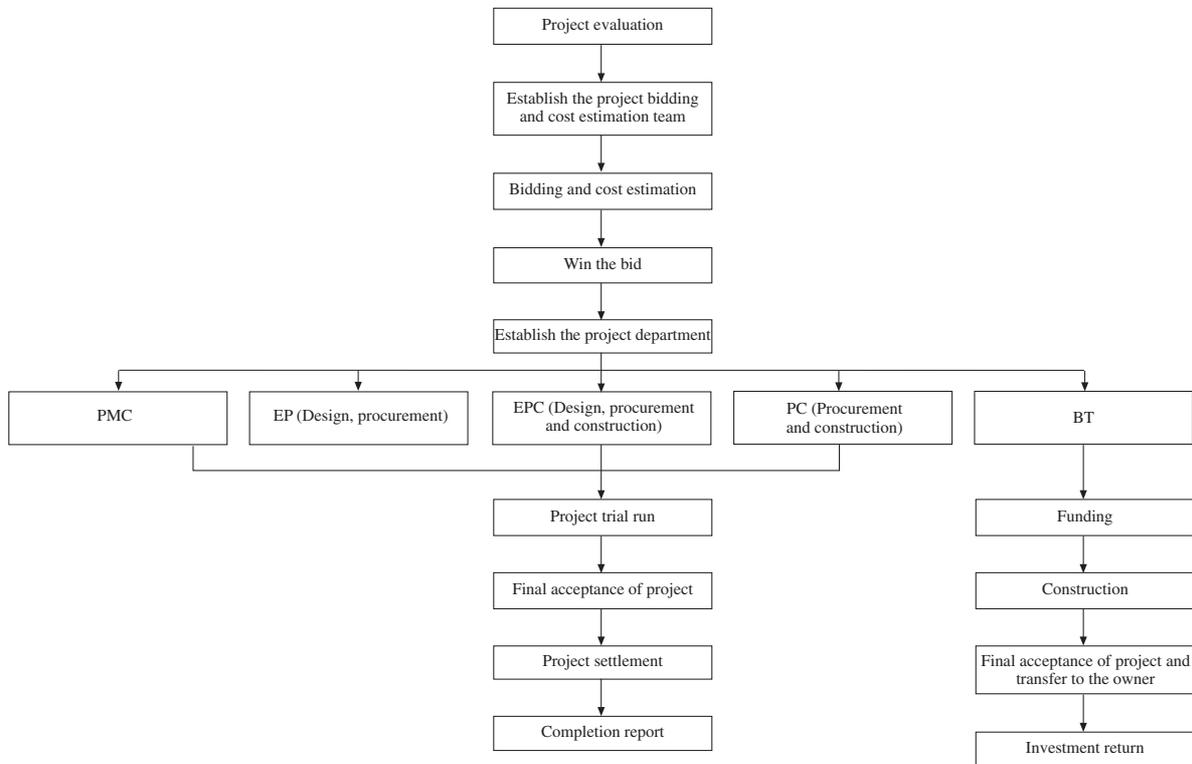
We will use different contracting models for different market and customer demands. We plan to undertake the EPC contracting business in China and overseas markets primarily through our Company and our design and research institute subsidiaries by combining the project management expertise of our Company and the design and research capabilities of our design and research institute subsidiaries. We will use the EP contracting model in the overseas markets where it is not permitted under the local laws and regulations to hire foreign contractors to carry out the construction work, which we believe will further help us expand our overseas operations. PC business will be carried out by our construction subsidiaries to leverage their expertise in construction management. We strive to develop our BT contracting business to further expand our revenue base, while taking into account various factors such as the availability of collateral from the project owner, the achievable profit of the relevant project and our liquidity position before we enter into the BT contract and implementing strict risk control measures during the development of the BT project.

Engineering and construction contracting projects under different contracting models have different gross margins. For example, EPC and EP contracts require us to provide high value-added engineering services, and the business model of BT contracts allows us to be entitled to a risk premium. As such, the gross margins of our EPC and EP projects and BT projects are typically higher than the gross margins of our PC projects. Some contracts may have higher profit margins than others, that was primarily due to our Group's competitive strength in undertaking such large scale, complex and technology challenging projects by leveraging our Group's strong technological innovation, comprehensive and integrated technology and engineering services and advanced project management skills.

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Business Process for Different Contracting Models

The general business process involved in our different contracting models is shown in the following diagram:



Project Evaluation and Bidding

After obtaining information for a potential bid, our Company or the relevant subsidiary will form a price quotation group comprising the management and professional personnel with experience in bidding, contracting and budgeting to assess the bidding environment based on the content and requirements of the bidding document so as to estimate the construction cost and profit, evaluate the bidding risks and develop the bidding strategies. Factors such as technical requirements, specifications, project scale, duration, contract terms, special requirements of the project, status of competitors and customers, risks of the project, our technology capability, competitive advantages and disadvantages, and the condition of our resources are evaluated.

After confirming we meet the pre-qualification criteria set by our potential customers, we will carefully estimate the costs of each project before the submission of our bid. We rely on our experience in estimating project costs and take into account factors such as the differences in site and environmental conditions as compared to those assumed in previous bids, the geographical location of the project, the availability and pricing of raw materials, machinery and local labor and the tax expenses involved. With regards to important subcontracting and procurement contents, we will also proceed with the pre-tender procedure to ensure the accuracy of our estimation and evaluation.

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We are often required to provide a bidding guarantee, in the form of a bank acceptance note, letter of credit, certified check or bank draft, when bidding. The amount of guarantee is generally a fixed amount or a fixed percentage of the bidding price.

After we are selected as a contractor on a project, we will generally receive a written notice from our customers to engage in further negotiations to finalize and formalize the key contract terms.

Design, Procurement and Construction

Design is a key aspect of engineering and construction contracting, particularly in engineering and construction contracting adopting the EPC model, and involves a variety of designs throughout the project period, for example, in relation to equipment manufacturing, equipment and materials procurement, construction, software development and testing, and plant operations. After the project owner determines that the designs are in compliance with the requirements and the construction project designs are delivered, our designer or design department must give a detailed explanation of relevant design documents as required by law.

Procurement includes planning, order placement and tracing, inspection, transportation, materials management and the management of subcontractor procurement. We procure major materials and equipment generally through bidding and strive to ensure the necessary equipment, materials and related services can be procured at acceptable quantities and quality in a timely manner. With respect to project budget and cost controls, we are required to follow our internal budget management measures.

Construction management is critical to successful project management. In general, construction activities are carried out by the relevant construction subsidiary of our Company and each project is managed by one of our project departments. Our construction department typically prepares and implements a detailed plan and operation manual for a project in accordance with our construction guidelines, subject to the approval of our management and the project owner.

Post-construction Inspection and Acceptance

Inspection involves the inspection of individual parts or items in a project as well as inspection of the entire project. The inspection of individual parts of a project requires the contractor to issue the Notification of Acceptance and Completion of the Project upon signing and confirmation by the supervisor of the completion report and inspection receipt submitted by it. The Notification of Acceptance and Completion of the Project should explain the completion of the project, the inspection and acceptance of the project, test running of the equipment without loading, and tasks to be performed after delivery of the project. The inspection of the entire project occurs after the completion of the construction project pursuant to the design requirements and the whole project has been accepted according to the inspection standards. The inspection of the entire project should be conducted by the design, construction and supervision departments appointed by the project owner. In general, inspection of the entire project is warranted only after conducting inspections of all individual parts or items of the project.

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Contract Terms

Most of our engineering and construction contracting contracts set out pre-agreed prices and specific project timetables for completion of work. We usually set our contract price on a cost plus basis. As required by our customers, we either quote an overall contract price or quote a unit price of the work we carry out. When we quote a unit price, the overall contract price will be determined based on the actual volume of work we carry out. We will use different unit prices in accordance with the nature of different work to be carried out on a project. For example, when we carry out earthwork, the volume of work is determined by the cubic meters of earth we removed or filled in, and when we build walls, the volume of work is determined by the cubic meters of walls built by us. Most of our engineering and construction contracting contracts have a fixed contract price. Nonetheless, some contracts contain price adjustment clauses to cover increases in the costs of raw materials, changes in design or work scope, or other specific factors that would cause an interruption of construction and an increase in the cost, such as a lack of water or electricity. Once there is any event triggering the price adjustment mechanism, we need to renegotiate the contract price and enter into a supplemental agreement with the customer. For some other engineering and construction contracting contracts that do not include price adjustment clauses, we build a contingency amount into our bid price to cover any potential increases in costs. If we want to use the contingency amount to cover any cost increase, we need to submit a formal request to the customer for its approval.

Our construction contracts generally contain certain provisions as follows:

Progress payments

We typically receive payment in installments based on the amount of work that we have completed. It typically takes us two to three years to complete an engineering and construction contracting project. Some of our construction contracts require the owners to pay between 10% and 30% of the total contract value to us in advance. Such amounts are typically paid no later than seven days before the commencement date as provided in the contract.

In general, the lag time between the signing of our domestic engineering and construction contracts and the commencement of construction of the projects contemplated thereunder is typically around one week to several weeks. When the outcome of a contract can be estimated reliably, revenue from construction and service contracts is recognized by the percentage of completion method and is measured mainly by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. When the outcome of a contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that is probably recoverable and such contract costs are recognized as an expense in the period in which they are incurred. For further details of the recognition of revenue from our engineering and construction contracts, see “Financial Information — Critical Accounting Policies and Estimates — Revenue recognition — Engineering and construction contracting.” It usually takes us about a week to prepare the progress report of an engineering and construction contracting project and submit such report to our customer at the end of each month. This report is required to be certified by a third-party compliance engineer appointed by our customer. We do not have a credit policy for these installment payments. We usually reach an agreement on the terms of each progress payment with the project owners by taking into account factors such as, among other things, the credit history of the project owners, their liquidity position and our working capital needs. For 2009, 2010 and 2011, the turnover days of our notes and trade receivables were 111 days, 105 days and 116 days, respectively.

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Liquidated damages

Pursuant to our contracts, if a project is delayed through no fault of ours, such as delay caused by inclement weather, technical issues or unexpectedly complex geographic conditions, we are usually granted an extension that fully compensates such delay. However, if the delay is due to our fault, we are usually required to pay liquidated damages, typically at an agreed rate per day. In the case of a delay due to our faulty or defective work, the owner may also have the right to appoint a third party to complete the work, and to deduct the additional costs or charges incurred for completion of the work from the contract sum. Our Directors have confirmed that we did not pay any liquidated damages during the Track Record Period.

We have implemented a series of project management regulations applicable to each stage of a project according to the nature, characteristics and requirements of the project, including project implementation, labor management, raw materials procurement and monitoring, and quality control to ensure that the project will be completed according to the contract terms, particularly with respect to time and scope of work. We have adopted a strict award and penalty scheme that is applied to our employees as well as to our subcontractors to ensure that they strictly comply with our project management regulations. We have also implemented routine and non-routine goal management, responsibility management and on-site inspections to ensure that our employees and sub-contractors comply with our project management regulations. In circumstances where the owner modifies the agreed scope of work of a project during the construction phase due to a change in design or a correction of design errors, we negotiate adjustments in payment or construction timetables with the owner in accordance with the change in scope of work.

Maintenance

The contractual maintenance period provided in our engineering and construction contracting contracts is usually one year after the completion of a project. During this maintenance period, we are liable in accordance with the terms of the contract for any defects in our work. As the project owner generally withholds an amount equal to 5% to 10% of the contract price as retention funds for any defects in the quality of our work, we do not make provision for warranties of engineering and construction projects.

Retention funds

Upon completion of the entire work scope of a project, we notify the owner, who then sends a third-party compliance engineer to carry out a final examination and acceptance of our work. If our completed work satisfies relevant completion and examination standards, the third-party compliance engineer will issue a formal completion and examination report to the owner. Based on this report, the owner makes the final payment to us pursuant to the contract and will generally withhold an amount equal to 5% to 10% of the contract price as retention funds for any defects in the quality of our work for the length of the maintenance period. Some owners may accept a bank guarantee instead of withholding part or all of the retention funds. Such retention funds and/or bank guarantees are held for the duration of the contractual maintenance period. We have established comprehensive quality control measures. See “— Quality Control.” As of December 31, 2009, 2010 and 2011, the retention funds amounted to approximately RMB82.1 million, RMB46.5 million and RMB32.5 million, respectively. Other than the litigation matters disclosed in “Business — Regulatory Compliance and Legal Proceedings,” we had not received any complaints from our

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customers about the quality of our work that were material. During the Track Record Period, we did not experience any material quality control issues. Our Directors have confirmed that none of our customers had defaulted on their obligation to release retention funds during the Track Record Period.

Owner changes

During the ordinary course of most projects, the project owner, and sometimes the contractor, may initiate modifications or changes to the original contract to reflect, among other things, changes in specifications or design, method or manner of performance, facilities, equipment, materials, site conditions or the period for completion of the work. The scope and price of such modifications or changes are typically documented in an “owner change” to the original contract and are reviewed, approved and paid for in accordance with the normal “change order” provisions of the contract.

Subcontracting

During the Track Record Period, in both domestic and overseas markets, we submitted tenders for projects to act as the EPC contractor without partnering with other contractors, because we as a full-business chain service provider were able to execute such projects with our own resources.

We act as the EPC contractor in most of our projects. We may from time to time subcontract ancillary work of our projects to subcontractors. In addition, if we need extra manpower due to a shortage of labor, or in order to speed up the progress of project work, we may need to subcontract labor services internally or engage subcontractors that are third parties. For the years ended December 31, 2009, 2010 and 2011, we incurred subcontracting charges of RMB2,953.8 million, RMB2,615.0 million and RMB2,611.3 million, respectively. For more information on our subcontracting work and subcontracting charges, see “Financial Information — Consolidated Results of Operations — Description of Selected Components of Results of Operations — Cost of Sales.”

We generally engage subcontractors through tenders, from which we select a subcontractor primarily based on its qualifications, past performance, personnel credentials, financial strength and proposed subcontract fees. The subcontracting agreements primarily set forth the principal terms relating to fees, scope of work, technological standards or service quality, delivery time, payment, project management, bonds, insurance, liabilities and compensation, which generally reflect the terms and conditions of our main contract. Subcontracting arrangements are made on a project by project basis, and the duration of each subcontracting agreement generally depends on the progress, scope and other needs of each project.

We take a number of measures to manage and monitor the performance of our subcontractors in terms of both quality and delivery time and to ensure compliance with the applicable safety and environmental protection requirements. For example, we hold periodic meetings with subcontractors and typically require subcontractors to submit monthly reports to us regarding their work progress. We carry out both regular and ad hoc on-site inspections, and in some projects have on-site supervisors and technological consultants to monitor subcontractors’ work and ensure compliance with the relevant government rules and regulations. To maintain our desired

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technological standards, we would generally design the construction technology plan and closely manage its execution by the subcontractors. Pursuant to the subcontracting agreements, we are also generally entitled to compensation if the subcontractors fail to meet the prescribed requirements of quality, delivery time, technologies, and safety and environmental protection standards.

Under our subcontracting agreements, we and our subcontractors are typically jointly liable for work safety issues arising from subcontracted work. Our subcontractors typically remain liable for their activities in violation of laws and regulations. Under the PRC law, our Group as the main contractor is liable to our customers and third parties for the wrongdoings of our subcontractors, and we have a right of recourse against our subcontractors. Pursuant to the subcontracting agreements, the subcontractors typically are also held liable for those of our damages caused by them. We therefore may be liable for only limited legal or financial consequences in case of accidents or regulatory non-compliance of the subcontractors. Such accidents or non-compliance may have a negative impact on our reputation and may result in legal proceedings involving us.

For the Track Record Period and up to the Latest Practicable Date, we had not been held liable for any material compensation or penalty due to accidents or regulatory non-compliance of our subcontractors.

EQUIPMENT MANUFACTURING

Overview

Equipment manufacturing is a high-technology industry that we have prioritized for development. Our equipment manufacturing operations mainly focus on producing equipment by utilizing our proprietary and patented technologies. We manufacture and sell customized core metallurgical and processing equipment, environmental protection equipment, mechanical and electronic equipment and component parts, integrated electromechanical industrial equipment, production process automation systems, automation assembly equipment, industrial automation systems, and mine safety monitoring and emergency intelligent systems. Our products are used in various aspects of the nonferrous metal industry chain, including mining, ore-dressing, smelting and metal material processing.

In particular, we are a leading manufacturer in China of nonferrous metals rolling mills, for which we have won a number of national, provincial and ministerial awards in recent years. We have cooperated with the world's major aluminum rolling mills suppliers, such as Siemens VAI Metals Technologies GmbH, on equipment and technology to manufacture advanced metal material processing equipment, which has been sold to metal material manufacturers in China. We sell our rolling mills, melting and holding equipment, finishing equipment and hot treatment equipment to customers in the PRC and countries such as Vietnam, Brazil, Nigeria, Peru, India, Laos and Pakistan. Meanwhile, we also monitor technological developments and investments in emerging industries such as energy conservation, environmental protection and new materials production to continuously improve our product mix and mitigating potential risks. In addition to the sale of equipment, we also provide related services including equipment technology consultancy, installation and testing, as well as equipment maintenance.

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Principal Products

We mainly produce the following products:

- Customized equipment used for ore-dressing and smelting, such as floating columns, high-efficiency stirring tanks, drum washing machines, trough washing machines, anodic hoists, roasting furnace burners, vacuum ladle units, electrolytic flue gas purification filters, ultra-dense phase transmission devices and aluminum electrolytic cell uninterrupted on-off cell devices; in particular, the new CCF counter current contact inflatable flotation column is characterized by high ore-dressing efficiency, low operating costs, a high degree of automation and small infrastructure investment. It can be widely used in various mining and ore-dressing areas in connection with nonferrous metals, ferrous metals and coal mines. The technical level of such products has reached international advanced standards, making it feasible for replacing mechanical agitating flotation machines widely used currently;
- Specialized equipment used for the processing of nonferrous metals materials, such as aluminum and aluminum alloy hot rolling mills, high speed aluminum strip cold rolling mills, aluminum foil rolling mills, copper and copper alloy hot rolling mills, copper strip cold rolling mills, nonferrous metals strip tension leveling machine units, surface cleaning machine units, large aluminum melting furnace units and aluminum hot treatment furnace units;
- Computer control systems used for nonferrous metals production, such as aluminum cell intelligent multi-mode control systems, alumina and carbon production line computer control systems; and
- Ancillary equipment used for nonferrous metals production, such as rolling oil recovery devices, high-speed mill automatic monitoring fire extinguishing devices, harmonic control and reactive power compensation system.

Manufacturing Facilities

The following table sets forth the area and major products of our manufacturing facilities as of December 31, 2011:

Subsidiary of our Company	Location	Floor area (sq. m.)	Major products	Production volume (units)	Capacity as of December 31, 2011 (units)	Utilization rate for 2011 ⁽¹⁾
China Nonferrous Metals Processing Technology Co., Ltd.	Luoyang, Henan province	26,948	Rolling mills and stretching-bending rectifiers	15	16	93.8%
Shenyang Boyu Technology Co., Ltd.	Shenyang, Liaoning province	4,257	Alumina hyper dense phase conveying systems, agitators, vacuum ladles and non-standard equipment	322	362	89.1%
Hunan Huachu Machinery Co., Ltd.	Changsha, Hunan province	1,614	Flotation columns and stirring tanks	160	198	80.8%

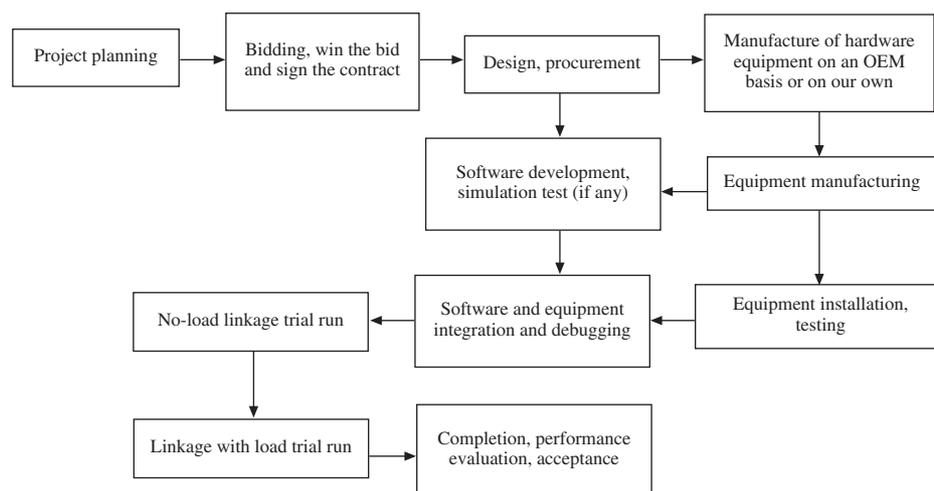
(1) Utilization rate is calculated by dividing the production volume for 2011 with the designed annual production capacity as of December 31, 2011.

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Part of our equipment manufacturing operations, including the business conducted by Guiyang Zhenxing Aluminum and Magnesium, focus on the development of equipment software, and therefore do not need large manufacturing facilities.

Manufacturing Process

The following diagram sets forth the general manufacturing process of our equipment:



We secure equipment sales contracts by way of packaging them with our engineering design and consultancy and EPC and EP contracts. After signing an equipment sales contract, we carry out equipment design and procurement of raw materials and component parts, after which production would begin. Products are not delivered to customers until they pass our testing procedures, and our technicians participate in the on-site installation and testing of the equipment.

We usually require our customers to pay a 10% to 30% down payment for their orders, and the remaining amounts are to be settled after delivery of the equipment. We usually provide a credit term between 30 to 90 days for sales of equipment in accordance with sales contracts.

BACKLOG AND NEW CONTRACT VALUE

Backlog represents our estimate of the contract value of work that remains to be completed as of a certain date. The contract value of a project represents the amount that as of the relevant date we expect to receive under the terms of the contract if the contract is performed in accordance with its terms. See “Risk Factors — Risks Relating to Our Business and the Industries in Which We Operate — Certain projects in our backlog are subject to unexpected adjustments and cancellations, therefore the backlog may not accurately reflect the future operation condition of our Company.” As of December 31, 2009, 2010 and 2011, the backlog of our operations was approximately RMB12,360.7 million, RMB15,384.0 million and RMB32,079.3 million, respectively. As of December 31, 2011, approximately RMB25,366.1 million of our backlog was for our operations in China and approximately RMB6,713.2 million of backlog was for our overseas operations.

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The following table sets forth our backlogs and their respective changes as of the dates indicated:

	As of January 1,		As of December 31,					
	2009		2009		2010		2011	
	Backlog	Change ⁽¹⁾	Backlog	Change ⁽¹⁾	Backlog	Change ⁽¹⁾	Backlog	Change ⁽¹⁾
	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Engineering design and consultancy	2,400.4	2,517.0	4.9	2,604.0	3.5	3,055.4	17.3	
Engineering and construction contracting	12,049.6	8,833.1	(26.7)	11,791.8	33.5	27,450.8	132.8	
Equipment manufacturing	898.2	1,010.6	12.5	988.2	(2.2)	1,573.1	59.2	
Total	<u>15,348.2</u>	<u>12,360.7</u>	<u>(19.5)</u>	<u>15,384.0</u>	<u>24.5</u>	<u>32,079.3</u>	<u>108.5</u>	

(1) Change reflects the increase or decrease from the balance as of the preceding balance date.

New contract value represents the aggregate value of the contracts we entered into during a specified period. The value of a contract is the amount that, as of the relevant date, we expect to receive under the terms of the contract if the contract is performed in accordance with its terms. For the years ended December 31, 2009, 2010 and 2011, the new contract value of our operations was approximately RMB6,565.8 million, RMB14,256.5 million and RMB28,889.8 million, respectively.

The following table sets forth our new contract value for the periods indicated:

	Year ended December 31,		
	2009	2010	2011
	New contract value ⁽¹⁾	New contract value ⁽²⁾	New contract value ⁽³⁾
	(RMB million)		
Engineering design and consultancy	1,182.1	1,256.5	1,901.2
Engineering and construction contracting	4,373.5	12,016.9	25,504.8
Equipment manufacturing	1,010.2	983.1	1,483.8
Total	<u>6,565.8</u>	<u>14,256.5</u>	<u>28,889.8</u>

(1) Major new contracts include the titanium sponge project for Pangang Group Titanium Co., Ltd., the project of KIVCET direct lead smelting with zinc leaching residue for Zhuzhou Smelter Group Co., Ltd., the alumina technology upgrade project for Guangxi Huayin Aluminum Co., Ltd., and the alumina project in Renji, Vietnam for VINACOMIN- Nhan Co Alumina Joint-stock Company.

(2) Major new contracts include the Duyun City East Interchange (Ramp) City Road BT Project for Duyun Company, the 300 kt/a aluminum alloy sheet and strip casting technology development project adopting Hazlett Process for Yunnan Yunlv Zexin Aluminum Co., Ltd., and the cast-rolling aluminum strip processing project in Azerbaijan.

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- (3) Major new contracts include the Chongqing Liangjiang New District Shuitu Wanshow Public Rental Housing Project with Construction of low-cost housing for Chongqing Liangjiang New District Public Rental Housing Investment and Management Co. Ltd. and the Maochang Mine Project (1,200 kt/a) for Chalco Guizhou Branch .

COMPETITION

Domestic competition

The competition we face in the PRC engineering industry mainly comes from other enterprises that hold higher-level government-issued qualifications and have competitive technical capability, experience and reputation.

In the PRC nonferrous metals engineering industry, we compete mainly with other PRC companies. Competition primarily arises from technology, service quality and price. Our advanced proprietary technology, rich technological know-how, strong customer base, excellent service quality and good track record are our key advantages in such competition.

- In engineering design and consultancy, we compete with various domestic companies in specific areas. In the alumina and electrolytic aluminum field, we mainly compete with Northeastern University Design Institute and Central South University Design Institute. In the heavy nonferrous metals and rare metals field, we mainly compete with China Enfi Engineering Corporation and China Nerin Engineering Co., Ltd.
- In engineering and construction contracting, we have established a leading position in the PRC nonferrous metals industry by leveraging our technology and experience; particularly, we are in a dominant position in the aluminum manufacturing field. In the heavy nonferrous metals, rare metals and rare-earth metals, we mainly compete with China Enfi Engineering Corporation and China Nerin Engineering Co., Ltd.
- In equipment manufacturing, we compete with various domestic equipment manufacturers specialized in specific areas. These companies can sometimes be competitive in terms of pricing, while we believe we have advantages in terms of technology, brands and quality.

Beyond the PRC nonferrous metals industry, we face more intense competition with established domestic companies in the respective fields. In particular, competition in the well-developed PRC construction sector is exceptionally fierce. Competition beyond the PRC nonferrous metals industry primarily arises from qualifications, price, project management capability, experience and financing capability.

Overseas competition

Our overseas operations are focused on the nonferrous metals industry, and our key competitive strength is our advanced technology in nonferrous metals production. We typically obtain design business first, based on which we then extend the scope of our engagement to cover engineering and construction contracting, and equipment manufacturing. Our main competitors are overseas companies with leading technology from developed countries such as the U.S., Canada and Norway. Competition primarily arises from technology, price and service quality. We also face competition from certain PRC-based engineering and construction contracting companies in the overseas markets. We believe our technology is competitive with that of our overseas competitors, and we are able to offer better prices based on our cost advantages.

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CUSTOMERS, SALES AND MARKETING

Engineering design and consultancy, contracting and construction projects in the PRC are generally contracted by public tenders, in which only qualified contractors may participate. We have a team dedicated to identifying potential projects and to decide whether to participate in a public tender based on the information we have collected.

As we provide a broad range of services and products in each of our business segments, we have a diverse customer base. For our operations in the nonferrous metals industry, our customers are mainly large-scale companies engaged in the mining, ore dressing, smelting and metal material processing of nonferrous metals. Our customers outside the nonferrous metals industry include chemical companies, construction materials companies, real estate companies, infrastructure and municipal project companies. We provide engineering design and consultancy, contracting and construction services and we sell equipment to our customers. For nonferrous metals engineering and construction projects and other projects overseas, we primarily target developing countries and territories that we believe have a good environment for economic development and in which we believe our technological capabilities will provide us with an advantage. Our overseas customers include primarily large-scale nonferrous enterprises or industrial groups in the overseas markets such as Vietnam, India, Kazakhstan, Malaysia, Mongolia, Laos, Saudi Arabia, Mozambique, Azerbaijan, Peru and Venezuela.

For 2009, 2010 and 2011, our five largest customers together accounted for 50.0%, 48.6% and 26.7%, respectively, of our revenue for the respective periods, and our single largest customer, which is part of the Parent Group, accounted for 25.9%, 20.1% and 11.0%, respectively, of our revenue for the respective periods. In addition, for 2009, 2010 and 2011, our revenue contributed from the Parent Group and a jointly controlled entity of Chinalco amounted to approximately RMB4,775.8 million, RMB4,147.7 million and RMB3,653.3 million, respectively, representing approximately 50.0%, 36.9% and 30.0%, respectively, of our revenue during the same periods. Save for members of our Parent Group, none of our Directors or Supervisors, their associates or any shareholders who own more than 5% of our issued share capital has any interest in any of the above customers.

SUPPLIERS

We procure raw materials mainly for our engineering and construction contracting business and our equipment manufacturing business. The raw materials used in our engineering and construction contracting business mainly include steel, cement and aluminum. The raw materials used in our equipment manufacturing business mainly include steel, electrical instruments and component parts.

For certain engineering and construction contracting projects for which we are responsible for raw materials procurement, we have two methods of procurement: procurement by ourselves and procurement controlled by ourselves (whereby sub-contractors purchase raw materials subject to our quality monitoring). Under subcontracting arrangements, we may choose to allow sub-contractors to purchase raw materials for their own use.

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We procure equipment for our customers under some engineering and construction contracting contracts, such as power equipment and rectifier units and diaphragm pumps. Methods for the procurement of such equipment are mainly procurement by ourselves and procurement controlled by project owners. We have established good relationships with our major suppliers of equipment, which allow us to enjoy strong bargaining power and minimize the risk of price fluctuations, as well as ensure the high quality of equipment we procure.

In each of the years ended December 31, 2009, 2010 and 2011, our purchase of supplies from our five largest suppliers as defined in the Listing Rules (meaning the ultimate supplier of items which are not of a capital nature) amounted to RMB421.9 million, RMB749.6 million and RMB568.6 million, respectively, representing 5.1%, 7.9% and 5.7%, respectively, of our total cost of sales during the respective periods. During the same periods, our purchases of supplies from our single largest supplier amounted to RMB157.2 million, RMB449.0 million and RMB173.3 million, respectively, representing 1.9%, 4.8% and 1.7%, respectively, of our total cost of sales during the respective periods. None of our Directors or Supervisors, their associates or any shareholders who own more than 5% of our issued share capital has any interest in any of the above suppliers.

TECHNOLOGY, RESEARCH AND DEVELOPMENT

We are an engineering service enterprise specializing in the application of professional technology. Our core strengths are making use of our technological capabilities and experiences accumulated to convert a variety of advanced and reliable technologies and equipment into production systems or other products required by our customers in accordance with their requirements so that our customers can realize their investment and construction objectives.

We adjust the direction of our technology research and development with the goal of meeting market demand. On this basis, we identify specific technical issues that need to be solved and key problems that need to be tackled. We have established a special research group led by senior experts with strong innovative capabilities and extensive experience. The teams consist of professional technicians with relatively outstanding academic and research capabilities.

We continue to collect and improve related expertise in the process of our long-term engagement in the engineering design business of the nonferrous metals industry, thereby establishing our Company's core technologies and core competency. We own full-business chain technologies in connection with nonferrous metals mining, ore-dressing, smelting and nonferrous metals material processing, which are leading in China in terms of technological level.

We have been actively driving the commercialization of scientific and technological achievements, particularly expediting the commercialization of technologies such as energy conservation and discharge reduction, integrated utilization of resources, renewable energy and safety and environmental protection technologies, to significantly increase the technology content of products. The technologies transferred have achieved remarkable results and have played an increasingly important role in providing technological support for the nonferrous metals industry in China and facilitating technological advancement.

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We have maintained long-term relationships with domestic and foreign research institutions, universities and enterprises to carry out technology exchange and cooperation, forming an alliance for research, development, application and production. Such an alliance has enabled a comprehensive technology development system, integrating research and development, lab simulation, semi-industrial verification and industrial verification, which serves as a better platform to increase the efficiency of technology research, produce more and better research results and commercial utilization of technology. We may enter into cooperative development agreements with our research and development partners, under which the parties share the costs and expenses of the development of new technologies and products and enjoy the relevant intellectual properties and economic benefits in accordance with the percentages agreed between our research and development partners and us. We may also commission research institutions to develop new technologies and products for us, under which we are responsible for the relevant development costs and expenses, and own the relevant intellectual properties and economic benefits. Our major research partners include Central South University, Huazhong University of Science and Technology, Hunan University, Guizhou University and Xi'an University of Architecture and Technology in China, as well as Oakland University in New Zealand.

Technology System and Organizational Management

We have established a technology management mechanism with three levels:

- First, establish a platform for exchange, interaction and cooperation with the basic functions of strategic development, coordination and service and provide full support for innovative events in terms of regime and financial resources. We have formulated a series of rules and regulations in relation to project inception, research, verification and acceptance and achievement commercialization and marketing, and have established an interactive platform for intellectual property right exchange.
- Second, select a subject of research according to market demand and organize and implement it in a way incorporating production, academy, research and application, with the basic functions of the actual implementation of technology development and the commercial application of research achievements; and
- Third, improve the hardware for technological innovation through building a scientific system, laying a foundation for producing more and better achievements.

Technology Expenditures and Major Technological Achievements

We place great importance to technology innovation and development. Our Changsha Institute (exclusive of its subsidiary and projects departments), GAMI and SAMI (exclusive of their respective subsidiaries), together with our branches in Shengyang and Guiyang, as well as our Suzhou Nonferrous Metals Institute Co., Ltd., a subsidiary of CNPT, are our core research and development centers with strong focus on research, testing and development of new technologies. For 2009, 2010 and 2011, the cost of sales related to core business incurred by these research centers were approximately RMB249.9 million, RMB324.3 million and RMB405.2 million, respectively. For 2009, 2010 and 2011, our expenditures on research and development activities amounted to approximately RMB48.4 million, RMB65.9 million and RMB121.6 million, respectively, representing approximately 0.5%, 0.6% and 1.0%, respectively, of our revenue during the same periods. We define the cost of sales related to core business of these research centers, together with

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our research and development expenditures as our technology expenditures. For 2009, 2010 and 2011, our technology expenditures were approximately RMB298.3 million, RMB390.2 million and RMB537.1 million, respectively, accounting for approximately 3.1%, 3.5% and 4.4%, respectively, of our total revenue during the same periods.

We regard technological innovation as our core competency, and have developed a series of proprietary technologies relating to the mining, ore-dressing, smelting and metal material processing of non-ferrous metals. As of December 31, 2011, we had 2,781 patents (including 474 invention patents) in China and 12 overseas patents, as well as 1,091 patent applications (including 883 invention patent applications) in China. In addition, as of December 31, 2011, we had 19 computer software copyrights registered in China. We publish certain national magazines such as *Light Metals* (《輕金屬》), *Rare Metals and Cemented Carbides* (《稀有金屬與硬質合金》) and *Nonferrous Metal Processing* (《有色金屬加工》), and have led or participated in the preparation of various national, provincial and ministerial standards in the field of construction with nonferrous metals in China, reflecting our position as one of the most influential design and research enterprises in the nonferrous metals industry in China. As of December 31, 2011, we had 4,274 engineering technicians devoted to research and development, as well as engineering design and consultancy, and approximately 42.3% of them hold undergraduate degrees or above.

As of December 31, 2011, we had won 76 National Science and Technology Awards and 549 provincial and ministerial Science and Technology Awards and had undertaken two projects under the “National 863 Program”, three projects under the “National Torch Program” and 18 projects under the support of local governments. We have compiled or participated in the compilation of various national and provincial technology standards.

We have a large number of proprietary technologies in the areas of mining, ore dressing, smelting and processing of nonferrous metals. We have achieved internationally advanced standards for certain of these technologies.

- For nonferrous mines, we have complete mining and ore-dressing technologies. In terms of major technological innovation, we have developed (i) internationally advanced new CCF flotation column technology; and (ii) the new technology of using hydraulic props instead of natural ore pillars, with the recovery rate of bauxite increasing by 10%, achieving safe, effective and low-cost recovery.
- For alumina, we have the whole set of technology of producing alumina using the sintering process and the Bayer process and have also developed the new technology of producing alumina using the lime Bayer process, the ore-dressing Bayer process and the Bayer-sintering joint process, which have increased the yield of low-grade bauxite in China, decreased the consumption of resources and reduced wastage. We have developed the multi-effect falling film evaporation technology, which has decreased steam consumption during the manufacture of alumina and reduced production costs.
- For aluminum smelting, we are the only enterprise that has developed various types of electrolytic cells with operating current ranging from 200kA to 500kA and their ancillary technologies in China. In particular, the 500kA electrolytic cell is one of the aluminum electrolysis facilities with the greatest capacity in the world and has achieved series production, with all benchmarks reaching international advanced standards. We have developed (i) the new structure electrolytic cell and electrolytic cell aluminum liquid flow state optimization and

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energy saving technology; (ii) the electrolytic cell three-variables control technology, which has increased the current efficiency by 2% on average, saved electrical energy, decreased material consumption and reduced discharge; and (iii) the technology of starting up /shutting down electrolytic cells with uninterrupted power, achieving the integration of conversion and remote machine operation for starting up/shutting down electrolytic cells under full amperage.

- For copper, lead, zinc, rare metals and rare-earth metals smelting, we currently master the most advanced smelting technology in China. The newly developed zinc smelting and integrated recovery new technology has filled the gap of zinc-oxygen pressure leaching technology and enabled scarce valuable metal recovery in China. The oxygen-rich side-blown bath smelting technology has led to lower costs and higher efficiency for copper smelting technology in China. The key technologies of highly efficient and clean production of lead and recycling of resources meet the trends of reducing consumption of energy and discharge of wastes and circular economy.
- For nonferrous metals material processing, we own a complete technology and research and development system for plate and strip foil, tube and rod material processing, and have developed a series of alloy metal products and their manufacturing technologies, which were provided to nonferrous metals material manufacturers. We have also developed and manufactured large-scale nonferrous metals material processing equipment with high manufacturing efficiency, good product quality, safety and reliability, which were provided to nonferrous metals material manufacturers.

Technology Strategy and Key Research and Development Projects

We plan to make the four design and research enterprises of our Company as the principal bases for application research. The headquarters of our Company will be responsible for coordinating and providing service support and will identify points of interest based on market needs and the needs of our Company. We will formulate technology strategies, better integrate and share internal technology resources and seek more comprehensive cooperation with external parties. We will tackle key issues in connection with production processes and technology and equipment with high energy consumption, serious pollution, low efficiency and high consumption in the nonferrous metals industry by incorporating knowledge gained through production, academic research, development and application. We will tackle technological issues in connection with reducing power and material consumption and increasing production efficiency for aluminum smelting, reducing gas consumption and large-scale production for alumina, the integrated utilization of low-grade bauxite, the integrated utilization of fly ash, the integrated treatment of red mud, the integrated control of electrolytic carbon soot emission, residual heat utilization, the development of mining and ore-dressing equipment with high effectiveness and low consumption, the research on new materials, the development of more advanced nonferrous metals material processing equipment, the development of key operating equipment and tools and instruments and safety and environmental protection. We also prepare for the construction of a scientific research platform for nonferrous metals processing and new materials. We have commenced in-depth cooperation with the Auckland University and completed the construction of the light metal smelting technology research centre project.

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Current Research and Development Projects

The following is a list of our recent major research projects:

- For alumina, we have undertaken research on the high sulphur bauxite production process wet desulfurization technology and developed and improved other types of technologies of utilizing bauxite to increase the amount of available bauxite resources and resources utilization; undertaken the research on Bayer red mud absorption boiler SO₂ waste gas integrated utilization to treat wastes with other wastes, proceed with integrated utilization, save resources, realize clean production and meet environmental protection standards;
- For aluminum smelting, we have undertaken the national 863 scientific research project; undertaken the research on roasting process technological parameters and furnace structure optimization to achieve the purposes of producing quality products, high production, energy conservation and low consumption; undertaken the new technological research on the flue gas purification system, the research on the integrated utilization of electrolytic cell overhaul slag muck to strive for realizing the integrated utilization of waste and the overall target of environmental protection and discharge reduction;
- For copper, lead, zinc, manganese, rare materials and rare-earth metals smelting, we have undertaken new technological research on the lead smelting process, technological research on manganese smelting environmentally friendly technology and large-scale equipment manufacturing, intensive research on the oxygen-enriched side-blowing copper smelting technology and the zinc hydrometallurgy technology;
- For the material processing of nonferrous metals, we have constructed the scientific research platform for nonferrous metals processing and new materials; undertaken the research on aluminum and aluminum alloy isothermal smelting technology and equipment; undertaken the research on the aluminum plates and strips lean production and manufacturing and execution system; undertaken the development of aluminum plates and strips rolling processes and technologies and the research on large cross-section directional crystallization copper preparation technology; and
- For survey, we have undertaken the research on mine safety inspection and emergency intelligent systems.

QUALIFICATIONS

As of December 31, 2011, our Company and our subsidiaries held a total of 128 qualifications of various types, including:

- 54 qualifications to provide engineering design and consultancy services, which include qualifications in engineering design, engineering consultancy, environmental impact evaluation consultancy, engineering costs consultancy, engineering and geological survey, mapping, geological hazards evaluation and treatment design and construction, special engineering design, special equipment design, municipal and rural planning, and technology trading;
- 62 qualifications to provide engineering and construction contracting services, which include qualifications in engineering supervision, equipment supervision, construction, installation, repair and testing of power facilities, special equipment installation, modification and maintenance, as well as overseas contracting; and
- 12 other qualifications relating to other activities including import and export qualifications.

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We hold qualifications that are necessary for all our current business operations. We plan to obtain further qualifications in the future along with the development and expansion of our business. For the details of our qualifications, see “Appendix V — Statutory and General Information — 3. Further Information about our Business — C. Our Qualifications.”

QUALITY CONTROL

Our Company and its subsidiaries have implemented various system standards such as the GB/T19001-2008/ ISO 9001: 2008 in accordance with the quality supervision and management models consisting of government supervision, social oversight, internal enterprise controls and customer evaluations. We have:

- Compiled quality management manuals, established quality control procedures and adopted quality control standards;
- Put in place quality supervision and management structure. For example, our subsidiaries engaging in engineering and construction contracting operations have established quality control mechanisms at each of the company, project company and operational unit levels;
- Established quality control reporting mechanisms such as daily inspections, self-inspections, cross-project inspections, company departmental joint inspections and remote monitoring to identify quality issues as early as possible. Minor quality issues identified will be dealt with on-spot, while major issues will be submitted to management to be discussed and resolved; and
- Carried out continuous activities to improve quality of our products and services. For example, our subsidiaries engaging in engineering design and consultancy operations carry out post-project client visits regarding design quality, preliminary reviews and internal audits, while our subsidiaries engaging in engineering contracting operations carry out process monitoring, satisfactory survey during projects and annual visits to and internal and external reviews of completed projects.

During the Track Record Period, we did not experience any material quality control issues.

HEALTH AND SAFETY

We regard occupational health and safety as one of our important corporate and social responsibilities. Our Company and its subsidiaries have implemented various system standards such as GB/T28001-2001 in accordance with the health and safety supervision and management model comprising government supervision, social monitoring, corporate internal control and external certification bodies.

Our business operations involve significant risks and hazards that could result in damage or destruction of property, death and personal injury, business interruption and potential legal liabilities. Please see “Risk Factors — Risks Relating to Our Business and the Industries in Which We Operate — Our engineering and construction contracting and equipment manufacturing operations are subject to inherent operating risks and occupational hazards.” Certain of our operations, such as geological survey, engineering and construction contracting, construction and equipment manufacturing, may be particularly exposed to such risks.

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Pursuant to the Work Safety Law of the PRC (《中華人民共和國安全生產法》), the Regulations on Work Safety Accident Reporting and Investigation (《生產安全事故報告和調查處理條例》) and the Measures of Work Safety Permits (《安全生產許可條例》), we have implemented various health and safety measures, such as establishing professional health and safety committees, compiling health and safety management manuals, establishing standard procedures, and adopting health and safety standards and contingency plans. We have also promoted health and safety through training programs and various awareness campaigns. We have maintained an excellent safety record. During the Track Record Period, we had no work-related fatalities.

All of our subsidiaries engaging in construction operations have obtained and maintained a work safety permit issued by the relevant PRC local authorities. The work safety permit review is performed by relevant PRC government authorities once every three years. We have not experienced any termination or suspension of our work safety permit by the relevant government authorities. With regard to our overseas operations, we are committed to strict compliance with applicable local laws on health and safety. Our ability to comply with local laws is an important consideration before we decide to commence operations in a foreign jurisdiction.

ENVIRONMENTAL PROTECTION

We are subject to PRC national and local as well as foreign environmental laws and regulations relating to air pollution, noise emissions, hazardous substances, sewage and waste discharge and other environmental matters.

Our engineering design and consultancy operations have not created any material environmental protection issues of which we are aware. We and all of our principal subsidiaries engaging in engineering and construction contracting business have established GB/T24001/ISO 14001: 2004 environmental management systems and received the relevant certificates.

Based on GB/T 24002-2004/ISO 14001:2004 “The Requirements of Environment Management System and User’s Guide,” our Company and our major subsidiaries have adopted stringent measures to control pollutant production in the manufacturing processes and established an environmental protection and control system, thereby forming a comprehensive pollution control system. We intend to maintain our investment in environmental protection, to promote clean production and to reduce pollution creation at its source.

In our overseas operations, we emphasize compliance with applicable laws and regulations, which is important to our success in any particular overseas project. For this reason, our ability to comply with applicable laws and regulations is one of the factors we consider before undertaking a project.

Our PRC legal advisors, Jia Yuan Law Firm, have advised us that our business is in compliance with currently applicable PRC national and local environmental laws and regulations in all material respects. During the Track Record Period, we did not encounter any material instances of environmental pollution or accidents and we were not subject to any material administrative penalties due to environmental pollution. As of the Latest Practicable Date, we have not been subject to any material fines or legal action involving non-compliance with any PRC environmental laws and regulations, and we were not aware of any warning or pending action by any environmental regulatory authority in the PRC or overseas. In our engineering and construction contracting

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business, the project owner rather than us is responsible for obtaining the relevant environmental protection permit. Although we are responsible for the relevant environmental compliance in the course of construction, the cost is passed to the project owner eventually. In addition, we consider the environmental compliance costs of our engineering design and consultancy business and equipment manufacturing business immaterial. As a result, we did not segregate our environmental compliance costs during the Track Record Period.

INSURANCE

For engineering and construction contracting projects, some project owners will purchase construction project all-risk insurance. If the project owners do not purchase construction project all-risk insurance, we will purchase such insurance. We have passed on such insurance cost to our customers by including it in our existing contracts. Such policies generally extend for the entire contract period, including the maintenance period following completion of the project. We maintain insurance coverage in amounts that we believe are consistent with our risk of loss and the customary practice in the industry. We also purchase pension insurance, medical insurance, unemployment insurance, workplace injury insurance and maternity insurance for our employees and personal injury insurance for our overseas and onsite workers pursuant to the relevant PRC laws and regulations.

Consistent with the customary practice in China, we do not carry any third-party liability insurance to cover claims in respect of personal injury or property or environmental damage arising from accidents on our property or relating to our operations, nor do we carry any business interruption insurance or key-man life insurance on our key employees. Such insurance is not mandatory according to the laws and regulations of the PRC and would impose additional costs on our operations, which would reduce our ability to compete in the PRC. See also “Risk Factors — Risks Relating to Our Business and the Industries in Which We Operate — Our engineering and construction contracting and equipment manufacturing operations are subject to inherent operating risks and occupational hazards”.

EMPLOYEES

As of December 31, 2011, we had a total of 10,110 employees. The following table shows a breakdown of our employees by business segment as of December 31, 2011:

	<u>Number of Employees</u>	<u>% of Total</u>
Engineering technicians	4,274	42.3
Operation and management personnel	2,529	25.0
Production and operation personnel	2,969	29.4
Service and other personnel	<u>338</u>	<u>3.3</u>
Total	<u><u>10,110</u></u>	<u><u>100.0</u></u>

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The following table shows a breakdown of our employees by level of education as of December 31, 2011:

	<u>Number of Employees</u>	<u>% of Total</u>
Graduate degree	613	6.1
Undergraduate degree	3,412	33.7
Associate degree	2,400	23.7
Others	<u>3,685</u>	<u>36.5</u>
Total	<u><u>10,110</u></u>	<u><u>100.0</u></u>

In accordance with regulations applicable to enterprises and the relevant requirements of various local governments in areas in which we operate, we make contributions to the pension contribution plan, employees' medical insurance, unemployment insurance, maternity insurance and workers' compensation injury insurance. The amount of our contributions is based on the specified percentages of our employee's aggregate salaries as required by relevant PRC authorities. We also make contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, we also provide supplementary benefits to our employees. These benefits include supplemental medical insurance plans and plans that are not covered by mandatory insurance required by the PRC government, for current employees, and annual bonuses for our current employees.

For the three years ended December 31, 2009, 2010 and 2011, our employee benefits expenses amounted to RMB938.5 million, RMB1,169.8 million and RMB1,174.2 million, respectively. We currently have no share option schemes for our employees.

We sign written employment contracts with employees pursuant to Labor Contract Law, setting out probation and violation penalties, dissolution of labor contracts, payment of remuneration and economical compensation as well as social security premiums terms. Our Company has taken a variety of measures to improve its employment relationship management and fulfill its statutory obligations in a practical manner. Our Company provides training for employees according to corporation business development strategies, operation objectives and duties and responsibilities, and continuously explores innovative training models.

Our Company has established a labor union to protect employee' rights and encourages employee participation in the management of our Company. We have not experienced any strikes or other labor disturbances which have interfered with our management and operations.

We endeavor to provide training for our employees. The scope of our induction and ongoing training programs includes management skills and techniques training, overseas exchange programs and other courses. We also encourage our employees to engage in programs for obtaining higher academic and employment qualifications by paying continued education fees.

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PROPERTIES

As of December 31, 2011, we owned, occupied or leased a number of land and buildings, all of which are located in the PRC. Pursuant to Chapter 5 of the Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, which exempted the prospectus from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, which requires a valuation report with respect to all the Group's interests in land or buildings, below is a summary of those real properties. As of December 31, 2011, the aggregate carrying amount of the property interest that forms part of the Group's property activities does not exceed 10% of its total assets.

Land

Owned Land

We owned a total of 48 parcels of land (ranging from 7.78 sq.m. to 80,008.16 sq.m.) with a total site area of 1,166,066.28 sq.m. which are located in 12 cities, namely Beijing, Shenyang, Guiyang, Changsha, Luoyang, Suzhou, Wuyang, Zhengzhou, Hejin, Tianjin, Lianyungang and Zibo. We have obtained land use right certificates regarding all of such land. Such land was used for offices, production facilities and ancillary facilities.

Leased Land

We leased one parcel of land with a site area of 28,000 sq.m. for industrial use at an annual rent of RMB151,200, which is located in Dongxing, Guangxi.

Buildings

Owned Buildings

We owned a total of 234 buildings (ranging from 18.38 sq.m. to 33,942.66 sq.m.) with a total GFA of 358,283.7 sq.m., which are located in Beijing, Shenyang, Guiyang, Changsha, Xiamen, Luoyang, Suzhou, Zhengzhou, Hejin, Lianyungang and Zibo. We have obtained building ownership right certificates regarding 233 buildings. Such buildings were used for offices, production facilities and ancillary facilities.

In addition, we had one building with a GFA of 1,768 sq.m. in Shenyang, for which we were applying for the building ownership right certificate. Such building accounted for approximately 0.5% of all buildings that we occupied in terms of GFA. Our Directors are of the view that the lack of building ownership right certificate regarding such building will not materially and adversely affect our operations, given the small size of the building and that it is mainly used for lease.

We had one building located in Shenyang City with a GFA of approximately 12,950 sq.m., part of which has been leased to a third party as office and commercial premises. As of December 31, 2011, this property had a carrying amount of approximately RMB31.2 million, accounting for approximately 0.2% of our Group's total assets.

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Leased Buildings

We leased a total of 87 buildings (ranging from 17.83 sq.m. to 11,921.54 sq.m.) with a total GFA of 115,177.5 sq.m. mainly for offices and residential purpose. Such leased buildings, which are located in 25 cities, namely Panzhihua, Xiamen, Zhuhai, Beihai, Changsha, Yiyang, Yueyang, Haikou, Shenzhen, Dongguan, Luoyang, Zhengzhou, Xining, Baiyin, Jiayuguan, Lanzhou, Shenyang, Fushun, Fukang, Urumchi, Guiyang, Hefei, Beijing, Tianjin and Hejin, include:

- 50 buildings leased from Chinalco and its subsidiaries other than our Company with a total GFA of 106,890.9 sq.m. For 11 of such buildings with a total GFA of 24,782.68 sq.m., the lessors had not provided proof of building ownership rights. According to the Framework Land and Property Leasing Agreement entered into between Chinalco and our Company, Chinalco has undertaken to ensure our uninterrupted use of such buildings and to be responsible to solve any dispute and bear, or indemnify us for, any related costs and expenses arising therefrom. Our PRC legal advisors has advised that our rights as the lessee can be adequately protected according to the terms of the Framework Land and Property Leasing Agreement.
- 37 buildings leased from Independent Third Parties with a total GFA of 8,286.6 sq.m. For 35 of such buildings with a total GFA of 7,174.55 sq.m., the lessors had not provided proof of building ownership rights. Our PRC legal advisors has advised that, for the majority of the leasing contracts regarding such buildings, the lessors had represented that they were the legal owner of the properties leased, which would entitle us to claim damages from such lessors if our rights and interests under such leasing contracts were affected.

The Directors have confirmed that no single property interest owned by our Group has a carrying amount of 15% or above of our Group's total assets, and none of our Group's property interests is individually material to our Group in terms of revenue contribution or rental expense.

INTELLECTUAL PROPERTY

As of December 31, 2011, we had 2,781 patents (including 474 invention patents) in China and 12 overseas patents, as well as 1,091 patent applications (including 883 invention patent applications) in China. In addition, as of December 31, 2011, we had 19 computer software copyrights registered in China. Our Directors believe there is no material legal impediment for us to complete the registration of our patent applications. However, there is no guarantee that we can get the registration on a timely basis or at all. See "Risk Factors — Risks Relating to Our Business and the Industries in which We Operate — We may not be able to adequately protect our intellectual property rights."

As of December 31, 2011, we have registered 19 trademarks in China, and are in the process of applying for the registration of two trademarks in China and Hong Kong. Please see "Appendix V — Statutory and General Information — 3. Further Information about our Business — B. Our intellectual property rights" for details of our intellectual property rights.

We face the challenge of effectively protecting our intellectual property rights. We have adopted a series of measures to prevent and seek remedy for such infringements. In particular:

- We are dedicated to research and development of advanced technologies to replace existing ones, so as to ensure that we maintain a technology edge notwithstanding infringement of our intellectual rights by our competitors;

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- We sell equipment incorporated with our technologies rather than transferring technologies directly to third parties; and
- We selectively bring suits for intellectual property right infringement.

We place great emphasis on protecting our intellectual property rights. We rely on a combination of patents, copyrights, trademarks, construction methods and contractual rights to protect our intellectual property. We have developed a comprehensive intellectual property management system, which provides detailed guidelines for our intellectual property management and protection activities and various templates for intellectual related transactions, such as patent transfer agreement, patent application right transfer, patent licensing and technology development agreement. Our employees are required to sign employment agreements containing provisions which prohibit the disclosure of any of our proprietary technologies and business secrets. In addition, we also require our technical personnel to assign to us any inventions they develop that are related to our business. We have deployed a security system to prevent unauthorised access to our information technology system, which holds our proprietary data. Furthermore, we generally seek patent protection on any new inventions, product improvements or technologies we developed in China and overseas. We seek to preserve our patent and other intellectual property rights against third-party misappropriation, though there is no assurance of the success of such act of preservation. See “Risk Factors — Risks Relating to Our Business and the Industries in which we operate — We may not be able to adequately protect our intellectual property rights”.

REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

Our PRC legal advisors, Jia Yuan Law Firm, have confirmed that we have been in compliance with applicable PRC laws and regulations in all material aspects, and have obtained and renewed all necessary licenses, approvals and permits that are material for our business operations in China. Our Vietnam legal advisors have advised us that we have been in compliance with applicable laws and regulations in Vietnam in all material respects, and have obtained all licenses relating to material matters for our current business operations in Vietnam. Our Indian legal advisors have advised us that our current business operations in India are in compliance with applicable laws and regulations in India in all material respects, and we are not required to obtain any material licenses or approvals from any regulatory authorities in India for our current business operations in India. Our Directors have confirmed that we have obtained all necessary permits, licenses and approvals for our operations in all countries where we conduct our business.

During the Track Record Period and as of the Latest Practicable Date, we were involved in five material legal proceedings.

In November 2004, Shanxi Jinyang Carbon Company Limited (山西晉陽碳素股份有限公司) (“Shanxi Jinyang Carbon”), an Independent Third Party, brought a litigation against four defendants, including our subsidiary GAMI, for approximately RMB6 million for repair and actual damages it had incurred as well as relevant litigation expenses in relation to a dispute that arose regarding the quality of a construction project for which GAMI was the designer. The other three defendants were Independent Third Parties. In September 2006, the Intermediate People’s Court of

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Jinyang Municipal Shanxi Province delivered a judgment in favor of Shanxi Jinyang Carbon, and ordered the defendants to pay the repair costs and actual damages, of which GAMI was ordered to pay approximately RMB11.1 million. In addition, the defendants, including GAMI, were jointly responsible for the litigation expenses. The defendants, including GAMI, appealed to the Higher People's Court of Shanxi Province, where the judgment was revoked and a re-trial was ordered in May 2007. In October 2011, the Intermediate People's Court of Jinzhong Municipal Shanxi Province delivered a judgment in favour of Shanxi Jinyang Carbon, ordering GAMI to pay approximately RMB9.4 million to Shanxi Jinyang Carbon, comprising approximately RMB9.2 million for damage, dismantle of installed equipment and reconstruction, and approximately RMB0.2 million of litigation expenses. GAMI filed an appeal to the Higher People's Court of Shanxi Province in January 2012. This matter was still under trial as of the Latest Practicable Date.

In April 2006, Xinxiang Municipal Pingyuan Automobile Accessories Company Limited (新鄉市平原汽車配件有限公司) ("Xinxiang Auto"), an Independent Third Party, brought a lawsuit against Sixth Metallurgical Company seeking RMB10 million for breach of contract and the relevant litigation expenses in relation to a dispute arising from delay in the performance of contract for which the Sixth Metallurgical Company was the contractor. In November 2006, the Intermediate People's Court of Xinxiang Municipal Henan Province delivered a judgment in favor of Xinxiang Auto and ordered Sixth Metallurgical Company to pay approximately RMB2.8 million to Xinxiang Auto and to share the litigation expenses with Xinxiang Auto. We appealed to the Higher People's Court of Henan Province, where the judgment was revoked in October 2007. Xinxiang Auto filed a formal protest to the PRC Supreme People's Procuratorate, which in turn filed a formal protest to the PRC Supreme People's Court in March 2010 for a re-trial. The PRC Supreme People's Court revoked the judgment of the Higher People's Court of Henan Province and reinstated the original judgment of the Intermediate People's Court of Xinxiang Municipal Henan Province in September 2010, which is the final judgment. This matter was still in the process of enforcement by the court as of the Latest Practicable Date.

In September 2010, Shanxi Yuncheng Municipal Construction Engineering Company Limited (山西運城市建築工程有限公司) ("Yuncheng Construction"), an Independent Third Party, brought a lawsuit against three defendants, including our subsidiary SAMI, for refund of approximately RMB0.9 million as well as the relevant interest from the other two defendants and approximately RMB1.9 million in damage and interests, as well as dismantle of certain equipment installed at the expenses of the defendants. The lawsuit arose from the quality of the raw materials used in a construction project for which SAMI was the designer. The other two defendants were the construction contractors and Independent Third Parties. In November 2010, SAMI challenged the jurisdiction of the District People's Court of Yanhu District Yuncheng Municipal Shanxi Province, and the case was moved to the Intermediate People's Court of Yuncheng Municipal Shanxi Province in December 2010. In March 2011, Yuncheng Construction moved to modify the complaint against SAMI and the other two defendants to the effect that the three defendants are jointly liable in the amount of approximately RMB5.0 million for dismantle of the installed equipment, maintenance of construction and equipment detrimentally affected by such dismantle, install of replacement equipment, damage of breach of contract and reimbursement to Yuncheng Construction for delayed delivery penalty born by Yuncheng Construction which resulted from the alleged breach of contract by the three defendants. In April 2011, Yuncheng Construction filed an supplemental complaint against the three defendants for interests in the amount of approximately RMB3 million and

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litigation expenses. This matter was still under trial as of the Latest Practicable Date. Our PRC legal advisors, Jia Yuan Law Firm, have advised us that, if we lose this lawsuit, the worst case will be that we will be jointly liable for the total claim of RMB8.1 million and all relevant litigation expenses.

In January 2012, Luo Jie, an Independent Third Party, brought a litigation against Twenty-third Metallurgical Construction Group Co., Ltd. (二十三冶建設集團有限公司) (“Twenty-third Metallurgical”), an Independent Third Party, as the primary defendant, and our Company as the secondary defendant. This lawsuit arose from a dispute over a construction fee payment between Luo Jie and Twenty-third Metallurgical. Twenty-third Metallurgical sub-contracted certain parts of a project that had been contracted to Twenty-third Metallurgical by our Company. Luo Jie alleged that Twenty-third Metallurgical failed to pay construction payment amounting to approximately RMB28.5 million, and cited Twenty-third Metallurgical as claiming that this failure was due to the fact that fee settlement between Twenty-third Metallurgical and our Company had not been completed. Therefore, Luo Jie sought to hold the defendants jointly liable for approximately RMB28.5 million for overdue construction payment, approximately RMB22.4 million for breach of contract and relevant litigation costs. In February 2012, Luo Jie moved to supplement the complaint to the effect that Twenty-third Metallurgical and our Company are also held jointly liable for approximately an additional RMB0.2 million for overdue construction payment and approximately RMB0.1 million for breach of contract and the 8% reimbursement from Twenty-third Metallurgical of the collected project management fee, after deduction of tax withdrawn for Luo Jie. This matter was still under trial as of the Latest Practicable Date. Our Directors confirm that our Company has settled all the construction fees between us and Twenty-third Metallurgical.

In 1999, Luoyang Metalwork Company Limited (洛陽金工股份有限公司) (“Luoyang Metalwork”), an Independent Third Party, brought a litigation against Mechanical and Electrical Installation Engineering Co., Ltd. of Sixth Metallurgical Construction Company of China Nonferrous Metals Industry (中國有色金屬工業六冶機電安裝公司) (“Six Metallurgical Mechanical”), a wholly owned subsidiary of Sixth Metallurgical Company, for approximately RMB3.0 million and interest. This lawsuit arose from a dispute over a finance contract. In July 2003, a final judgment was awarded by the Higher People’s Court of Henan Province in favor of Luoyang Metalwork, which ordered Sixth Metallurgical Mechanical to pay Luoyang Metalwork approximately RMB5.5 million. In November 2004, Luoyang Metalwork and Six Metallurgical Mechanical entered into a settlement agreement under which Six Metallurgical Mechanical agreed to pay Luoyang Metalwork in the amount of approximately RMB3.0 million (the “Settlement”). In 2003, China Yituo Group Company Limited (中國一拖集團有限公司) (“China Yituo”), an Independent Third Party, brought a lawsuit against Luoyang Metalwork for approximately RMB9.8 million for reimbursement after China Yituo paid Luoyang Metalwork’s share of a joint liability borne by the two parties, and a final judgment was granted by the Intermediate People’s Court of Luoyang Municipal, which required Luoyang Metalwork to pay China Yituo an amount of approximate RMB9.8 million. In April 2006, the Intermediate People’s Court of Luoyang Municipal Henan Province issued an order to cease the enforcement of this judgment as Luoyang Metalwork was insolvent. In January 2011, China Yituo brought a subrogation litigation against Six Metallurgical Mechanical, in which China Yituo claimed that the Settlement was a malicious effort by Luoyang Metalwork to avoid its obligation to China Yituo, and sought nullification of the Settlement and the payment from Six Metallurgical Mechanical to China Yituo in the amount of RMB4.9 million together with the relevant interest and litigation expenses. In August 2011, the District People’s Court of Jianxi District Luoyang Municipal

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Henan Province dismissed China Yituo's claim. In October 2011, China Yituo filed an appeal with the Intermediate People's Court of Luoyang Municipal Henan Province. This matter was still under trial of the appeal court as of the Latest Practicable Date. Our PRC legal advisors, Jia Yuan Law Firm, have advised us that, if we lose this lawsuit, the worst case will be that we will be responsible for the total claim of RMB4.9 million and all relevant litigation expenses.

Our Directors have confirmed that we have made adequate provision for these litigations, and our Directors believe these litigations will not have any material adverse impact on our financial position or operations.

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In December 2005, we entered into the 2005 Iran Contract with IRANCO and the Third Party to design and construct the Iran Project. Both IRANCO and the Third Party are Independent Third Parties. Subsequently, the parties have supplemented and amended the 2005 Iran Contract several times, including the most recent amendments in July 2011 that, among other things, revised the contract price to RMB7,179.2 million. The parties entered into a supplemental agreement in 2005, pursuant to which we provided geological survey and basic design services in connection with the Iran Project in 2006 and 2007. In 2008, we received payment from IRANCO of approximately RMB16.4 million for such services, which we recognized as revenue for 2009. Since then, we have not performed any services or received any payments under the 2005 Iran Contract. In 2008, we entered into the 2008 Iran Contract for the design and construction of Loop 1 of the Iran Project with IRANCO and the Third Party with a total contract price of Euro199 million.

The Iran Contracts contain certain conditions precedent. Because these conditions precedent have not been satisfied, the Iran Contracts have not been performed, except for the geological survey and basic design services provided pursuant to the supplemental agreement executed in 2005.

We served a written notice to IRANCO purporting to terminate the Iran Contracts on May 8, 2012. The Iran Contracts are governed by Iranian laws and any dispute among the parties will be subject to arbitration by the International Court of Arbitration in Geneva. Our Iranian counsel have advised us that providing a notice of non-performance of any obligation we have under the Iran Contracts (such as our notice of termination) will constitute a breach of contract and we will be liable to compensate IRANCO for any actual damages it sustains as a result, up to a cap contained in the Iran Contracts of 15% of the total contract price of each of the Iran Contracts, which will be approximately RMB1,076.9 million under the 2005 Iran Contract and approximately Euro29.9 million under the 2008 Iran Contract. Our Directors believe that because the conditions precedent of the Iran Contracts have not been satisfied, the actual damages are minimal. In addition, Chinalco, our parent company, has agreed to indemnify us for all liabilities, losses, damages, costs and expenses (if any) that are incurred by us in connection with, or otherwise arising out of, the Iran Contracts and the Iran Project. Our Iranian counsel have advised us that under Iranian law, IRANCO may also seek specific performance of the Iran Contracts by us. Our Iranian counsel have further advised us that if an order of specific performance is awarded against us, due to the fact that we have no assets or operations in Iran, it will be unlikely to enforce the specific performance order in Iran. Our Directors have undertaken to the Stock Exchange and the underwriters that our Group will not perform any of the obligations under the Iran Contracts under any circumstances. In addition, to minimize our exposure to the U.S. Extraterritorial Sanctions, our Company will not use any funds obtained from any entity organized under U.S. Law, any person in the United States or any U.S. citizen or any U.S. permanent resident globally to finance any business with Iran.

In July 2010, our subsidiary CNPT entered into the 2010 Iran Contract to supply, among other items, a cold rolling mill to the Purchaser. In November 2010, CNPT and the Purchaser entered into a new contract, superseding the original contract, for the supply of the same cold rolling mill with different payment and delivery terms. The Purchaser failed to make full payment to CNPT in accordance with the schedule in the 2010 Iran Contract, and CNPT and the Purchaser signed a termination agreement terminating the 2010 Iran Contract effective March 15, 2012. In the

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termination agreement, each party agreed not to allege, assert, make or pursue any claims against the other party under the 2010 Iran Contract. As of March 15, 2012, the Purchaser had paid CNPT USD1.86 million, accounting for approximately 40.9% of the price of the 2010 Iran Contract. CNPT has not delivered and will not deliver the relevant equipment to the Purchaser.

Other than the above-mentioned Iran Contracts and 2010 Iran Contract, we did not have any contracts with any person or entity of, or conduct any business in, any Sanctioned Countries during the Track Record Period. We currently do not have any business with or within these Sanctioned Countries.

For more details, please see “Risk Factors — Risks Relating to Our Business and the Industries in which We Operate — We derived an immaterial portion of revenue from Iran during the Track Record Period, and activities by us in Iran and any other countries subject to sanctions could adversely affect us and investors in our H Shares.”

Our Directors believe that, after consulting with our external legal advisors, from the U.S. sanctions law perspective, (i) as we believe that we have not involved any U.S. Persons or U.S.-origin goods in our business with Iran, and our Directors have covenanted that our Group will not perform the Iran Contracts and the 2010 Iran Contract, we have not breached any jurisdiction-based U.S. sanctions laws and we will not be subject to extraterritorial U.S. sanctions; (ii) as our current revenue and profits from business in Iran are minimal and because we will not become a sanctions target as a result of the Iran Contracts and the 2010 Iran Contract, and have covenanted not to use the proceeds of the Offering in connection with any Sanctioned Countries, U.S. investors will not be prohibited from investing in us or holding our Shares; (iii) planning to supply a cold rolling mill or planning to construct, attempting to construct or even facilitating the production of aluminum in Iran are not proscribed activities under the U.S. sanctions laws, and, in view of the non-performance of the Iran Contracts and the 2010 Iran Contract, our activities prior to the notice to IRANCO with the purpose to terminate the Iran Contracts and prior to the termination of the 2010 Iran Contract will not subject us to U.S. sanctions; and (iv) if IRANCO alleges that we have breached the Iran Contracts, and if the arbitration panel awards the remedy of specific performance of the Iran Contracts by us, because we will under no circumstances perform the Iran Contracts pursuant to our Directors’ commitment in connection with the Global Offering, we will not be subject to extraterritorial U.S. sanctions in that context; rather, the risk of a designation under such sanctions would only arise based on our performance of the Iran Contracts followed by a series of other events attributable to our performance of the Iran Contracts.

We further note that the U.S. economic sanctions laws against Iran impose no restrictions on the listing or trading of shares on the Stock Exchange of Hong Kong solely on the basis of economic activity of the issuer in Iran, where the issuer is not itself designated as or owned by any targets of U.S. sanctions. Rather, in order for U.S. sanctions to apply to such listing or trading, such activity would have to involve facilitation by a U.S. Person of the issuer’s Iranian activity or facilitation by a non-U.S. person of activity proscribed under U.S. extraterritorial sanctions (“Proscribed Activity”). We have covenanted to the Stock Exchange and the underwriters that we will not apply any of the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to any project in or with any Sanctioned Countries, or to pay the damages incurred by the IRANCO, if any, arising from our breach of the Iron Contracts. Under U.S. economic sanctions

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regulations, for facilitation liability to apply to an investor who is a U.S. Person in a context in which an issuer does not use the proceeds specifically to finance business with Iran, we believe that a person or an entity would have to engage predominantly in business with Iran, which our Company does not do. We also do not believe that U.S. authorities would have any factual or legal basis to find that the Stock Exchange of Hong Kong or investors in the Offering had knowingly facilitated Proscribed Activity by participating in the Offering. Secondary trading in our Company's shares also would not appear to involve any Proscribed Activity by buyers and sellers of our Shares if our Company does not receive any funds in the connection with that share transaction. For these reasons, and because our Company is not itself designated as or owned by a target of an U.S. economic sanctions, the U.S. sanctions against Iran do not restrict U.S. Persons from purchasing shares in our Company, either directly or, through HKSCC Nominees, preclude HKSCC Nominees or HKSCC from acting as nominee for our Company's shares.

In relation to EU sanctions regarding Iran, our Directors believe that, after consulting with our external legal advisors: (i) as we are a Chinese-incorporated entity located outside of the EU, with respect to our business outside of the EU, current EU sanctions laws regarding Iran do not apply to us; (ii) no breach of EU sanctions laws regarding Iran was committed by us in entering into, acting in accordance with, or subsequently terminating the Iran Contracts or the 2010 Iran Contract; (iii) on the basis that the Stock Exchange or the HKSCC or HKSCC Nominees are not located in or constituted or incorporated under the laws of the EU, current EU sanctions laws regarding Iran do not apply to them; (iv) neither the listing or trading of our shares on the Stock Exchange or the holding of our shares by HKSCC Nominees is prohibited by EU Sanctions laws regarding Iran; and (v) in view of (i) and (ii) above and as we have covenanted not to use the proceeds of the Global Offering in connection with Iran, EU investors are not prohibited by EU sanctions laws regarding Iran from investing in us or holding our Shares, whether directly or through HKSCC Nominees.

In relation to Australian sanctions regarding Iran, our Directors believe, after consulting with our external legal advisors, it is unlikely that the Australian sanctions law would have any practical application to us because (i) the services or supplies that we were required to provide under the Iran Contracts and the 2010 Iran Contract would not be characterized as sanctioned supplies or services under the Australian sanctions law; (ii) as our Company is not incorporated in Australia or otherwise subject to the Australian jurisdiction, we are not prohibited to conduct business with Iranian persons or entities under the Australian sanctions law; (iii) as the Iran Contracts and the 2010 Iran Contract were not performed by us, we have not breached the Australian sanctions law; (iv) the Listing is not prohibited by the Australian sanctions law, and Australian investors are not prohibited from investing in our Shares by the Australian sanctions law; and (v) none of the Stock Exchange, the HKSCC, the HKSCC Nominees and our investors will be exposed to any risk under the Australian sanctions law.

The United Nations Sanctions (Iran) Regulation (“**Iran Regulation**”) and the United Nations (Anti-Terrorism Measures) Ordinance (“**Ordinance**”) apply to a person acting in or within Hong Kong. In relation to United Nations sanctions regarding Iran, our Directors believe, after consulting with our external legal advisors, (i) we have not breached these laws by entering into the Iran Contracts and the 2010 Iran Contract or terminating them, which are not prohibited by the Iran

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Regulation and the Ordinance; (ii) IRANCO is not a relevant person or relevant entity named or designated under the Iran Regulation and (iii) none of the Stock Exchange, the HKSCC, the HKSCC Nominees and our investors will be exposed to any risk under the Iran Regulation or the Ordinance.

Our PRC legal advisors, Jia Yuan Law Firm, have advised that we have not breached any PRC laws regarding trade or business with Iran.

We are aware that if we breach any undertaking we gave to the Stock Exchange and the underwriters in relation to the Global Offering, our Shares may be delisted from the Stock Exchange.

In the future, our Directors will continuously monitor and evaluate the situation and take measures to ensure that our operations will not be adversely affected and our Shareholders' interests will be protected. We are implementing a number of measures designed to control our exposure to applicable sanctions laws. The Risk Management Committee is responsible to evaluate the sanctions risks that our Group may face and determine whether we should embark on business opportunities with Sanction Targets. In addition, the Risk Management Committee will monitor the use of the net proceeds of the Global Offering, as well as any other funds raised through the Stock Exchange, and ensure these proceeds will not be applied to the Iran Contracts, any other Iran business and any other business in currently Sanctioned Countries, including Cuba, Sudan, North Korea, Iran, Syria and Myanmar, or to pay the damages incurred by IRANCO, if any, arising from our breach of the Iran Contracts. We will retain reputable international legal counsel with necessary expertise and experience of OFAC and sanctions law issues. Our international legal counsel will review our internal procedures and provide us with their recommendation and advice as necessary. Our international legal counsel will provide regular OFAC and sanctions law training programs to our senior management members and relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations. Once any potential sanction risk is identified, such risk will be immediately escalated to our Risk Management Committee, and our Risk Management Committee will seek advice from our international legal counsel. If our international legal counsel are of the view that the proposed business will expose the company, the Shareholders as a whole, the Stock Exchange, the HKSCC or the HKSCC Nominees to any OFAC or sanctions law risk, our Risk Management Committee will veto the proposed business and we will not embark on such business opportunity. Our Directors have undertaken to disclose the status of our Group's business with the Sanctioned Countries and our business intention relating to the Sanctioned Countries in our interim and annual reports after the Listing going forward. We will also make timely disclosure on the Stock Exchange's website if we believe our business with the Sanctioned Countries will put investors at risk. In addition, to ensure that the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, will not be applied to any project in or with any Sanctioned Countries, or applied to pay the damages incurred by IRANCO, if any, arising from our breach of the Iran Contracts, we will deposit the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, in a bank account separated from the our other funds, and our Risk Management Committee will continuously monitor the use of the fund in this separate bank account. Upon the full implementation of these measures, our Directors and the Sole Sponsor believe these measures will be sufficient to protect the interests of our Company, the Shareholders as a whole, the Stock Exchange, the HKSCC and the HKSCC Nominees.

RELATIONSHIP WITH CHINALCO

OVERVIEW

We were established as a joint stock limited company on June 30, 2011 in accordance with PRC laws. Chinalco is one of the Promoters of our Company. Upon our establishment as a joint stock limited company, Chinalco directly owned 96.16% of our share capital while indirectly owning 3.84% of our issued share capital through Luoyang Institute, another Promoter of ours. Immediately after the completion of the Global Offering, Chinalco will directly and indirectly own approximately 85% of our share capital, assuming no Over-allotment Option is exercised, and will be our Controlling Shareholder.

In 2011, we underwent reorganization steps involving the transfer of asset and equity interest from the Parent Group, the principal business of which includes mineral resources exploitation, smelting and processing of nonferrous metals, relevant trading and engineering technology services. We also transferred certain assets and liabilities to the Parent Group in March 2011 upon the completion of the Reorganization. These assets and liabilities do not form any business unit and cannot generate revenue independently, and mainly include buildings and land use rights with title defects, and equity investments in unlisted companies and non-operating receivables and payables. These assets and liabilities have not been retained by us due to a lack of legal certificates or because they do not directly relate to our core business and which would not compete, or would be likely to compete, directly or indirectly, with our core business. See the section headed “Financial Information”.

According to Chinalco’s business strategy, our Group acts as the major operations platform for the engineering technology segment of Chinalco. After the Global Offering, Chinalco will continue to retain certain interests in the Retained Companies. The Directors are of the view that there is a clear delineation between the business operated by the Retained Companies and our Group, therefore, none of the Retained Companies would compete, or would be likely to compete, directly or indirectly, with our principal business.

BUSINESS ENGAGED BY THE RETAINED COMPANIES

(A) Engineering Design and Consultancy Business

- (1) Shandong Qiyun Engineering & Research Institute Limited for Nonferrous Metallurgy (山東齊韻有色冶金工程設計院有限公司) (“Shandong Qiyun”)

Shandong Qiyun is a wholly owned subsidiary of Chalco and is indirectly owned as to approximately 41.82% by Chinalco as of the Latest Practicable Date, with a registered capital of RMB9.9 million. It mainly engages in the business of engineering design and consultancy, and holds a class B license of engineering design for the metallurgy industry (冶金行業乙級) and a class B license of engineering design for construction engineering (建築工程二級). According to the *Qualification Standard for Engineering Design* (工程設計資質標準) promulgated by MOHURD on March 29, 2007, the design business carried out by Shandong Qiyun is limited to the design of the main construction and the auxiliary project for small-sized construction projects of the metallurgy industry. Its main customers include Shandong Aluminum, a subsidiary of Chinalco, Shandong Branch of Chalco (中鋁股份山東分公司) and certain companies engaging in small-scale nonferrous metal smelting projects. The net profit of Shandong Qiyun was approximately RMB3.8 million (audited), RMB4.1 million (audited) and RMB6.5 million (unaudited) for the years ended December 31, 2009, 2010 and 2011, respectively.

RELATIONSHIP WITH CHINALCO

- (2) Henan Huahui Nonferrous Engineering Design Co., Ltd. (河南華慧有色工程設計有限公司)
 (“Henan Huahui”)

Henan Huahui is a wholly owned subsidiary of Chalco and is indirectly owned as to approximately 41.82% by Chinalco as of the Latest Practicable Date, with a registered capital of RMB5.0 million. It mainly engages in the business of engineering design and consultancy, and holds a class A license of specialty engineering design for the metal smelting specialty of the metallurgy industry (冶金行業金屬冶煉工程專業設計甲級) which is a limited specialty and only covers one scope of the general class A license of engineering design for the metallurgical industry. Its main customers include Changcheng Aluminum, a subsidiary of Chinalco, Henan Branch of Chalco (中鋁股份河南分公司) and certain companies engaging in small-scale nonferrous metal smelting projects. The net profit of Henan Huahui was approximately RMB221,300 (audited), RMB92,100 (audited) and RMB283,575 (unaudited) for the years ended December 31, 2009, 2010 and 2011, respectively.

- (3) Baotou Keyou Construction Design & Consulting Co., Ltd. (包頭市科友建築設計諮詢有限責任公司) (“Baotou Keyou”)

Baotou Keyou is indirectly owned as to 98.0% by Chinalco through Baotou Aluminum (Group) Co., Ltd. (包頭鋁業(集團)有限責任公司) as of the Latest Practicable Date, with a registered capital of RMB1.0 million. It mainly engages in the business of engineering design and holds a class B license of specialty engineering design for the metal smelting specialty of the metallurgy industry (冶金行業(金屬材料工程、金屬冶煉)工程專業設計乙級) and a class C license of specialty engineering design for construction industry (construction engineering) (建築行業建築工程專業設計丙級) which is a limited specialty. It focuses on the metal material and engineering design for small-sized metal smelting construction projects of the metallurgy industry. Its main customers include Baotou Aluminum (Group) Co., Ltd. (包頭鋁業(集團)有限責任公司), a subsidiary of Chinalco, Baotou Aluminum Co., Ltd. (包頭鋁業有限公司) and certain companies engaging small-scale nonferrous metal smelting projects. The net profit (loss) of Baotou Keyou was approximately RMB44,700 (unaudited), RMB(316,800) (unaudited) and RMB155,537 (unaudited) for the years ended December 31, 2009, 2010 and 2011, respectively.

Rationale for non-inclusion

The Directors consider that it is neither feasible nor appropriate to include the three companies above in our Group for the following reasons:

- (i) we hold a class A license of engineering design for the metallurgy industry (冶金行業甲級), which enables us to engage in engineering design projects of any class (including mining, ore dressing, smelting and processing) within the metallurgy industry, and we have primarily focused on large-scale, high-end and comprehensive engineering design and consultancy projects which normally require the holding of a class A license. In contrast, these three companies either hold the engineering design licenses of lower class or of limited specialty and they focus on small-sized projects. For example, Shandong Qiyun had an average design contract size for the three years ended December 31, 2010 and six months ended June 30, 2011 of approximately RMB2.1 million, which we do not normally engage in. This leads to a difference in project scale and target market as compared to those of our Group;
- (ii) the three companies above primarily provide relevant services to the local companies within the Parent Group. Therefore, the customer base in terms of engineering design business between these three companies and our Group can be differentiated; and

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(iii) the current trend of the nonferrous metals industry is to restructure the industry, phase out backward production capacity and promote energy saving and environmental protection. This requires the market players to possess more advanced research and development abilities and technology skills, which echoes our overall development strategy. However, it would be difficult for these three companies to adjust for the high-end market due to their size and existing capabilities and qualifications. As such, our Company is of the view that it is not in line with our development strategy to include these three companies in our Group.

(B) Engineering and Construction Contracting Business

(1) Lanzhou Aluminum Construction & Installation Co., Ltd. (蘭州鋁業建築安裝有限責任公司) (“Lanlv Construction”)

Lanlv Construction is directly owned as to 93.33% by Chalco and indirectly owned as to approximately 39.03% by Chinalco as of the Latest Practicable Date, with a registered capital of RMB1.5 million. It mainly engages in the business of engineering construction and installation and holds a class B license of general construction contracting for building construction (房屋建築施工總承包二級), which constrains its target market to relatively small-scale building construction and maintenance projects. Its limited client base mainly consists of Lanzhou Aluminum Plant (蘭州鋁廠), a subsidiary of Chinalco, and Lanzhou Branch of Chalco (中鋁股份蘭州分公司). The net profit of Lanlv Construction was RMB147,700 (audited), RMB175,700 (audited) and RMB161,481 (unaudited) for the years ended December 31, 2009, 2010 and 2011, respectively.

(2) Guilv Logistics Co., Ltd. (貴鋁物流有限責任公司) (“Guilv Logistics”)

Guilv Logistics is indirectly wholly owned by Chinalco through Guizhou Aluminum Plant (貴州鋁廠), with a registered capital of RMB9.0 million. It mainly engages in the business of engineering construction and installation and holds a class C license of general construction contracting for building construction (房屋建築施工總承包三級), which constrains its target market to small-scale building construction and maintenance projects. Its limited client base mainly consists of Guizhou Aluminum Plant, a subsidiary of Chinalco, and Guizhou Branch of Chalco (中鋁股份貴州分公司). The net profit/(loss) of Guilv Logistics was approximately RMB10,500 (audited), RMB(1,311,600) (audited) and RMB(584) (unaudited) for the years ended December 31, 2009, 2010 and 2011, respectively.

(3) Jinlv Installation Co., Ltd. (晉鋁建安公司)

Jinlv Installation Co., Ltd. is indirectly wholly owned by Chinalco, through Shanxi Aluminum Plant (山西鋁廠), with a registered capital of RMB42.0 million. It mainly engages in the business of engineering construction and installation and holds a class B license of general construction contracting for smelting projects (冶煉工程施工總承包二級), which constrains its target market to relatively small-scale smelting projects, with a limited client base mainly consisting of Shanxi Aluminum Plant, a subsidiary of Chinalco, and Shanxi Branch of Chalco (中鋁股份山西分公司). The net profit of Jinlv Installation Co., Ltd. was approximately RMB3.3 million (unaudited), RMB3.5 million (unaudited) and RMB4.2 million (unaudited) for the years ended December 31, 2009, 2010 and 2011, respectively.

RELATIONSHIP WITH CHINALCO

- (4) Henan Zhongzhou Aluminum Construction Co., Ltd. (河南中州鋁建設有限公司) (“Henan Zhongzhou Aluminum”)

Henan Zhongzhou Aluminum, a wholly-owned subsidiary of Chalco, and indirectly owned as to approximately 41.82% by Chinalco as of the Latest Practicable Date, with a registered capital of RMB22.7 million. It mainly engages in the business of engineering construction and installation and holds a class B license of general construction contracting for smelting projects (冶煉工程施工總承包二級), which constrains its target market to relatively small-scale construction and maintenance projects. Its limited client base mainly consists of Zhongzhou Aluminum Plant (中州鋁廠), a subsidiary of Chinalco, and Zhongzhou Branch of Chalco (中鋁股份中州分公司). The net profit/(loss) of Henan Zhongzhou Aluminum was RMB(794,800) (audited), RMB995,300 (audited) and RMB1.5 million (unaudited) for the years ended December 31, 2009, 2010 and 2011, respectively.

Rationale for non-inclusion

The Directors consider that it is neither necessary nor in our best interest to include the four companies mentioned above in our Group for the following reasons:

- (i) we hold a class A license of general construction contracting (施工總承包一級) for both building construction and smelting projects, which enables us to undertake general construction contracting projects of all levels of building construction and smelting engineering. We have primarily focused on large-scale, high-end and comprehensive construction projects which normally require the holding of a class A license. In contrast, the four companies only hold the general construction contracting licenses of lower class and they focus on small-sized projects, which normally have an average contract size of approximately RMB4.5 million, which we do not normally engage in. This leads to a difference in project scale and target market as compared to those of our Group;
- (ii) the four companies above primarily provide relevant services to the local companies within the Parent Group. Therefore, the customer base in terms of engineering and construction contracting business between these four companies and our Group can be differentiated; and
- (iii) the current trend of the nonferrous metals industry is to restructure the industry, phase out backward production capacity and promote energy saving and environmental protection. This requires the market players to possess more advanced research and development abilities and technology skills, which echoes our overall development strategy. However, it would be difficult for the four companies to adjust for the high-end market due to their size and existing qualifications. As such, our Company is of the view that it is not in line with our development strategy to include the four companies mentioned above in our Group.

DIRECTORS' COMPETING INTERESTS

Other than a senior management position held by one of our Directors in Chinalco, which is further discussed below, the Directors have confirmed that they did not have any interests in any business which directly or indirectly competes or is likely to compete with our business as of the Latest Practicable Date.

RELATIONSHIP WITH CHINALCO

NON-COMPETITION AGREEMENT

Non-Competition

Chinalco entered into a Non-Competition Agreement with us on June 2, 2012 to minimize any potential competition between Chinalco and our Group under which Chinalco undertakes, among other things, not to, and to procure its subsidiaries (other than Chalco and its subsidiaries) not to, compete with us in our core business and grants to us the option for new business opportunities, option for acquisitions and pre-emptive rights.

Chinalco has further irrevocably undertaken in the Non-Competition Agreement that, other than the Retained Business, during the term of the Non-Competition Agreement, it will not, and will also procure its subsidiaries (other than Chalco and its subsidiaries) not to, alone or with any other entity, in any form, directly or indirectly, engage in, participate in, assist or support a third party to engage in or participate in any business that competes, or is likely to compete, directly or indirectly with our core business. The foregoing restrictions are subject to the fact that our Company may waive certain new business opportunities pursuant to the terms and conditions under the Non-Competition Agreement.

Option for New Business Opportunities

Chinalco has undertaken in the Non-Competition Agreement that, during the term of the Non-Competition Agreement, if Chinalco becomes aware of a business opportunity which competes, or may compete, directly or indirectly with our core business, or which is similar to our core business, Chinalco will notify us in writing immediately and provide to us all information which is reasonably necessary for us to consider whether or not to engage in such business opportunity (“Offer Notice”). Chinalco is also obliged to use its best efforts to procure that such opportunity is first offered to us on terms that are fair and reasonable. We are entitled to decide whether or not to take up such business opportunity within 30 days from receiving the Offer Notice, subject to compliance with the applicable requirements under the Listing Rules.

If we decide not to take up the new business opportunity for any reason or do not respond to Chinalco and/or its subsidiaries within 30 days from receiving the Offer Notice, we should be deemed to have decided not to take up such new business opportunity, and Chinalco and/or its subsidiaries may operate such new business opportunity at its discretion, provided that the terms and conditions for the operation of such new business should not be more beneficial than those which would have been offered to our Company.

Our senior management team, after consulting with independent non-executive Directors, will be responsible for reviewing, considering and deciding whether or not to take up a new business opportunity referred to by Chinalco and/or its subsidiaries. When Chinalco and/or its subsidiaries deliver to us the Offer Notice, we will report to our independent non-executive Directors for their reference before reverting to Chinalco and/or its subsidiaries within the 30 days period from the date of receiving such Offer Notice. When considering whether or not to exercise the option for new business opportunities, the senior management team, after consulting with the independent non-executive Directors, will form their views based on the best interest of the Shareholders.

RELATIONSHIP WITH CHINALCO

Option for Acquisitions

In relation to:

- (i) the Retained Business; and/or
- (ii) any new business opportunity of Chinalco referred to in the Non-Competition Agreement, which has been offered to, but has not been taken up by, our Company and has been retained by the Parent Group (other than Chalco and its subsidiaries), which competes, or may lead to competition, directly or indirectly with our core business,

Chinalco has undertaken to grant us the option, which is exercisable at any time during the term of the Non-Competition Agreement, subject to applicable laws and regulations, to purchase at one or more times any equity interest, assets or other interests which form part or all of the Retained Business or new business as described above, or to operate the Retained Business and/or new business as described above by way of, including but not limited to, management outsourcing, lease or subcontracting. However, if a third party has the pre-emptive right, in accordance with applicable laws and regulations and/or a prior legally binding document (including but not limited to articles of association and shareholders' agreement), our option for acquisitions shall be subject to such third party rights. In this case, Chinalco will use its best efforts to procure the third party to waive its pre-emptive right. As of the Latest Practicable Date, the Directors are not aware of any existing third parties' pre-emptive rights.

Chinalco shall procure its subsidiaries (other than Chalco and its subsidiaries) to comply with the option granted to us by the Parent Group above. Where any state-owned asset is involved when the option above is exercised, such asset shall be evaluated by statutory means relating to the evaluation of state-owned assets, and necessary approvals and/or filings shall be obtained and/or made to pursuant to relevant laws and/or regulations.

The consideration shall be determined following negotiation between the parties under the fair and reasonable principle based on the valuation conducted by a third party professional valuer and the mechanism and procedure provided by applicable laws and regulations.

Our senior management team, after consulting with the independent non-executive Directors, will be responsible for reviewing, considering and deciding whether or not to exercise the option for acquisitions. When considering whether or not to exercise the option for acquisitions, the senior management team, after consulting with the independent non-executive Directors, will form their views based on the best interest of the Shareholders.

Pre-emptive Right

Chinalco has undertaken that, during the term of the Non-Competition Agreement, if it intends to transfer, sell, lease, license or otherwise permit to use any of the following interests to a third party:

- (i) the Retained Business; and/or
- (ii) any new business opportunity of Chinalco referred to in the Non-Competition Agreement, which has been offered to, but has not been taken up by, our Company and has been retained by Chinalco or any of its subsidiaries (other than Chalco and its subsidiaries), which competes, or may lead to competition, directly or indirectly with our core business,

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Chinalco shall notify us by written notice (“Selling Notice”) in advance. The Selling Notice shall attach the terms of the transfer, sale, lease or license and any information which may be reasonably required by our Company. We shall reply to Chinalco and/or its subsidiaries within 30 days after receiving the Selling Notice. Chinalco has undertaken that until it receives the reply from our Company, it shall not notify any third party of the intention to transfer, sell, lease or license the business. If our Company decides not to exercise its pre-emptive right, Chinalco is entitled to transfer the business to a third party pursuant to the terms stipulated in the Selling Notice.

Chinalco shall procure its subsidiaries (other than Chalco and its subsidiaries) to comply with the above pre-emptive right. Where any state-owned asset is involved when the option above is exercised, such asset shall be evaluated by statutory means relating to the evaluation of state-owned assets, and necessary approvals and/or filings shall be obtained and/or be made pursuant to relevant laws and/or regulations.

Our senior management team, after consulting with the independent non-executive Directors, will be responsible for reviewing, considering and deciding whether or not to exercise our pre-emptive right. When Chinalco and/or its subsidiaries deliver to us the Selling Notice, we will report to our independent non-executive Directors for their reference before reverting to Chinalco and/or its subsidiaries within the 30 days period from the date of receiving such Selling Notice. When considering whether or not to exercise our pre-emptive right, the senior management team, after consulting with the independent non-executive Directors, will form their views based on the best interest of the Shareholders.

Chinalco’s Further Undertaking

Chinalco has further undertaken that:

- (i) upon the request of our independent non-executive Directors, it will provide all information necessary for our independent non-executive Directors to review Chinalco’s and its subsidiaries’ compliance with and enforcement of the Non-Competition Agreement;
- (ii) it consents to our disclosure of the decision made by the independent non-executive Directors in relation to the compliance with and enforcement of the Non-Competition Agreement in our annual report, or by way of announcement; and
- (iii) it will make a declaration to our Company and our independent non-executive Directors annually regarding its compliance with the Non-Competition Agreement for our disclosure in our annual report.

Our Company will also adopt the following procedures to make sure that the undertakings under the Non-Competition Agreement are observed:

- (i) we will provide our independent non-executive Directors with the Offer Notice and Selling Notice (as the case may be) on the new business opportunity referred to us by Chinalco or pre-emptive right within seven days of receipt;
- (ii) our independent non-executive Directors will report in our annual report (a) their findings on the compliance by Chinalco of the Non-Competition Agreement and (b) any decision made pursuant to the options and pre-emptive right granted to our Company and the basis of such decision; and

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- (iii) the independent non-executive Directors may appoint a financial advisor or professional expert to provide advice, at the cost of our Company, in connection with the exercise or non-exercise of the options or pre-emptive right under the Non-Competition Agreement.

The Non-Competition Agreement will become effective upon Listing and remain in full force and be terminated upon the earlier of:

- (i) Chinalco and its subsidiaries, directly and/or indirectly in aggregation, holding less than 30% of our total issued share capital; or
- (ii) our H Shares no longer being listed on the Stock Exchange.

Our PRC legal advisors are of the view that the Non-Competition Agreement does not violate applicable PRC laws, and Chinalco's undertakings pursuant to the Non-Competition Agreement are valid and binding obligations of Chinalco under PRC laws after the Non-Competition Agreement takes effect, and may be enforced by us in the courts of the PRC thereafter.

Based on (a) the legally binding obligations of Chinalco as set out in the Non-Competition Agreement, the related grant of the options for new business opportunities and acquisitions and the pre-emptive right, and (b) the information-sharing and other mechanisms in place as described above to monitor compliance by Chinalco, the Directors are of the view that our Company has taken all appropriate and practicable steps to ensure compliance by Chinalco of its obligations under the Non-Competition Agreement.

RELATIONSHIP WITH CHALCO

Chalco is a joint stock limited liability company incorporated under the laws of the PRC and listed on the New York Stock Exchange (ACH.NY), Shanghai Stock Exchange (601600.SH) and the Stock Exchange (2600.HK). Chalco, with its subsidiaries ("Chalco Group"), is principally engaged in the mining of bauxite, the production and sale of alumina, electrolytic aluminum and aluminum processed products, the operations of coal and iron ores and the trading of other nonferrous metal products. As of the Latest Practicable Date, our Controlling Shareholder, Chinalco, owned approximately 41.82% of the equity interest of Chalco. Therefore, Chalco is our associate since we have a common controlling shareholder.

The Retained Business operated by the wholly owned subsidiaries of Chalco (namely, Shandong Qiyun, Henan Huahui, Lanlv Construction and Henan Zhongzhou Aluminum, the details of which are disclosed in the sub-section headed "Rationale for non-inclusion" above), has never been owned or operated by our Group. The purpose of establishing these subsidiaries by Chalco was primarily to provide the relevant services to the intra-group companies within the Chalco Group. In addition, as explained in the sub-section "Rational for non-inclusion" above, our business can be differentiated from those subsidiaries by, among others, the size of the projects to be engaged, target markets and customer base. In view of the above, the Directors are of the view that the business of our Group does not compete with the business of Chalco and its subsidiaries.

With respect to such business, as Chalco is a listed entity, its major operational and investment decisions are subject to compliance with the relevant laws, regulations and listing rules of the jurisdictions in which the shares of Chalco are listed, and if required, the approval of its shareholders. In addition, since Chalco is a listed entity, it is beyond the abilities of our Company

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or Chinalco to compel Chalco to enter into the Non-Competition Agreement, which may require the approval of the independent shareholders of Chalco. The operational and investment decisions of Chalco are decided by its executive directors, independent non-executive directors and senior management independently.

INDEPENDENCE FROM CHINALCO

Given the following factors, we believe that after the Global Offering, we will be able to operate independently of Chinalco and its associates:

Management Independence

Upon the Listing, our Board consists of nine Directors. Only one of the nine Directors, namely, Mr. Zhang Chengzhong, holds a senior management position in Chinalco (acting as the vice president of Chinalco). Mr. Zhang Chengzhong, our chairman and a non-executive Director, is principally responsible for formulating our corporate and business strategies and is not involved in our day-to-day management. Except as disclosed above, neither our Directors (including our president and vice president) nor chief financial officer serves as a director or senior management in Chinalco. In addition, one third of the Board of our Company is made up of independent non-executive Directors.

We believe that the Directors and senior management are able to perform their roles in our Company independently and that our Company is capable of managing its business independently of Chinalco after the Listing for the following reasons:

- the decision-making mechanism of the Board set out in the Articles of Association includes provisions to avoid conflicts of interest by providing, among other things, that in the event of conflict of interest, such as resolutions regarding transactions with Chinalco, the relevant Director(s) who are connected with Chinalco shall abstain from voting and shall not be counted in the quorum. Further, when considering connected transactions, the independent non-executive Directors shall review the relevant transactions;
- the Director who holds a position in Chinalco is a non-executive Director. As a non-executive Director, he is not involved in running our day-to-day business, but is primarily responsible for strategy and planning matters. The day-to-day operation of our Company is managed by our executive Directors and senior management, who are all independent of Chinalco and are our full-time employees;
- none of the Directors or the senior management has any shareholding interest in Chinalco;
- each of our Directors is aware of his or her fiduciary duties as a Director, which require, among other things, that he or she acts for our Company's benefit and best interest; and
- we have appointed three independent non-executive Directors, comprising one-third of our Board with a view to promote the interests of our Company and our Shareholders as a whole.

In light of the above, the Directors are of the view that the management of our Company is effectively independent of the management of Chinalco.

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Operational Independence

Our Company makes business decisions independently. Our Group holds all relevant licenses necessary to carry on our business, and has sufficient capital, equipment and employees to operate its business independently. Our Group has independent access to customers and suppliers and is capable of carrying on our business independent of Chinalco.

We will continue certain connected transactions with the Parent Group after the Listing. See the section headed “Connected Transactions”. Our Directors have confirmed that these connected transactions are entered into in the ordinary course of business, on normal commercial terms and on an arm’s length basis.

All of the goods and services provided by the Parent Group as referred to in the section headed “Connected Transactions” are readily available from Independent Third Parties on similar terms. For 2009, 2010 and 2011, our purchase of supplies from the Parent Group amounted to approximately RMB197.9 million, RMB118.1 million and RMB326.8 million, respectively, representing approximately 2.4%, 1.3% and 3.3%, respectively, of our total cost of sales during the respective periods. We usually procure such goods and services from the Parent Group when we provide our engineering services to them because (i) those engineering projects are usually located far from the local business centers where we would have to travel in order to find the goods and services (such as carbon blocks and warehouses) needed from Independent Third Parties and (ii) the suppliers within the Parent Group that receive our engineering services are able to provide the goods and services that we need for the engineering services, for the reason that the projects in which our Company provides services are usually operated by such suppliers which manufacture the major products, including carbon blocks and aluminum busbars, and generally have their warehousing facilities on site. Therefore, we benefit from procuring those goods and services directly from our engineering services recipients within the Parent Group which are in close proximity to the engineering projects in order to save transportation and administrative costs. In addition, we have been maintaining a long and sound business relationship with those suppliers within the Parent Group, which is in the best interest of our Group to continue doing the same. Therefore, we intend to continue procuring those goods and services from the Parent Group after the Listing.

Historically, we derived a substantial portion of our revenue from the goods and engineering services we provided to the Parent Group. For 2009, 2010 and 2011, our revenue contributed from sales of goods or provision of service to the Parent Group and a jointly controlled entity of Chinalco amounted to approximately RMB4,775.8 million, RMB4,147.7 million and RMB3,653.3 million, respectively, representing approximately 50.0%, 36.9% and 30.0%, respectively, of our total revenue during the same periods. Although the percentage of our revenue generated from the Parent Group against total revenue has been decreasing during the Track Record Period as indicated above, the provision of engineering services to the Parent Group are expected to increase slightly after the Listing. See the section headed “Connected Transactions — Engineering Services Master Agreement”. Considering the insignificant increase trend after the Listing and our proposed measures in reducing the connected transactions such as further expansion of the customer base

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(see item (v) and (vi) below for the details of those measures), the Directors consider that our Company will continue to be operationally independent from the Parent Group after the Listing on the basis of the following reasons:

- (i) our operational decisions are made by our senior management, led by Mr. He Zhihui, an executive Director and the president of our Company. Our executive Directors do not hold any senior management position within the Parent Group as of the Latest Practicable Date;
- (ii) we have established our own operational structure made up of separate departments, each with a specific area of responsibility. We have also established a set of internal control procedures to facilitate the effective operation of our business. We operate independently through our own sales and marketing network;
- (iii) we have adopted protective measures to ensure the enforceability of the Non-Competition Agreement. Please see the paragraph headed “Non-Competition Agreement” in this section for details. We have also adopted a set of corporate governance manuals, such as rules for the shareholders meetings, rules for board meetings, rules for the supervisory board and rules on the conduct of connected transactions, which are based on relevant laws and regulations;
- (iv) even though the Parent Group will provide goods and services to us after the Listing, we are free to purchase or procure those goods and services which are readily available from Independent Third Parties if we are able to secure such goods and services on similar or more favorable commercial terms;
- (v) we have proposed to adopt certain measures to reduce connected transactions with the Parent Group which include, without limitation, further expansion and diversification of our customer base in the nonferrous metals industry, penetration of a number of foreign markets and expansion of overseas operations. For example, we have enhanced our marketing capabilities to focus on enhancing our image and reputation in the industry in order to capture a larger market share. In 2011, we secured a number of new engineering projects on our own with new clients such as the 300 kt/a aluminum alloy sheet and strip casting technology development project by adopting Hazelett Process of Yunnan Yunlv Zexin Aluminum Co., Ltd.. For overseas markets, we focus on emerging markets such as Southeast Asia, South America and the Middle East, and will continue to expand our operations on our own through various marketing methods such as participating in international conferences, exhibitions and investment forums, publishing reports in international magazines of the nonferrous industry and utilizing the network of non-governmental organizations such as chambers of commerce. In 2011, we cooperated with China Development Bank and were appointed the contractor for an aluminum engineering project in Venezuela, and have established or are establishing offices or branches in various countries such as Vietnam, India, Saudi Arabia and Venezuela. We have also adopted flexible methods to expand our overseas operations on our own, such as cooperating with local agents, conducting overseas projects with domestic companies or their overseas branches and cooperating with well known overseas engineering companies in order to become subcontractors. In addition, we have formed and will continue to expand our teams with experience in the local markets by hiring more local employees. The Directors believe that we can continue to adopt these measures independently of the Parent Group after the Listing and that these measures will be effective in reducing reliance on the Parent Group as a whole.

RELATIONSHIP WITH CHINALCO

We leverage on our integrated full business-chain engineering service capabilities with synergy at different stages of the nonferrous metals industry chain which enables us to provide one-stop services to our clients and benefit from the integration of resources and processes throughout the business chain. We believe that it is rare to find similar companies with such capabilities in the nonferrous metals industry. Therefore, the Directors believe that it would not be difficult for our Company to find alternative customers for its services and commodities despite the fact that the amount of services and commodities supplied by the Parent Group has been decreasing gradually during the Track Record Period; and

- (vi) without the support of our Controlling Shareholder, Chinalco, we will independently develop and continue to expand our operations in related and emerging sectors other than the nonferrous metals industry such as machinery, chemicals, building materials, energy-saving facilities, and urban and rural infrastructure. See the section headed “Business” for more details. The core business of the Parent Group is primarily focused on the aluminum industry, which is within the nonferrous metals industry. Through our operation expansion into other industry sectors, we have expanded and will continue to expand our customer base into other industry sectors (in addition to the Parent Group and other players within the nonferrous metals industry) and will then be able to generate revenue from diverse customer sources. Therefore, the Directors believe that this will help reduce our operational reliance on the Parent Group.

In light of the above, even though there is a slight increase in the provision of engineering services to the Parent Group, the Directors are of the view that our operational independence will not be affected after the Listing.

Financial Independence

We have sufficient capital and banking facilities to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations. We have independent access to third party financing and do not need to depend on the Parent Group. See the section headed “Financial Information — Liquidity and Capital Resources — Working Capital.”

Further, we have established an independent finance department with a team of independent financial staff, as well as a sound and independent audit system, a standardized financial and accounting system and a complete financial management system. We maintain basic accounts with banks independently and the Parent Group does not share any bank account with us. We have made independent tax registrations and paid tax independently pursuant to applicable PRC tax laws and regulations. There has not been any tax paid by us together with Chinalco and other enterprises under its control on a combined basis.

We have settled all amounts due to the Parent Group of non-trade nature prior to the Listing.

In light of the above, the Directors are of the view that our Company will be financially independent from Chinalco upon the Listing.

CONNECTED TRANSACTIONS

Our Company has entered into certain agreements with entities that will constitute our connected persons as defined under Chapter 14A of the Listing Rules, and such agreements will constitute connected transactions or continuing connected transactions of our Company within the meaning of the Listing Rules.

TYPES OF CONNECTED TRANSACTIONS

As of the Latest Practicable Date, the following connected transactions had been entered into between our Company and the relevant connected persons and their respective associates:

Non-recurrent Transaction

- Non-Competition Agreement

Exempt Continuing Connected Transactions

- Trademark licensing agreement
- Sale of equipment accessories from Suzhou Hongji Metallurgy and Heat Energy Technology Co., Ltd. (蘇州弘基冶金熱能科技有限公司) (“Suzhou Hongji”) to CNPT
- Property leasing from Changkan Institute to Hunan Nonferrous Changkan Supply and Marketing Company (湖南有色長勘供銷公司) (“Hunan Changkan”)

Non-Exempt Continuing Connected Transactions

- General Services Master Agreement
- Commodities Sales and Purchases Master Agreement (Mutual Supply)
- Framework Land and Property Leasing Agreement
- Engineering Services Master Agreement

NON-RECURRENT TRANSACTION

Non-Competition Agreement

Our Company and Chinalco entered into a Non-Competition Agreement on June 2, 2012, pursuant to which our Company is granted an option on new business opportunities, an option on acquisitions and pre-emptive rights. For details of the Non-Competition Agreement, please see the section headed “Relationship with Chinalco” of this prospectus.

Implications under the Listing Rules

Any transaction that might take place after the Listing pursuant to the Non-Competition Agreement is made in the performance of the relevant transaction already entered into before the Global Offering. Such transaction will therefore not constitute connected transactions or continuing connected transactions of our Company under Chapter 14A of the Listing Rules, and will not be subject to further regulatory requirements under the Listing Rules. However, when we decide whether to exercise or not to exercise any options provided for under the Non-Competition Agreement, we shall comply with the relevant requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions exempt under Rule 14A.33

The following transactions are made in the ordinary course of business and on normal commercial terms where each of the relevant percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules will, as the Directors currently expect, not be more than 0.1% on an annual basis. By virtue of Rule 14A.33 of the Listing Rules, the transactions are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Trademark licensing agreement

Parties: Chinalco (as the licensor); and
Our Company (as the licensee)

Principal terms: we entered into a trademark licensing agreement with Chinalco on June 2, 2012, pursuant to which Chinalco agreed to grant to our Group a non-exclusive license to use certain trademarks of Chinalco, which are crucial to our operation, at nil consideration. Chinalco has licensed these trademarks to us instead of transferring the same to us as Chinalco has used these trademarks for its own operations and licensed the same to the intra-group companies within the Parent Group. In addition, we are authorized to sub-license the licensed trademarks to our subsidiaries. For details of the licensed trademarks, please see the section headed "Statutory and General Information — 3. Further Information About Our Business — B. Our intellectual property rights" in Appendix V of this prospectus.

The term of the agreement shall commence from the date of the agreement and shall expire on December 31, 2014. The agreement will be automatically renewed for another three years unless our Group serves a prior written notice to Chinalco for non-renewal. The agreement can only be terminated by mutual agreement or when the licensee becomes bankrupt, dissolved or ceases operation.

Annual Caps: our Company will not be required to pay Chinalco for the use of the licensed trademarks for the years ending December 31, 2012, 2013 and 2014.

Sale of equipment accessories from Suzhou Hongji to CNPT

Parties: Suzhou Hongji (as the seller); and
CNPT (as the purchaser)

Suzhou Changguang is a Substantial Shareholder of CNPT (a non-wholly-owned subsidiary of our Company), holding 17.5% of equity interest in CNPT as of the Latest Practicable Date. Suzhou Hongji is an associate of Suzhou Changguang and is therefore a connected person of our Company.

Principal terms: CNPT and Suzhou Hongji have historically entered into various equipment accessory purchase agreements whereby CNPT purchases certain equipment accessories from Suzhou Hongji, mainly including rolling mill parts for CNPT's manufacture of rolling mills.

CONNECTED TRANSACTIONS

Historical figures: the fees incurred by CNPT in connection with the purchase of equipment accessories from Suzhou Hongji for the years ended December 31, 2009, 2010 and 2011 were approximately RMB0.6 million, RMB4.2 million and RMB4.8 million, respectively.

Annual Caps: the maximum aggregate annual amount of fees for the years ending December 31, 2012, 2013 and 2014 shall not exceed the caps set out below:

	Proposed annual cap for the year ending December 31,		
	2012	2013	2014
	(RMB million)	(RMB million)	(RMB million)
Total fees	9.6	11.5	13.0

Basis of Caps: in determining the above annual caps, our Directors have considered (i) the historical figures (ii) the growing demand for such equipment accessories and (iii) our continuing growth of equipment manufacturing business.

Properties leasing from Changkan Institute to Hunan Changkan

Parties: Changkan Institute (as the lessor); and
Hunan Changkan (as the lessee)

Hunan Changkan is wholly owned by Luoyang Institute (which in turn is wholly owned by Chinalco) as of the Latest Practicable Date and is therefore an associate of Chinalco and a connected person of our Company.

Principal terms: Changkan Institute entered into a property leasing agreement with Hunan Changkan on June 30, 2011, which became effective on April 1, 2011 and will expire on December 31, 2013. Pursuant to this agreement, Hunan Changkan rents three properties from Changkan Institute with a total GFA of approximately 304.4 sq.m. for office premises with annual rent of RMB116,640.

Pricing policy: under the property leasing agreement, the rent shall be determined following arm's length negotiation between the relevant parties with reference to the prevailing market rates.

Historical figures: the rental expenditure that Hunan Changkan incurred for leasing properties from Changkan Institute for the years ended December 31, 2009, 2010 and 2011 were nil, nil and nil.

CONNECTED TRANSACTIONS

Annual Caps: the maximum aggregate annual amount of rental to Changkan Institute for the years ending December 31, 2012, 2013 and 2014 shall not exceed the caps set out below:

	Proposed annual cap for the year ending December 31,		
	2012	2013	2014
	(RMB)	(RMB)	(RMB)
Total rental	122,472	128,596	135,025

Basis of Caps: in determining the above annual caps, our Directors have taken into account that the market rentals of the relevant properties are expected to increase by 5% annually.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer and consultant, has confirmed that the rentals of the above property leasing agreement (i) are fair and reasonable and (ii) reflect the market rates for similar premises in the vicinity of the relevant property.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into the following transactions in its ordinary course of business, which will, upon the completion of the Listing, constitute continuing connected transactions of our Company subject to the reporting, annual review, announcement and/or independent shareholders' approval requirements (as the case may be) under Chapter 14A of the Listing Rules.

The following table sets forth a summary of the agreements and transactions with Chinalco and/or its associates, including the waivers sought.

Name of the agreements	Products/services providers and recipients	Types of products and services	Applicable Listing Rules and waivers sought
<i>Revenue items:</i>			
(1) Engineering Services Master Agreement	By our Company to Chinalco	<ul style="list-style-type: none"> • construction engineering • project supervision • reconnaissance • engineering design • engineering consultancy • equipment agency • equipment sales • technology transfer (right of use only) 	Rule 14A.35; exempt from the announcement and independent shareholders' approval requirements

CONNECTED TRANSACTIONS

Name of the agreements	Products/services providers and recipients	Types of products and services	Applicable Listing Rules and waivers sought
(2) Commodities Sales and Purchases Master Agreement	By our Company to Chinalco	Equipment for Chinalco's general operation, such as cell control cases, environmental protection equipment, material processing equipment	Rule 14A.34; exempt from the announcement requirement
<i>Expenditure items:</i>			
(1) General Services Master Agreement	By Chinalco to our Company	<ul style="list-style-type: none"> • labor • warehousing • transportation 	Rule 14A.34; exempt from the announcement requirement
(2) Commodities Sales and Purchases Master Agreement	By Chinalco to our Company	<ul style="list-style-type: none"> • carbon blocks • aluminum busbar • cement • engineering equipment and parts 	Rule 14A.34; exempt from the announcement requirement
(3) Framework Land and Property Leasing Agreement	By Chinalco to our Company	Land and properties for office, operational and residential use	Rule 14A.34; exempt from the announcement requirement

(A) Continuing connected transactions which are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement

General Services Master Agreement

Parties: Chinalco (as the service provider); and
Our Company (as the service recipient)

Principal terms: we entered into a general services master agreement with Chinalco on June 2, 2012 (the "General Services Master Agreement"), pursuant to which Chinalco and/or its associates may from time to time provide certain types of services to our Group primarily including (i) provision of labor for cleaning, security and equipment technical support (ii) warehousing and (iii) transportation.

The initial term of the General Services Master Agreement shall commence from the date of such agreement and shall expire on December 31, 2014, unless at any time either party gives at least three months' prior written notice of termination to the other party. Relevant subsidiaries or associated companies of both parties will enter into separate contract which shall set out the specific terms and conditions according to the principles provided in the General Services Master Agreement.

CONNECTED TRANSACTIONS

Pricing policy: please refer to the sub-section headed “Principal Terms of the Master Agreements” in this section.

Historical figures: the expenditure we incurred for the purchase of service from Chinalco and/or its subsidiaries for the years ended December 31, 2009, 2010 and 2011 were approximately RMB109.0 million, RMB73.9 million and RMB54.0 million, respectively, representing approximately 1.3%, 0.8% and 0.5% of our cost of sales during the same period.

Annual Caps: the maximum aggregate annual amount of fees for the years ending December 31, 2012, 2013 and 2014 shall not exceed the caps set out below:

	Proposed annual cap for the year ending December 31,		
	2012	2013	2014
	(RMB million)	(RMB million)	(RMB million)
Total fees.	56	58	60

Basis of Caps: in determining the above annual caps, our Directors have considered (i) the historical figure of service fees for the year ended December 31, 2011; and (ii) the increasing labor cost by 5% to 10% annually which may also cause the increase in warehousing and transportation services price.

Commodities Sales and Purchases Master Agreement (Mutual Supply)

Provision of commodities by Chinalco to our Company

Parties: Chinalco (as the supplier); and
Our Company (as the purchaser)

Principal terms: we entered into a commodities sales and purchases master agreement with Chinalco on mutual supply of commodities on June 2, 2012 (the “Commodities Sales and Purchases Master Agreement”), pursuant to which, our Group may from time to time purchase certain commodities mainly including carbon blocks, aluminum busbar, cement and engineering equipment and parts from Chinalco and/or its associates.

The initial term of the Commodities Sales and Purchase Master Agreement shall commence from the date of the agreement and shall expire on December 31, 2014, unless at any time either party gives at least three months’ prior written notice of termination to the other party. Relevant subsidiaries or associated companies of both parties will enter into separate contract which shall set out the specific terms and conditions according to the principles provided in the Commodities Sales and Purchase Master Agreement.

Pricing policy: please refer to the sub-section headed “Principal Terms of the Master Agreements” in this section.

CONNECTED TRANSACTIONS

Historical figures: the expenditure we incurred for the purchase of service from Chinalco and/or its subsidiaries for the years ended December 31, 2009, 2010 and 2011 were approximately RMB88.8 million, RMB44.2 million and RMB273.0 million, respectively, representing approximately 1.1%, 0.5% and 2.7% of our cost of sales during the same period.

The increase in the year ended December 31, 2011 is primarily due to the increase of cathode carbon blocks purchased by our Company from Guizhou Aluminum Plant (貴州鋁廠), a wholly owned subsidiary of Chinalco for the aluminum smelter project in India.

Annual Caps: the maximum aggregate annual amount of fees for the years ending December 31, 2012, 2013 and 2014 shall not exceed the caps set out below:

	Proposed annual cap for the year ending December 31,		
	2012	2013	2014
	(RMB million)	(RMB million)	(RMB million)
Total fees.	230	210	180

Basis of Caps: in determining the above annual caps, our Directors have considered (i) the historical figure of purchase fees for the year ended December 31, 2011; (ii) the completion progress of the aluminum smelter project in India by 2012 as mentioned above; and (iii) the amount of cathode carbon blocks, aluminum busbars and cement to be purchased by our Company for construction purpose.

These commodities provided by the suppliers within the Parent Group are readily available from Independent Third Parties at similar terms. However, historically and going forward, we have been maintaining and expect to continue to maintain sound business relationships with those suppliers which are familiar with our specific and special requirements for certain commodities. In addition, we procure those commodities directly from those suppliers while we provide our engineering services to them in order to save transportation and administrative costs. The steady increase for the above annual caps corresponds with our existing engineering services provided to the Parent Group during the same period.

Provision of commodities by our Company to Chinalco

Parties: Chinalco (as the purchaser); and
Our Company(as the supplier)

Principal terms: we entered into the Commodities Sales and Purchases Master Agreement with Chinalco, pursuant to which Chinalco and/or its associates may from time to time purchase from our Group certain commodities, mainly including equipment for Chinalco's general operation, such as cell control cases, environmental protection equipment and material processing equipment.

CONNECTED TRANSACTIONS

For the initial term of the Commodities Sales and Purchases Master Agreement, please refer to the disclosures in “(A) Continuing connected transactions which are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders’ approval requirement — Commodities Sales and Purchases Master Agreement (Mutual Supply)” above.

Pricing policy: please refer to the sub-section headed “Principal Terms of the Master Agreements” in this section.

Historical figures: the revenue we generated from sales of commodities to Chinalco and/or its subsidiaries and jointly controlled entity for the years ended December 31, 2009, 2010 and 2011 were approximately RMB252.3 million, RMB579.0 million and RMB213.6 million, respectively, representing approximately 2.6%, 5.2% and 1.8% of our revenue during the same period.

Annual Caps: the maximum aggregate annual amount of fees for the years ending December 31, 2012, 2013 and 2014 shall not exceed the caps set out below:

	Proposed annual cap for the year ending December 31,		
	2012	2013	2014
	(RMB million)	(RMB million)	(RMB million)
Total fees.	200	180	160

Basis of Caps: in determining the above annual caps, our Directors have considered (i) the historical figure of sales for the year ended December 31, 2011; and (ii) the outstanding and receivable amount under the existing agreements of approximately RMB540 million which we plan to substantially complete by 2014.

Land and properties leased by our Company from Chinalco

Parties: Chinalco (as the lessor); and
Our Company (as the lessee)

Principal terms: we entered into a framework land and property leasing agreement with Chinalco on June 2, 2012 (the “Framework Land and Property Leasing Agreement”), pursuant to which our Group may rent land and properties from Chinalco and /or its associates for office, operational and residential premises.

The term of the Framework Land and Property Leasing Agreement shall commence from the date of the agreement and shall expire on December 31, 2014. Relevant subsidiaries or associated companies of both parties will enter into separate contract which shall set out the specific terms and conditions according to the principles provided in the Framework Land and Property Leasing Agreement.

Pricing policy: under the Framework Land and Property Leasing Agreement, the rent shall be determined following arm’s length negotiation between the relevant parties with reference to the prevailing market rates and the guidance price published by local competent authorities.

CONNECTED TRANSACTIONS

Existing leases: CNPT entered into a lease agreement with Luoyang Institute on August 26, 2011. Such agreement became effective on January 1, 2011 and will expire on December 31, 2013. Pursuant to such agreement, Luoyang Institute agreed to lease to CNPT certain properties, which are located at (i) No. 1 Xiyuan Road, Jianxi District, Luoyang City (ii) No. 55 Xiyuan Road, Jianxi District, Luoyang City and (iii) No. 2, Cuiwei Road, Gaoxin District, Luoyang City, with a total GFA of approximately 25,291 sq.m.. Such properties are used as office premises and for providing production and logistics services. The annual rental in 2011 is RMB5,470,745 and will increase at an annual basis of 5%.

Sixth Metallurgical Company entered into two lease agreements with Zhengzhou New High-Tech Industrial Development Zone Construction Company (鄭州高新技術產業開發區建設總公司, “Zhengkai Construction”), a wholly owned subsidiary of Luoyang Institute, on November 9, 2011. Such agreements became effective on April 1, 2011 and will expire on December 31, 2013. Pursuant to such agreements, Zhengkai Construction agreed to lease to Sixth Metallurgical Company certain properties with a total GFA of approximately 28,874 sq.m., which are located at (i) No. 20, Yinpin Road, Gaoxin District, Zhengzhou City (ii) No. 35, Huaihe Road, Zhengzhou City (iii) Qian’er Jiefang, Nanchang Road, Luoyang City and (iv) Qianjingtou, Nanchang Road, Luoyang City. Such properties are used as office premises and for providing production and logistics services with an annual rental of RMB790,600.

Changkan Institute entered into a lease agreement with Hunan Changkan, a wholly owned subsidiary of Luoyang Institute, on June 30, 2011. Such agreement became effective on April 1, 2011 and will expire on December 31, 2013. Pursuant to such agreement, Hunan Changkan agreed to lease to Changkan Institute certain properties with a total GFA of approximately 25,992 sq.m., which are located at Xiamen, Zhuhai, Beihai, Changsha, Yiyang, Yueyang, Haikou, Shenzhen and Dongguan. Such properties are used as office premises, residential premises, research and development premises, and warehouses with annual rental of RMB3,726,428.

Historical figures: the rental expenditure that CNPT incurred for leasing properties from Luoyang Institute and that Sixth Metallurgical Company incurred for leasing properties from Zhengzhou New High-Tech Industrial Development Zone Construction Company for the years ended December 31, 2009, 2010 and 2011 were approximately RMB5.7 million, RMB7.5 million and RMB5.5 million, respectively.

Annual Caps: the maximum aggregate annual amount of rental for the years ending December 31, 2012, 2013 and 2014 shall not exceed the caps set out below:

	Proposed annual cap for the year ending December 31,		
	2012	2013	2014
	(RMB million)	(RMB million)	(RMB million)
Total rental	11	12	13

CONNECTED TRANSACTIONS

Basis of Caps: in determining the above annual caps, our Directors have considered (i) the historical figures for the property leasing (ii) most of the lease agreements occurred and took effect due to the Reorganization in 2011 pursuant to which Chinalco transferred certain assets to us, resulting in lessees or lessors which used to be non-connected persons under the Listing Rules becoming connected persons to each other upon the Reorganization and (iii) the expected increase in market rentals of relevant properties by 5% annually.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer and consultant, has confirmed that the rentals of the leases (i) are fair and reasonable, and reflect the market rates for similar premises in the vicinity of the relevant property or (ii) are lower than the market rent.

(B) Continuing connected transactions which are subject to the reporting, annual review, announcement and independent shareholders' approval requirement

Engineering Services Master Agreement

Parties: Chinalco (as the service recipient); and
Our Company (as the service provider)

Principal terms: we entered into an engineering services master agreement with Chinalco on June 2, 2012 ("Engineering Services Master Agreement"), pursuant to which our Group provides engineering services to Chinalco and/or its associates, including construction engineering, technology transfer (right of use only), project supervision, reconnaissance, engineering design, engineering consultancy, equipment agency and equipment sales.

The initial term of the engineering services master agreement shall commence from the date of the agreement and shall expire on December 31, 2014, unless at any time either party gives at least three months' prior written notice of termination to the other party.

Pricing policy: The prices for the engineering services provided by us shall be determined (i) through the bidding process; or (ii) by an arm's length negotiation between the parties. For determining the prices of reconnaissance and design projects, our Company will refer to the Engineering Survey and Design Charging Administration Regulations (Ji Jia Ge [2002] No. 10) promulgated by the then National Development Plan Commission and Ministry of Construction. For determining the prices of engineering and construction contracting projects, our Company will estimate prices on the basis of the project size and exact work to be done, which is also the basis that our Company makes reference to when participating in the bidding or negotiation process. Our Directors have confirmed that all such transactions in relation to engineering services are on normal commercial terms.

Historical figures: the revenue we generated from sales of goods and provision of services to Chinalco and/or its subsidiaries and jointly controlled entity for the years ended December 31, 2009, 2010 and 2011 were approximately RMB4,523.5 million, RMB3,568.7 million and RMB3,439.6 million, respectively, representing approximately 47.3%, 31.8% and 28.2% of our revenue during the same period. The reason for such decrease is primarily due to (i) the decrease of the total investment of Chinalco as a result of the financial crisis in 2008 and (ii) an increase of our revenue generated from other customers in the nonferrous metals industry.

CONNECTED TRANSACTIONS

Annual Caps: the maximum aggregate annual amount of fees for the years ending December 31, 2012, 2013 and 2014 shall not exceed the caps set out below:

	Proposed annual cap for the year ending December 31,		
	2012	2013	2014
	(RMB million)	(RMB million)	(RMB million)
Total fees.	3,700	3,850	4,000

Basis of Caps: in determining the above annual caps, our Directors have considered (i) the historical figures; (ii) the outstanding and receivable amount under the existing engineering agreements of approximately RMB8.5 billion as of December 31, 2011, which we plan to substantially complete by 2013; and (iii) for year 2014, our Directors have considered (a) the outstanding amount of approximately RMB1.0 billion under the existing engineering agreements; and (b) the amount of new engineering agreements to be entered into in year 2012 and 2013. In 2010 and 2011, the amount of engineering agreements entered into with Chinalco and/or its associates was approximately RMB2.1 billion and RMB8.8 billion, respectively. As of April 30, 2012, we have entered into new engineering agreements amounting to approximately RMB0.5 billion. Based on the above, our Directors estimate that the total agreements to be performed in 2014 would not exceed RMB4.0 billion. While the above caps are in a slightly increasing trend, the increase is expected to be moderate as our Company plans to expand its customer base, and accordingly, the extent of reliance on Chinalco will be decreased.

Principal Terms of the Master Agreements

Each of the Engineering Services Master Agreement, General Services Master Agreement and Commodities Sales and Purchases Master Agreement (collectively, the “Master Agreements”) contains the uniform binding principles, guidelines and terms and conditions, in accordance with which the products or services contemplated therein are to be provided by the relevant provider to the relevant recipient.

The general terms of the Master Agreements are set out below:

General terms

- the quality of products and services to be provided to our Group should be satisfactory to us;
- the price at which such products and services are to be provided must be fair and reasonable; and
- the terms and conditions (including but not limited to price) on which such products and services are to be provided should be on normal commercial terms.

Price determination

- the bidding pricing where the bidding process is required;
- government-prescribed price;
- where there is no government-prescribed price, then the government-guidance price;

CONNECTED TRANSACTIONS

- where there is neither government-prescribed price nor government-guidance price, then the market price; or
- where none of the above prices is applicable or where it is not practicable to apply the above pricing policies, then according to the price to be agreed following arm's length negotiation between the parties.

Termination

The term of the Master Agreements can be extended or renewed, provided that the relevant parties agree to such extension or renewal and the requirements under the relevant laws, regulations and/or the Listing Rules (as the case may be) are complied with.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

By virtue of Rule 14A.34 of the Listing Rules, each of the transactions under paragraph (A) of sub-section "Non-exempt Continuing Connected Transactions" will constitute connected transactions which are subject to reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules. By virtue of Rule 14A.34 and 14A.35 of the Listing Rules, each of the transactions under paragraph (B) of sub-section "Non-exempt Continuing Connected Transactions" will constitute connected transactions subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the above continuing connected transactions are expected to continue on a recurring continuing basis, the Directors consider that such announcement and/or independent shareholders' approval would be impractical and would add unnecessary administrative costs to our Company.

Accordingly, our Company has requested that the Stock Exchange grant, and the Stock Exchange has granted, a waiver to our Company under Rule 14A.42(3) of the Listing Rules from compliance with the independent shareholders' approval and/or announcement requirements subject to the following conditions:

- (i) in respect of the continuing connected transactions under paragraph (A) and paragraph (B) of sub-section "Non-exempt Continuing Connected Transactions" above, the aggregate value of each of these non-exempt continuing connected transactions for each financial year not exceeding the relevant annual cap amount set forth in the respective caps as stated above; and
- (ii) in respect of the continuing connected transactions under paragraph (A) and paragraph (B) of sub-section "Non-exempt Continuing Connected Transactions" above, as required under Rule 14A.42(3), our Company will comply with the requirements specified under Chapter 14A of the Listing Rules. In addition, our Company will fully comply with the requirements under Chapter 14A of the Listing Rules for transactions conducted after December 31, 2014 and before the expiry of various agreements referred to under paragraph (A) and paragraph (B) of sub-section "Non-exempt Continuing Connected Transactions" above.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the transactions referred to in this prospectus, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONNECTED TRANSACTIONS

The waiver granted by the Stock Exchange will expire on December 31, 2014.

CONFIRMATION FROM THE DIRECTORS

The Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions as set out above have been and will be entered into in the ordinary and usual course of business of our Company, on normal commercial terms, and are fair and reasonable and in the interest of our Company and the Shareholders as a whole, and that the proposed annual caps for these transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is of the view that our Company's continuing connected transactions described under the sub-heading "Non-exempt Continuing Connected Transactions" are in the ordinary and usual course of business of our Company, on normal commercial terms, and are fair and reasonable and in the interest of our Company and its Shareholders as a whole, and that the proposed annual caps (where applicable) for these continuing connected transactions referred to above are fair and reasonable.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board currently consists of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. The functions and duties of our Board include, but are not limited to, convening shareholders' meetings, reporting the Board's work at the shareholders' meetings, implementing the resolutions passed at the shareholders' meetings, determining our business plans and investment plans, formulating our annual budget and final accounts, formulating our proposals for profit distributions and for the increase or reduction of registered capital as well as exercising other powers, functions and duties as conferred by our Articles of Association. We have entered into service contracts with each of our executive Directors, non-executive Directors and independent non-executive Directors.

The following table presents certain information in respect of our Directors.

Name	Age	Position	Date of Appointment
ZHANG Chengzhong (張程忠)	52	Chairman and Non-executive Director	June 30, 2011
ZHANG Zhankui (張占魁)	53	Non-executive Director	June 30, 2011
MA Xiaoling (馬曉玲)	50	Non-executive Director	June 30, 2011
HE Zhihui (賀志輝)	49	Executive Director and President	June 30, 2011
WU Yuewu (吳躍武)	52	Executive Director and Vice President	June 30, 2011
WANG Jun (王軍)	41	Executive Director and Chief Financial Officer	June 30, 2011
SUN Chuanyao (孫傳堯)	67	Independent Non-executive Director	December 22, 2011
CHEUNG Hung Kwong (張鴻光) . .	44	Independent Non-executive Director	December 22, 2011
JIANG Jianxiang (蔣建湘)	46	Independent Non-executive Director	December 22, 2011

DIRECTORS

Non-Executive Directors

Mr. Zhang Chengzhong (張程忠), aged 52, has been the Chairman of the Board of our Company since November 2005 and was reappointed as a non-executive Director and Chairman of our Company on June 30, 2011. Mr. Zhang is primarily responsible for the general business strategies of our Company. He has been a director of China Aluminum Technology since August 2006 and an executive director of China Aluminum Equipment since July 2011. Mr. Zhang has been the vice president of Chinalco since February 2007, a director and the president of China Copper Co., Ltd. (中國銅業有限公司) and a director of Chinalco Shanghai Copper Co., Ltd. (中鋁上海銅業有限公司) since February 2011, and the chairman of the board of Yunnan Copper (Group) Co., Ltd. (雲南銅業(集團)有限公司) and a director of Chinalco Kunming Copper Co., Ltd. (中鋁昆明銅業有限公司) since March 2011. Mr. Zhang served as the vice president and a director of Chalco from September 2001 to May 2007, a director and the vice chairman of the board of

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Guangxi Huayin Aluminum Co., Ltd. (廣西華銀鋁業有限公司) from February 2003 to December 2009. He also served in various positions in Shanxi Aluminum Plant of Chinalco including the plant director from August 1982 to August 2001. Mr. Zhang obtained his doctorate degree in nonferrous metals metallurgy from Northeastern University (東北大學) in March 2008. He is also a professor-grade senior engineer granted by the State Bureau of Nonferrous Metals Industry (國家有色金屬工業局).

Mr. Zhang Zhankui (張占魁), aged 53, has been a non-executive Director of our Company since June 2011. Mr. Zhang is primarily responsible for monitoring our auditing management. Mr. Zhang has been the director of the finance department of Chinalco since December 2009, a supervisor of Chalco since October 2006, the president of the finance department of China Rare Earth Co., Ltd. (中國稀有稀土有限公司) since November 2010 and an executive director and president of China Aluminum Finance Co., Ltd. (中鋁財務有限責任公司) since February 2011. Mr. Zhang served in various positions in Chinalco including as a deputy director of the finance department from October 2000 to March 2002 and from March 2006 to December 2009. He also served as the manager of the general management office of the finance department of Chalco from March 2002 to February 2006, the deputy director of the finance department and the director of the accounting office of the finance department of China Copper Lead Zinc Group Corporation (中國銅鉛鋅集團公司) from March 2000 to September 2000, the director of the finance and accounting department of China Copper Lead Zinc Group Corporation from September 1999 to February 2000, and the vice president of Beijing ENFI Technology Industry Group Corporation (北京恩菲科技產業集團公司, “Beijing ENFI”) from August 1999 to October 1999. He served in various positions in Beijing Central Engineering and Research Institute of Nonferrous Metallurgical Industries (北京有色冶金設計研究總院) including the director of the finance department and the auditing department from July 1982 to August 1999. When Mr. Zhang served as the vice president of Beijing ENFI, Beijing ENFI was a subsidiary of Beijing Central Engineering and Research Institute of Nonferrous Metallurgical Industries, which was a subsidiary of China Copper Lead Zinc Group Corporation. In October 1999, Mr. Zhang began to serve in China Copper Lead Zinc Group Corporation as a result of an internal job transfer from Beijing ENFI. Mr. Zhang completed his doctorate studies in management philosophy from Beijing Normal University (北京師範大學) in December 2006. He is also a senior accountant granted by Beijing Central Engineering and Research Institute of Nonferrous Metallurgical Industries.

Ms. Ma Xiaoling (馬曉玲), aged 50, has been a non-executive Director of our Company since June 2011. Ms. Ma is primarily responsible for reviewing the remuneration plans of our Directors and senior management. Ms. Ma has been the director of the capital operation department of Chinalco since December 2009. Ms. Ma served in several positions in Chinalco from October 2000 to March 2002, including the director of the operation office of the assets operation department. She served in various positions in Chalco including the vice president of the capital operation department from March 2002 to December 2009. She also served as the director of the assets management office of the development department of China Rare Metals and Rare Earth Group Corporation (中國稀有稀土金屬集團公司) from September 1999 to September 2000, the director of IPO office of the reform division of State Bureau of Nonferrous Metals Industry from August 1998 to September 1999. She also served in various positions in China Nonferrous Metals Corporation (中國有色金屬工業總公司) including the deputy director of the IPO office of the policy research

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

office from August 1987 to August 1998. Ms. Ma obtained her bachelor's degree in law in 1983 and postgraduate diploma in economic law in 1987, respectively, from China University of Political Science and Law (中國政法大學). She is also a senior economist granted by China Nonferrous Metals Industry Corporation. Ms. Ma served as a director of Jiaozuo Wanfang Aluminum Manufacturing Co., Ltd. (焦作萬方鋁業股份有限公司), which is listed on the Shenzhen Stock Exchange (000612.SZ), from September 2008 to June 2010.

Executive Directors

Mr. He Zhihui (賀志輝), aged 49, has been a Director of our Company since December 2003 and reappointed as an executive Director of our Company on June 30, 2011, the president of our Company since March 2010 and served as the vice president of our Company from December 2003 to March 2010. Mr. He is primarily responsible for our daily management and operation, particularly the risk management of our Company. Mr. He has been a director of China Aluminum Technology since August 2006, the manager of China Aluminum Technology and the manager of China Aluminum Equipment since July 2011. Mr. He served in various positions in GAMI, including as the dean from August 1987 to April 2006. Mr. He obtained his bachelor's degree in industrial automation from Central South Institute of Mining and Metallurgy (中南礦冶學院) (currently known as Central South University) in 1982 and his master's degree from Huazhong Technology Institute (華中工學院) (currently known as Huazhong University of Science and Technology (華中科技大學)) in May 1987. He is also an excellent senior engineer granted by State Bureau of Nonferrous Metals Industry. Mr. He currently serves as a director of Zhuzhou Tianqiao Crane Co., Ltd. (株洲天橋起重機股份有限公司), which is listed on the Shenzhen Stock Exchange (002523.SZ).

Mr. Wu Yuewu (吳躍武), aged 52, has been an executive Director of our Company since June 2011 and a vice president of our Company since April 2010. Mr. Wu is primarily responsible for our strategic planning and safety compliance. Mr. Wu has been a director of CNPT from January 2002 to January 2012 and also served as the president of CNPT from January 2002 to March 2010. He also served in various positions in Luoyang Institute, including as the dean from February 1982 to March 2010. Mr. Wu obtained his bachelor's degree in metal processing under stress from Central South Institute of Mining and Metallurgy (中南礦冶學院) (currently known as Central South University) in December 1981. He is also a professor-grade senior engineer granted by State Bureau of Nonferrous Metals Industry and received the special government allowance from the State Council in 2004. Mr. Wu currently serves as an independent director of Shanghai Datun Energy Resources Co., Ltd. (上海大屯能源股份有限公司), which is listed on the Shanghai Stock Exchange (600508.SH).

Mr. Wang Jun (王軍), aged 41, has been an executive Director and the chief financial officer of our Company since June 2011. Mr. Wang is primarily responsible for our daily management in respect of finance, tax and risk management. Mr. Wang has been a director of China Aluminum Technology since July 2011. Mr. Wang served in various positions in Chinalco, including the general representative of the Peru office of Chinalco from March 2002 to November 2010. He also served as the chief financial officer and the manager of finance department of China Aluminum Mineral Resources Co., Ltd. (中鋁礦產資源有限公司) from November 2010 to April 2011. Mr. Wang served in various positions in Aluminum Group of China (中國鋁業集團公司) and Chinalco from April 1998 to March 2002, including as the business manager of the general section of the finance

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department. He also worked at the finance department of China Nonferrous Metals Corporation and the finance department of North China University of Technology (北方工業大學) from July 1994 to April 1998. Mr. Wang obtained his bachelor's degree in accounting from North China University of Technology in July 1994 and his master's degree in business management from Tsinghua University (清華大學) in January 2004. He is also a senior accountant granted by Chinalco.

Independent Non-Executive Directors

Mr. Sun Chuanyao (孫傳堯), aged 67, is an independent non-executive Director of our Company. Mr. Sun is the chairman of our remuneration committee and a member of our nomination committee. He has served in various positions in Beijing General Research Institute of Mining and Metallurgy (北京礦冶研究總院) since November 1981 including the dean, Mr. Sun is an academician of the Chinese Academy of Engineering and the Academy of Engineering of St. Petersburg, Russia, a director of the International Mineral Processing Academic Conference Council, the Mineral Processing Academic Committee of the Nonferrous Metals Society of China and the director of the national critical laboratory for mineral processing. Mr. Sun graduated from Northeast University of Technology (東北工學院) (currently known as Northeastern University (東北大學)) in 1968 and obtained his master's degree in mineral processing from Beijing General Research Institute of Mining and Metallurgy in 1981. Mr. Sun served as the chairman of the board of directors of North Magnetic Materials Science and Technology Co., Ltd. (北礦磁材科技股份公司), which is listed on the Shanghai Stock Exchange (600980.SH), from August 2000 to May 2007. Currently, Mr. Sun is an independent non-executive director of the Advanced Technology & Materials Co., Ltd. (安泰科技股份有限公司), which is listed on the Shenzhen Stock Exchange (000969.SZ).

Mr. Cheung Hung Kwong (張鴻光), aged 44, is an independent non-executive Director of our Company. Mr. Cheung is the chairman of our audit committee. Mr. Cheung joined Kaisa Group Holdings Ltd. (stock code: 1638. HK) in July 2008 and currently serves as its chief financial officer, corporate secretary and joint authorized representative. He served in Boto Company Limited, a private company, from March 2003 to December 2007 and was promoted to chief financial officer during that period. He served as a manager of assurance and business advisory service department and corporate finance and recovery department of PricewaterhouseCoopers from July 1994 to March 2003. He has been a member of the American Institute of Certified Public Accountants (AICPA) since August 1996 and a chartered financial analyst qualified by the CFA Institute (formerly known as the Association for Investment Management and Research) in the U.S. since September 2000. Mr. Cheung obtained his bachelor's degree with the second class honors from University of Hong Kong in 1990 and his master's degree with distinction from University of London in 1992.

Mr. Jiang Jianxiang (蔣建湘), aged 46, is an independent non-executive Director of our Company. Mr. Jiang is a member of our audit committee, remuneration committee, nomination committee and Risk Management Committee. Mr. Jiang is currently the dean of the law school of Central South University (中南大學). He is an arbitrator of the Arbitration Committee of Changsha and the Arbitration Committee of Hengyang. He is also a member of the Expert Advisory Committee for the People's Procuratorate of Hunan Province and the expert on the legal system for the People's Government of Changsha. Mr. Jiang was employed as counsel of the Party Committee and the People's Government of Hunan Province on September 2011. Mr. Jiang was granted a second-class prize for state teaching achievement and a first-class prize for teaching achievement of Hunan in

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2001, and the title of “the Most Influential Character on Law of Hunan Province” in 2010. Mr. Jiang obtained his bachelor’s degree in law from Central China Normal University (華中師範大學) in 1987, his master’s degree in philosophy in 2003 and his doctorate degree in management in 2007, respectively, from Central South University.

Except as disclosed herein, there are no other matters that need to be brought to the attention of the Shareholders in connection with the appointment of our Directors, and there is no other information relating to our Directors that should be disclosed pursuant to Rule 13.51(2) of the Listing Rules, including the directorships held by our Directors in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

SUPERVISORS

The board of Supervisors of our Company currently consists of three members. The functions and duties of the board of Supervisors include, but are not limited to, reviewing and verifying financial reports, business reports and profit distribution proposals prepared by the Board, and, if in doubt, appointing certified public accountants and practicing auditors to re-examine our Company’s financial information; monitoring the financial activities of our Company; supervising the performance of Directors, president and other senior management members, and monitoring as to whether they had acted in violation of the law, administrative stipulations or Articles of Association in the execution of their duties; requesting Directors, president and senior management members to rectify actions which are damaging to our Company’s interests; and exercising other rights given to them under the Articles of Association.

The following table presents certain information in respect of our Supervisors.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of Appointment</u>
LONG Chaosheng (龍朝生)	58	Chairman of the Board of Supervisors and Employee Representative Supervisor	June 30, 2011
DONG Hai (董海)	56	Supervisor	June 30, 2011
OU Xiaowu (歐小武)	47	Supervisor	June 30, 2011

Mr. Long Chaosheng (龍朝生), aged 58, has been a Supervisor of our Company since June 2011. Mr. Long served as a Director of our Company from November 2005 to June 2011 and as the president of our Company from November 2005 to March 2010. He served as a director and as the president of China Aluminum Technology from August 2006 to July 2011, the head of the personnel department of Chinalco from December 2001 to October 2003 and the head of personnel department of Chinalco (preparatory) from October 2000 to December 2001. Mr. Long also served as the vice president of Guizhou Aluminum Plant of Chinalco from October 2003 to October 2005, the general manager of human resource department of Chalco from December 2001 to September 2003 and the deputy head of the personnel department of the State Bureau of Nonferrous Metals Industry from September 1998 to August 2000. Mr. Long served in various positions in China Nonferrous Metals Industry Corporation including the commissioner of the personnel education department in China Nonferrous Metals Industry Corporation from February 1985 to August

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1998. He also worked as a technician and an assistant engineer in Beijing Central Engineering and Research Institute of Nonferrous Metallurgical Industries from February 1980 to January 1985. Mr. Long graduated from the automatic control department of Chongqing University in February 1980. Mr. Long is a senior engineer granted by China Nonferrous Metals Industry Corporation.

Mr. Dong Hai (董海), aged 56, has been a Supervisor of our Company since June 2011. Mr. Dong has been the director of the inspection office of discipline inspection committee of Chinalco since December 2009 and a deputy director of the party and discipline inspection team of Chinalco since May 2009. He served in various positions in the PLA Beijing Military Region (解放軍北京軍區) from January 1971 to June 1986, including as a soldier of the political department of No. 85 Zhouqiao corps of engineering, a vice company-level staff and the company-level staff of the political department of the division of summit engineering maintenance battalion. Mr. Dong obtained his master's degree in business administration from Zhongnan University of Economics and Law (中南財經政法大學) in June 2008.

Mr. Ou Xiaowu (歐小武), aged 47, has been a Supervisor of our Company since June 2011. He has been the director of the auditing department of Chinalco and the general manager of the finance department of Chalco since December 2009. He served in various positions in Chinalco, including the director of the finance department (auditing department) from October 2000 to February 2006. He also served as a general manager of the finance department of Chalco from March 2006 to November 2009 and the vice president of Guizhou Branch of Chinalco from January 2002 to October 2003. Mr. Ou served as the deputy director of the finance department and auditing department of China Copper Lead Zinc Group Corporation from September 1999 to September 2000. He served in various positions in China Nonferrous Metals Industry Corporation, including as the director of Division I of auditing department from December 1992 to October 1998. Mr. Ou graduated from the planning and statistics department of Xiamen University (廈門大學) in July 1985. Mr. Ou is a senior auditor granted by China Nonferrous Metals Industry Corporation. Mr. Ou currently serves as a director of Jiaozuo Wanfang Aluminum Manufacturing Co., Ltd., which is listed on the Shenzhen Stock Exchange (000612.SZ).

Except as disclosed herein, there are no other matters that need to be brought to the attention of the Shareholders of our Company in connection with the appointment of our Supervisors and there is no other information relating to our Supervisors that should be disclosed pursuant to Rule 13.51(2) of the Listing Rules, including the directorships held by our Supervisors in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

SENIOR MANAGEMENT

Name	Age	Position	Date of Appointment
HE Zhihui (賀志輝)	49	President	June 30, 2011
WU Yuewu (吳躍武)	52	Vice President	June 30, 2011
QIN Qiwu (秦奇武)	55	Vice President	June 30, 2011
MA Ning (馬寧)	48	Vice President	June 30, 2011
WANG Jun (王軍)	41	Chief Financial Officer	June 30, 2011

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For details of Mr. He Zhihui's biography, please see the sub-section headed "Directors" above.

For details of Mr. Wu Yuewu's biography, please see the sub-section headed "Directors" above.

Mr. Qin Qiwu (秦奇武), aged 55, has been a vice president of our Company since June 2011. Mr. Qin has been a director of China Aluminum Technology since July 2011. Mr. Qin is primarily responsible for our daily management in respect of marketing in the PRC, technology management and our information system. He served in various positions in Changsha Institute from January 1982 to March 2011, including senior engineer of the mine processing department, the dean of Mine and Gold Branch, the associate dean and the dean. Mr. Qin graduated from the mine processing department of Central South Institute of Mining and Metallurgy (currently known as Central South University) in December 1981. Mr. Qin is a researcher-grade senior engineer granted by State Bureau of Nonferrous Metals Industry.

Mr. Ma Ning (馬寧), aged 48, has been a vice president of our Company since April 2010 and was reappointed on June 30, 2011. Mr. Ma is primarily responsible for the daily management in respect of operations management and contracting business. Mr. Ma has been a director of Duyun Tongda since May 2011. He served in various positions in Shenyang Branch of Chalieco from July 2006 to March 2010, including the vice president. Mr. Ma previously held various positions in SAMI successively from September 1986 to March 2010, including as the engineer of the hot wind department, the head of the purification department, the chief designer and the vice dean. Mr. Ma graduated from Shenyang University (瀋陽大學) and majored in environmental engineering in July 1986. Mr. Ma is an excellent senior engineer granted by Chinalco.

For details of Mr. Wang Jun's biography, please see the sub-section headed "Directors" above.

Except as disclosed herein, there are no other directorships held by our senior management in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

JOINT COMPANY SECRETARIES

Mr. Wang Jun (王軍) was appointed as a joint company secretary of our Company on November 25, 2011, and he is also the Board secretary of our Company. For details of Mr. Wang's biography, please see the sub-section headed "Directors" above.

Mr. Lam Chun Lung, Raymond (林晉龍), aged 39, was appointed as a joint company secretary of our Company on November 25, 2011. Currently, Mr. Lam is a joint company secretary and a qualified accountant of Irico Group Electronics Company Limited (stock code: 438. HK) and the general finance manager of Wiseknit Factory Limited. He served as an accounting manager in Worldwide Stationery Manufactory Company Limited from January 2010 to September 2010, various positions in Eagle Group International Limited from June 2003 to October 2007, including deputy logistic director and various positions in S.C.To & Co. Certified Public Accountants from June 1998 to June 2003. Mr. Lam is a fellow member of The Association of Chartered Certified Accountants (FCCA), and an associate member of Hong Kong Institution of Certified Public

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Accountants(HKICPA). Mr. Lam obtained a bachelor's degree in business administration in accounting with first class honors from Hong Kong University of Science & Technology in 1998 and a master's degree in business administration (part time) with distinction from City University of Hong Kong in 2006.

BOARD COMMITTEES

Audit Committee

We established the audit committee on December 22, 2011, with written terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our Group's financial reporting process and internal control system. The audit committee comprises Mr. Cheung Hung Kwong, Mr. Jiang Jianxiang and Mr. Zhang Zhankui. Mr. Cheung Heng Kwong is the chairperson of the audit committee.

Remuneration Committee

We established the remuneration committee on December 22, 2011, with written terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to make recommendations to our Board on the remuneration policies and structure of the remuneration for the Directors and senior management and to set up a formal and transparent procedure for determination of such remuneration policies. The remuneration committee comprises Mr. Sun Chuanyao, Mr. Jiang Jianxiang and Ms. Ma Xiaoling. Mr. Sun Chunyao is the chairperson of the remuneration committee.

Nomination Committee

We established the nomination committee on December 22, 2011, with written terms of reference as recommended by the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duty of the nomination committee is to make recommendations to our Board on the appointment of Directors and senior management. The nomination committee comprises Mr. Zhang Chengzhong, Mr. Sun Chuanyao and Mr. Jiang Jianxiang. Mr. Zheng Chengzhong is the chairperson of the nomination committee.

Risk Management Committee

We established the Risk Management Committee on December 22, 2011, with written terms of reference. The primary duty of the Risk Management Committee is to consider the criteria or mechanism for determining significant risks and the risk assessment report. The Risk Management Committee comprises Mr. Zhang Chengzhong, Mr. Jiang Jianxiang and Mr. He Zhihui. Mr. Zhang Chengzhong is the chairperson of the Risk Management Committee.

DIRECTORS' COMPENSATION

For the three years ended December 31, 2009, 2010 and 2011, the aggregate amount of fees, salaries, allowances, discretionary payments, bonuses and pension-defined contribution plans paid

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

by our Company to our Directors were approximately RMB1.2 million, RMB2.0 million and RMB2.1 million, respectively. It is estimated that under the arrangements currently in force, the aggregate compensation payable to the Directors for the year ending December 31, 2012, is approximately RMB2.5 million.

The compensation of the top five highest paid individuals (including Directors and supervisors, where appropriate) for the three years ended December 31, 2009, 2010 and 2011 were approximately RMB2.6 million, RMB2.9 million and RMB3.3 million, respectively.

During the Track Record Period, no compensation was paid by our Company to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by our Company to, or receivable by, our Directors, past Directors or the five highest paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

None of our Directors waived any compensation for any of the last three years. Except as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors or the five highest paid individuals during the Track Record Period.

COMPLIANCE ADVISOR

We have appointed CICC as our compliance advisor pursuant to Rule 3A.19 and 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 13.10 of the Listing Rules.

Pursuant to Rule 19A.06 of the Listing Rules, CICC will, in a timely manner, inform us of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. CICC will also inform us of any amendment or supplement to applicable laws and guidelines.

The term of the appointment will commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing.

SHARE CAPITAL

As of the date of this prospectus, the registered share capital of our Company is RMB2,300,000,000, divided into 2,300,000,000 Domestic Shares with a nominal value of RMB1.00 each.

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately after the Global Offering will be as follows:

<u>Number of Shares</u>	<u>Description of Shares</u>	<u>Approximate percentage to total share capital</u>
2,263,684,000	Domestic Shares ⁽¹⁾	85.00%
36,316,000	H Shares to be converted from Domestic Shares and held by NSSF	1.36%
<u>363,160,000</u>	H Shares to be issued under the Global Offering	<u>13.64%</u>
<u><u>2,663,160,000</u></u>		<u><u>100%</u></u>

Note:

(1) These Domestic Shares are held by Chinalco and Luoyang Institute.

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately after the Global Offering will be as follows:

<u>Number of Shares</u>	<u>Description of Shares</u>	<u>Approximate percentage to total share capital</u>
2,258,236,600	Domestic Shares ⁽¹⁾	83.10%
41,763,400	H Shares to be converted from Domestic Shares and held by NSSF	1.54%
<u>417,634,000</u>	H Shares to be issued under the Global Offering	<u>15.37%</u>
<u><u>2,717,634,000</u></u>		<u><u>100%</u></u>

Note:

(1) These Domestic Shares are held by Chinalco and Luoyang Institute.

SHARE CAPITAL

Our Shares

Our Domestic Shares and H Shares are both ordinary shares in the share capital of our Company. H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares, on the other hand, may only be subscribed for and traded in Renminbi. Apart from certain qualified domestic institutional investors in the PRC, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Domestic Shares, on the other hand, can only be subscribed for by and traded between legal or natural persons of the PRC, qualified foreign institutional investors or qualified foreign strategic investors. We must pay all dividends in respect of H Shares in Hong Kong dollars and all dividends in respect of Domestic Shares in Renminbi.

Our Promoters hold all existing Domestic Shares as promoter shares (as defined in the Company Law). Under the Company Law, promoter shares may not be sold within a period of one year from June 30, 2011, on which we were organized as a joint stock limited company. This lock-up period will expire on June 29, 2012. The Company Law further provides that in relation to the public share offering of a company, the shares of the company which have been issued prior to the offering shall not be transferred within one year from the date of the listing. However, based on the Provisional Procedures for the Reduction of State Owned Shareholdings and the Raising of Social Security Funds issued by the State Council and based on the discussions between our PRC legal advisors and the relevant competent PRC authorities, our PRC legal advisors have advised that any transfer of the Shares issued to the NSSF before the Listing will not be subject to such transfer restriction. Upon the approval of the State Council or its authorized regulatory departments and with the consent of the Stock Exchange, the Domestic Shares may be converted into H Shares.

Except as described in this prospectus and in relation to the dispatch of notices and financial reports to our Shareholders, dispute resolution, registration of Shares in different parts of our register of Shareholders, the method of share transfer and the appointment of dividend receiving agents, which are all provided for in the Articles of Association and summarized in Appendix IV to this prospectus, our Domestic Shares and our H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. However, the transfer of Domestic Shares is subject to such restrictions as PRC law may impose from time to time. Save for the Global Offering, we do not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within the next six months from the date of this prospectus. We have not approved any share issue plan other than the Global Offering.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Conversion of Domestic Shares

According to the State Council's securities regulatory authority and the Articles of Association, our Domestic Shares may be converted into H Shares and transferred to overseas investors, and such transferred H Shares may be listed or traded on an overseas stock exchange provided that any requisite internal approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such transfer, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

SHARE CAPITAL

If any of our Domestic Shares are to be transferred to overseas investors and to be traded as H Shares on the Stock Exchange, such transfer and conversion will need to obtain the approval of the relevant PRC regulatory authorities including the CSRC. Approval of the Stock Exchange is required for the listing of such converted shares on the Stock Exchange. Based on the methodology and procedures for the transfer and conversion of our Domestic Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our Domestic Shares on the Stock Exchange as H Shares in advance of any proposed transfer to ensure that the transfer process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share Register. As any listing of additional shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No class shareholder voting is required for the listing and trading of the transferred shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform shareholders and the public of any proposed transfer.

Mechanism and Procedures for Conversion

After all the requisite approvals have been obtained, the following procedures will need to be completed in order to effect the conversion: the relevant Domestic Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct our H Share Registrar to issue H Share certificates. Registration on our H Share Register will be conditioned on (a) our H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates and (b) the admission of the H Shares to trade on the Stock Exchange in compliance with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the transferred shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

So far as our Directors are aware, none of our Promoters currently proposes to convert any of the Domestic Shares held by it into H Shares, except for the Domestic Shares to be converted and transferred by Chinalco and Luoyang Institute to the NSSF in connection with the Global Offering.

TRANSFER OF SHARES ISSUED PRIOR TO LISTING DATE

The Company Law provides that in relation to the Hong Kong public offering of a company, the shares issued by a company prior to the Hong Kong public offering shall not be transferred within a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and not be transferred within a period of one year from the Listing Date. However, the Shares to be transferred by Chinalco and Luoyang Institute to the NSSF in accordance with relevant PRC regulations regarding the disposal of State-owned shares are not subject to such statutory restrictions.

SHARE CAPITAL

TRANSFER OF STATE-OWNED SHARES

In accordance with relevant PRC regulations regarding the disposal of state-owned shares, each of Chinalco and Luoyang Institute is required to transfer to the NSSF such number of Domestic Shares as in aggregate would be equivalent to 10% of the number of the Offer Shares (36,316,000 H Shares assuming the Over-allotment Option is not exercised, and 41,763,400 H Shares assuming the Over-allotment Option is exercised in full). At the time of the listing of our H Shares on the Stock Exchange, such Domestic Shares will be converted into H Shares on a one-for-one basis. These H Shares will not be part of the Global Offering but will be considered as part of the Shares to be held by public investors for the purpose of Rule 8.08 of the Listing Rules. We will not receive any proceeds from the transfer by Chinalco and Luoyang Institute to the NSSF of such Domestic Shares or any subsequent disposal of such H Shares by the NSSF.

The transfer of state-owned shares by Chinalco and Luoyang Institute to the NSSF was approved by SASAC on August 2, 2011. The conversion of those shares into H Shares was approved by the CSRC on February 22, 2012. We have been advised by our PRC legal advisors that the transfer and the conversion, and the holding of H Shares by the NSSF following such transfer and conversion, have been approved by the relevant PRC authorities and are legal under PRC law.

REGISTRATION OF SHARES NOT LISTED ON OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange 《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》 issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 Business Days upon listing.

SUBSTANTIAL SHAREHOLDER

So far as the Directors are aware, each of the following person will, immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised, have an interest or short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Shareholder	Number of Shares held after the Global Offering	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering ⁽¹⁾	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering ⁽²⁾
Chinalco ⁽³⁾	2,263,684,000 Domestic Shares	Beneficial owner/ interest of controlled corporation	100%	85%

Notes:

- (1) The calculation is based on the percentage of shareholding in Domestic Shares or H Shares (excluding 36,316,000 H Shares to be converted from Domestic Shares and held by NSSF) (as applicable) of our Company after the Global Offering.
- (2) The calculation is based on the total number of 2,663,160,000 Shares in issue after the Global Offering.
- (3) Chinalco is beneficially interested in 2,176,758,534 Domestic Shares, representing approximately 81.74% of the total share capital of our Company. Luoyang Institute is a wholly-owned subsidiary of Chinalco and is interested in 86,925,466 Domestic Shares, representing approximately 3.26% of the total share capital of our Company. Chinalco is deemed to be interested in the Domestic Shares held by Luoyang Institute as well under the SFO.

For those who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Company, please see the section headed “Substantial Shareholders” in Appendix V to this prospectus.

CORPORATE INVESTORS

OUR CORPORATE INVESTORS

The Corporate Placing

As part of the International Offering, our Company and the Sole Global Coordinator have entered into corporate investment agreements with a number of investors (the “Corporate Investors” and each a “Corporate Investor”) who have agreed to purchase a number of International Offer Shares at the Offer Price for an aggregate amount of approximately US\$100 million. Assuming the Offer Price is fixed at HK\$3.93, being the low end of the Offer Price range shown in this prospectus, the total number of International Offer Shares to be purchased by our Corporate Investors (each rounded down to the nearest board lot of 1,000 Shares) would be 197,223,000 International Offer Shares, representing approximately 54.31% of the total Offer Shares initially available under the Global Offering and approximately 7.41% of our Company’s enlarged share capital immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Each of the Corporate Investors and their respective beneficial owners is an independent third party and not a connected person (as such term is defined in the Listing Rules) of the Company. None of the Corporate Investors will be a substantial shareholder of our Company upon the Listing and during the six-month lock-up period as described below, nor will any Corporate Investor subscribe for any Offer Shares under the Global Offering other than pursuant to the respective corporate investment agreements.

The Offer Shares to be subscribed for by the Corporate Investors will rank *pari passu* in all respects and will be counted towards the public float of our Company. None of the Corporate Investors have a representative on our Board.

The International Offer Shares to be purchased by each of the Corporate Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of an over-subscription under the Hong Kong Public Offering as described in the section headed “Structure of the Global Offering — The Hong Kong Public Offering” nor by any exercise of the Over-allotment Option to be granted by our Company to the Stabilizing Manager for the International Offering. The allocation to each Corporate Investor will be disclosed in the announcement of allocation results to be published on July 5, 2012.

The Corporate Investors

Beijing Jundao Technology Development Co., Ltd. (北京君道科技發展有限公司)

Beijing Jundao Technology Development Co., Ltd. (“Beijing Jundao”), together with Leading Gain Investments Limited (“Leading Gain”) acting as its nominee holder, have agreed to purchase a number of International Offer Shares at the Offer Price for a total of US\$15 million (rounded down to the nearest board lot of 1,000 Shares). Assuming the Offer Price is fixed at HK\$3.93, being the low end of the Offer Price range shown in this prospectus, the total number of Shares to be purchased by Beijing Jundao would be 29,613,000 Shares, representing approximately 8.15% of the total Offer Shares initially available under the Global Offering and approximately 1.11% of our Company’s enlarged share capital immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

CORPORATE INVESTORS

Beijing Jundao is a company incorporated in the PRC. It mainly engages in the sale of mechanical and electronic equipment, whole-set equipment, nonferrous metal, bulk raw materials and ancillary supplies, hardware and electric products, chemical products and mineral products, import and export agency, and technology and economic trade consulting services. Beijing Jundao is 62.5% owned by Zhang Rong (張嶸), a PRC citizen.

Leading Gain is registered in the British Virgin Islands and mainly engages in investment. Leading Gain is 50% owned by Wang Hao (王浩) and 50% owned by Wang Qiong (王瓊), respectively, both of whom are PRC citizens.

China XD Group (中國西電集團公司)

China XD Group (“XD Group”) has agreed to purchase, through a qualified domestic institutional investment fund, a number of International Offer Shares at the Offer Price for a total of US\$15 million (rounded down to the nearest board lot of 1,000 Shares). Assuming the Offer Price is fixed at HK\$3.93, being the low end of the Offer Price range shown in this prospectus, the total number of Shares to be purchased by XD Group would be 29,613,000 Shares, representing approximately 8.15% of the total Offer Shares initially available under the Global Offering and approximately 1.11% of our Company’s enlarged share capital immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

XD Group is a large state-owned enterprise incorporated in the PRC and is wholly owned by SASAC. The predecessor of XD Group is Xi’an Electrical Machinery Manufacturing Company, which was incorporated in 1959. XD Group mainly engages in research, design, manufacture and sale of electric equipment and machinery, mechatronics product, electronic and telecommunication equipment and regular machinery, and engineering contracting of entire power station and power grid.

Jiangxi Transformer Science & Technology Co., Ltd. (江西變壓器科技股份有限公司)

Jiangxi Transformer Science & Technology Co., Ltd. (“Jiangxi Transformer”) has agreed to purchase, through a qualified domestic institutional investment fund, a number of International Offer Shares at the Offer Price for a total of US\$10 million (rounded down to the nearest board lot of 1,000 Shares). Assuming the Offer Price is fixed at HK\$3.93, being the low end of the Offer Price range shown in this prospectus, the total number of Shares to be purchased by Jiangxi Transformer would be 19,742,000 Shares, representing approximately 5.44% of the total Offer Shares initially available under the Global Offering and approximately 0.74% of our Company’s enlarged share capital immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Jiangxi Transformer is a company incorporated in the PRC. The predecessor of Jiangxi Transformer is Jiangxi Transformer Co., Ltd. Jiangxi Transformer mainly engages in manufacturing and repairing of transformer and instrument transformer, wholesale, retail and technology consulting services of power plant boiler, wire and cable and other transmission and transformer facilities. Jiangxi Transformer is 90.08% held by Beihai Yinhe Hi-Tech Industrial Co., Ltd.

CORPORATE INVESTORS

The Seventh Metallurgical Construction Corp. Ltd. (七冶建設有限責任公司)

The Seventh Metallurgical Construction Corp. Ltd. (“SMCC”) has agreed to purchase, through a qualified domestic institutional investment fund, a number of International Offer Shares at the Offer Price for a total of US\$35 million (rounded down to the nearest board lot of 1,000 Shares). Assuming the Offer Price is fixed at HK\$3.93, being the low end of the Offer Price range shown in this prospectus, the total number of Shares to be purchased by SMCC would be 69,097,000 Shares, representing approximately 19.03% of the total Offer Shares initially available under the Global Offering and approximately 2.59% of our Company’s enlarged share capital immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

SMCC is a large state-owned enterprise incorporated in the PRC. The predecessor of SMCC is The Seventh Metallurgical Construction Company of China Nonferrous Metals Industry, which was incorporated in 1958. SMCC mainly provides engineering and contracting services for various industry sectors. SMCC is wholly owned by the State-owned Assets Supervision and Administration Commission of Guizhou Provincial People’s Government.

Yunnan Aluminum International Company Limited (雲鋁國際有限公司)

Yunnan Aluminum International Company Limited (“Yunnan Aluminum”) has agreed to purchase a number of International Offer Shares at the Offer Price for a total of US\$10 million inclusive of the relevant brokerage and transaction levy (rounded down to the nearest board lot of 1,000 Shares). Assuming the Offer Price is fixed at HK\$3.93, being the low end of the Offer Price range shown in this prospectus, the total number of Shares to be purchased by Yunnan Aluminum would be 19,545,000 Shares, representing approximately 5.38% of the total Offer Shares initially available under the Global Offering and approximately 0.73% of our Company’s enlarged share capital immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Yunnan Aluminum is a company registered in Hong Kong and mainly engages in trade and other business as permitted by the Companies Ordinance. It is wholly owned by Yunnan Aluminium Co. Ltd., a state-owned enterprise listed on the Shenzhen Stock Exchange (SZ: 000807).

Yunnan Tin (Hong Kong) Yuan Xin Company Limited (雲錫(香港)源興有限公司)

Yunnan Tin (Hong Kong) Yuan Xin Company Limited (“Yunnan Tin”) has agreed to purchase a number of International Offer Shares at the Offer Price for a total of US\$15 million (rounded down to the nearest board lot of 1,000 Shares). Assuming the Offer Price is fixed at HK\$3.93, being the low end of the Offer Price range shown in this prospectus, the total number of Shares to be purchased by Yunnan Tin would be 29,613,000 Shares, representing approximately 8.15% of the total Offer Shares initially available under the Global Offering and approximately 1.11% of our Company’s enlarged share capital immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

CORPORATE INVESTORS

Yunnan Tin is a company registered in Hong Kong and mainly engages in trade and investment. It is a wholly-owned subsidiary of Yunnan Tin Company Group Limited, which is in turn wholly owned by the State-owned Assets Supervision and Administration Commission of Yunnan Provincial People's Government. Yunnan Tin Company Group Limited mainly engages in geological exploration, mining, milling of ores, smelting, chemical engineering related to tin and arsenic, further processing of tin materials, new materials of non-ferrous metals, precious metal materials, construction materials, real estate development, equipment manufacture, warehousing and transportation, international logistics, scientific research and design, and industrialisation development.

Conditions Precedent

The subscription obligations of the Corporate Investors will be subject to, among other things, the following conditions precedent: (i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into by, *inter alia*, the Company and the Sole Global Coordinator and having become unconditional and not having been terminated (in accordance with their respective original terms or as subsequently waived or varied by agreement of the relevant parties) by no later than the time and date as specified or as subsequently waived or varied by agreement of the relevant parties; and (ii) the Listing Committee having granted the listing of, and permission to deal in, the H Shares and such approval or permission not having been revoked.

Restrictions on Disposals by the Corporate Investors

Each of the Corporate Investors have agreed that, without the prior written consent of our Company and that of the Sole Global Coordinator, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of any H Shares purchased pursuant to the International Offering (or interest in any company or entity holding any of the H Shares so subscribed) other than by transfer to its wholly-owned subsidiary, subject to the undertaking that such subsidiary will abide by the restrictions on disposal imposed on the relevant Corporate Investor. In the event of a disposal of any H Shares at any time after the six-month period, the Corporate Investors will use their best endeavors to ensure that any such disposal will not create a disorderly or false market for the H Shares and is otherwise in compliance with the Listing Rules, the Companies Ordinance, the SFO and all relevant securities laws and regulations and rules of the securities exchanges of all competent jurisdictions.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial information included in “Appendix I — Accountant’s Report” and other financial data and operating data included elsewhere in this prospectus. Our consolidated financial information has been prepared in accordance with IFRS.

The following discussion and analysis and other parts of this prospectus contain certain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Our future results could differ materially from those discussed in such forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and “Business” and elsewhere in this prospectus.

Unless otherwise indicated, all financial data, whether presented on the primary reporting basis or by segment, is presented after elimination of inter-segment and other intra-company transactions between the group companies.

OVERVIEW

We are a leading technology, engineering service and equipment provider in the nonferrous metals industry in China, capable of providing full business-chain integrated engineering solutions throughout various stages of the nonferrous metals industry chain. According to Antaike and the MOHURD, in terms of revenue in the PRC in 2010, we were ranked first among engineering survey and design enterprises in the PRC nonferrous industry and eighth among engineering survey and design enterprises, and according to ENR/Construction Times, we were ranked tenth, fourth and eighth in 2008, 2009 and 2010, respectively, among engineering design enterprises in terms of total general contracting revenue.

Leveraging our advanced technology, we maintain engineering design and consultancy as our key business, which drives the development of our engineering and construction contracting, as well as our equipment manufacturing business. We have also expanded our business to include providing engineering services in other sectors such as metallurgy, transportation, power, oil, petrochemicals, construction materials, environmental protection, municipal and public utility construction and new materials, and our business has grown rapidly in overseas nonferrous metals markets in recent years.

We regard technological innovation as our core competency, and have developed a series of proprietary technologies relating to mining, ore-dressing, smelting and metal material processing. As of December 31, 2011, we had 2,781 patents (including 474 invention patents) in China and 12 overseas patents, as well as 1,091 patent applications (including 883 invention patent applications) in China. In addition, as of December 31, 2011, we had 19 computer software copyrights registered in China. As of December 31, 2011, we had won 76 National Science and Technology Awards and 549 provincial and ministerial Science and Technology Awards.

FINANCIAL INFORMATION

For the years ended December 31, 2009, 2010 and 2011, the new contract value⁽¹⁾ of our operations was approximately RMB6,565.8 million, RMB14,256.5 million and RMB28,889.8 million, respectively. As of December 31, 2009, 2010 and 2011, our backlog⁽²⁾ was approximately RMB12,360.7 million, RMB15,384.0 million and RMB32,079.3 million.

Our operations are divided into three principal business segments, according to which our financial information is presented. Our three principal business segments are as follows:

Engineering design and consultancy

Engineering design and consultancy has historically been our key business. Our subsidiaries include four of the first eight large-scale design and research institutes established in the 1950s and 1960s in the PRC nonferrous metals industry, namely SAMI, GAMI, Changsha Institute and CNPT (which has acquired the core business of Luoyang Institute), and one survey and design institute, namely Changkan Institute. As of December 31, 2011, we had 54 qualifications issued by relevant government authorities, which enable us to provide engineering design and consultancy in various sectors including qualifications in engineering design, engineering consultancy, environmental impact evaluation consultancy, engineering costs consultancy, engineering and geological survey, mapping, geological hazards evaluation and treatment design and construction, special equipment design, municipal and rural planning, technology trading, and over 4,000 engineers and technicians with expertise in over 40 specialized fields. For the details of the qualifications held by us, see “Appendix V — Statutory and General Information — 3. Further Information about our Business — C. Our Qualifications.”

We have established leading market positions in various fields of the PRC nonferrous metals industry. According to Antaika, as of December 31, 2011, we have designed approximately 40%, 45%, 90% and 30% of the total designed production capacity in China of nonferrous metals mines, alumina, electrolytic aluminum and heavy nonferrous metals, rare metals and rare-earth metals, respectively. In addition, we are the only large-scale integrated design and research enterprise in China specialized in design and consultancy for nonferrous metals material processing, with a market share of over 90% in terms of designing large- and medium-scale projects, and a market share of approximately 70% in terms of all projects, in the PRC nonferrous metals processing sector.

For the years ended December 31, 2009, 2010 and 2011, revenue generated from our engineering design and consultancy operations was RMB1,108.4 million, RMB1,350.5 million and RMB1,595.2 million, respectively, representing 11.5%, 11.8% and 12.8% of our total revenue during the same periods before inter-segment elimination. During the same periods, the segment results of our engineering design and consultancy operations was RMB303.0 million, RMB340.1 million and RMB308.9 million, respectively, representing 55.5%, 33.5% and 26.1% of our total operating profit before inter-segment elimination during the same periods.

(1) New contract value represents the aggregate value of the contracts we entered into during a specified period.

(2) Backlog represents our estimate of the contract value of work that remains to be completed as of a certain date assuming the performance is in accordance with the terms of the contract.

FINANCIAL INFORMATION

Engineering and construction contracting

Leveraging our strengths in engineering design and consultancy, we have successfully developed engineering and construction contracting operations, which have become a new driver of profit growth, with engineering and construction contracting having contributed 60.2% of our operating profit after inter-segment elimination for the year ended December 31, 2011. According to ENR / Construction Times, we have been among the top ten engineering design enterprises in China for the years of 2008, 2009 and 2010 in terms of total engineering and construction general contracting revenue of the previous year.

Our engineering and construction contracting model is centered around our core competency in engineering design and consultancy and highlights the crucial role of engineering design in quality control, expense control and progress control during the course of an engineering and construction contracting project. This model distinguishes us from some engineering general contractors that focus on construction and project management, and has been increasingly recognized and accepted by our customers.

We carry out engineering and construction contracting operations mainly in the nonferrous metals industry in China and overseas markets in the form of EPC and EP. We also use other contracting models, such as project management contracting, construction contracting and BT contracting. In China, we have served as the engineering general contractor for a number of large-scale nonferrous metal projects. In emerging overseas markets, we have served as the EPC contractor for the first and second alumina projects in Vietnam, and the EP contractor for the largest-scale one-off alumina and electrolytic aluminum projects in the world in terms of designed annual production capacity in India.

Our five construction subsidiaries carry out engineering and construction contracting business for mining, ore-dressing, smelting and metal material processing projects. To meet the needs of our construction business, some of them established an internal processing bases for selected core equipment and metal components to ensure supply stability, maintain product quality and protect technology intellectual property.

For the years ended December 31, 2009, 2010 and 2011, revenue generated from our engineering and construction contracting operations was RMB7,590.1 million, RMB9,058.2 million and RMB9,863.1 million, respectively, representing 78.8%, 79.0% and 79.2% of our total revenue during the same periods before inter-segment elimination. Our segment operating profit was RMB146.6 million, RMB599.1 million and RMB712.2 million, respectively, for the years ended December 31, 2009, 2010 and 2011, representing 26.8%, 59.0% and 60.2% of our total operating profit after inter-segment elimination during the same periods.

Equipment manufacturing

Equipment manufacturing is a high-technology industry that we have prioritized for development. Our equipment manufacturing operations mainly focus on producing equipment by utilizing our proprietary and patented technologies. Our main products include customized core metallurgical and processing equipment, environmental protection equipment, mechanical and electronic equipment and industrial automation systems. Our products are used in various aspects of the nonferrous metals industry chain, and have been exported to countries such as Vietnam, India, Brazil, Nigeria and Pakistan.

FINANCIAL INFORMATION

For the years ended December 31, 2009, 2010 and 2011, revenue generated from our equipment manufacturing operations was RMB931.7 million, RMB1,060.9 million and RMB1,002.4 million, respectively, representing 9.7%, 9.2% and 8.0% of our total revenue during the same periods before inter-segment elimination. During the same periods, the segment results of our equipment manufacturing operations were RMB96.4 million, RMB76.4 million and RMB161.2 million, respectively, representing 17.7%, 7.5% and 13.6% of our total operating profit before inter-segment elimination during the same periods.

BASIS OF PRESENTATION

Our Company, formerly known as China Aluminum International Engineering Co., Ltd., was established on December 16, 2003 with limited liability in China. Upon the establishment of our Company, Chinalco held its 95% equity interest and China Aluminum International Trading Company Limited (中鋁國際貿易有限公司), a wholly-owned subsidiary of Chalco, held the remaining 5% equity interest. On February 10, 2011, China Aluminum International Trading Company Limited transferred its entire equity interest in our Company to Chinalco. Following the Reorganization, our Company became the holding company of the subsidiaries now comprising the Group. It was renamed China Aluminum International Engineering Corporation Limited and was transformed into a joint stock company with limited liability on June 30, 2011. For details of the Reorganization, please refer to the section headed “History, Reorganization and Corporate Structure — Reorganization”.

As our Company and its subsidiaries were under the control of Chinalco both before and after the Reorganization and the control is not transitory, the Reorganization has been accounted for as a reorganization of a business under common control and the consolidated financial statements of our Group have been prepared using the principles of merger accounting. The consolidated balance sheets as of December 31, 2009, 2010 and 2011, and consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for 2009, 2010 and 2011 have been presented as if the current group structure had been in existence throughout 2009, 2010 and 2011 or since respective dates of incorporation/establishment or acquisition, whichever is the shorter period.

The Financial Information has not included the assets, liabilities and results of the operations which were unrelated to our core business and had been transferred to the Parent Group, on the basis that these operations are engaged in dissimilar business from those of our Group, have separate management personnel and accounting records and have been financed and operated historically as if they were autonomous.

The Financial Information, however, includes certain assets and liabilities that were transferred to the Parent Group upon the completion of the Reorganization (“Excluded Assets and Liabilities”). The Excluded Assets and Liabilities mainly comprised buildings and land use rights with title defects, and equity investments in unlisted companies as well as non-operating receivables and payables that did not form business units themselves and cannot generate revenue independently. The Excluded Assets and Liabilities have not been retained by our Group due to lack of legal certificates or due to not directly relating to our Group’s core business.

FINANCIAL INFORMATION

The impact on the results of our Group by the Excluded Assets and Liabilities are mainly (i) depreciation and amortization charges of buildings and land use rights, dividend income from available-for-sale financial assets and rental income generated by investment properties; and (ii) indirect costs and expenses related to the daily maintenance and management of the Excluded Assets and Liabilities, which could not be segregated from the Financial Information of our Group. The Excluded Assets and Liabilities were transferred to the Parent Group when the Reorganization was completed as of March 31, 2011. The revenue, net profit and net loss relating to the Excluded Assets and Liabilities were immaterial to the financial condition of our Group during the Track Record Period.

The Excluded Assets and Liabilities as of March 31, 2011 were summarized as follow:

	As of March 31, 2011
	(RMB'000)
Non-current assets	256,305
Current assets	80,469
Current liabilities	<u>(27,351)</u>
Net assets	<u>309,423</u>

However, as the Excluded Assets and Liabilities, especially the non-operating receivables and payables, were not managed or accounted for separately before they were transferred to the Parent Group, our Company was not in a position to segregate the financials of the Excluded Assets and Liabilities from the consolidated financial statements of our Group as at dates prior to the transfer.

On the basis of the above, the Directors are of the view that the Excluded Assets and Liabilities are immaterial to the business, operation and financial condition of our Group and it is in the best interest of our Group to transfer them to the Parent Group as part of the Reorganization.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations financial condition and prospects have been, and will continue to be, affected by a number of factors, including the following:

Economic growth, industrialization and demand for engineering services and products in China and globally.

For 2009, 2010 and 2011, approximately 85.4%, 79.4% and 85.4%, respectively, of our revenue was generated in China. Our results are influenced by changes in the rate of economic growth, industrialization and demand for engineering services and products in China and globally. The global financial crisis starting from the second half of 2008 had an adverse impact on our business.

Demand for and prices of our services and products

Our financial condition and results of operations are affected by the demand for and prices of our services and products. The demand for our services and products depends on the general level of activity and growth of (i) engineering design and consultancy, engineering and construction contracting and equipment manufacturing business in the nonferrous metals industry, (ii) other

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industries that we serve, such as the building of construction, municipal facilities and other infrastructure construction industries, and (iii) the industries in which our customers operate. Factors that affect the development of these industries include general economic conditions, governmental investment policies and investment plans, financing and market conditions and consumer confidence. In addition, intensified competition in our engineering design and consultancy, engineering and construction contracting and equipment manufacturing business may also lead to pricing pressure on our services and products.

Governmental regulations and policies

Our business is affected by governmental regulations and policies including, in particular, China's macroeconomic policies, regulatory policies relating to the nonferrous metals industry, and regulatory policies relating to the other sectors in which we operate. Regulations of the nonferrous metals industry may have a material impact on investments in and growth of China's nonferrous metals industry. See "Laws and Regulations Applicable to the Industry" for the description of the evolution of major regulatory policies regarding the nonferrous metals industry and other industries related to our business in China and the other jurisdictions in which we operate. As a result, our management takes into account the potential impact of the government regulations and policies when we formulate our business strategies. For example, under the State Council issued Plans on the Adjustment and Development of the Nonferrous Metals Industry and the PRC government's western development policies, we have developed new business relationships with large-scale clients in the western Chinese provinces of Gansu, Ningxia and the autonomous region of Xinjiang, which we believe will contribute to our significant growth in the future. We plan to continue to take advantage of this development trend in central and western China. In addition, as the PRC government places increasing importance on environmental protection and energy efficiency, we have developed new technologies, products and processes that can help our customers to reduce energy consumption and waste discharge. See "Business — Technology, Research and Development." We believe such new technologies, products and processes have contributed to our rapid business growth and leading market position.

Fluctuation in the prices of nonferrous metals

While we are not involved in the mining, manufacturing or trading of nonferrous metals and hence the prices of nonferrous metals does not directly affect our financial performance, it may affect the ability and incentive of nonferrous metals producers (including producers engaged in mining, ore dressing, smelting and processing of materials of nonferrous metals) to increase their capacity and output. When the prices of nonferrous metals are expected to rise, nonferrous metals producers often increase their capacity and incentive by making investments in new projects, which in turn generate increased demand for our products and services. When the prices of nonferrous metals are expected to fall, nonferrous manufacturers' demand for our products and services may decrease as they may reduce or cease investments in new projects, which will in turn have a negative impact on our business and financial performance.

Cost of sales

Raw materials and consumables used

We procure raw materials mainly for our engineering and construction contracting business and our equipment manufacturing business. The raw materials used in our engineering and construction

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contracting business mainly include steel, cement and aluminum. The raw materials used in our equipment manufacturing business mainly include steel, electrical instruments and component parts. The availability and prices of these raw materials were affected by the local and global market trends which caused the fluctuations in our cost of raw materials.

For certain engineering and construction contracting projects for which we are responsible for raw materials procurement, we have two methods of procurement: procurement by ourselves and procurement controlled by ourselves (whereby sub-contractors purchase raw materials subject to our quality monitoring). Under subcontracting arrangements, we may choose to allow sub-contractors to purchase raw materials for their own use and record the relevant costs under subcontracting costs.

Purchased equipment

Purchased equipment also constitutes a significant part of our total cost of sales, which include the cost of equipment we procure for our customers, such as power equipment, rectifier units diaphragm pumps and other equipment. Purchased equipment mainly represents procurement by ourselves and procurement controlled by project owners. We have established long-term relationships with our major suppliers of equipment, which allows us to enjoy strong bargaining power and minimize the risk of price fluctuations, as well as ensure the high quality of equipment we procure.

Subcontracting

When we are engaged as the EPC contractor in our engineering and construction contracting projects, we may hire third-party subcontractors for their labor resources and special technical skills or competence. Subcontracting costs are determined by factors such as costs of, among other things, raw materials, parts and labor required and our negotiation power. Subcontracting costs constitute a significant part of cost of sales for our engineering and construction business. Our profitability is partly subject to our control over our subcontracting costs.

We select subcontractors based on factors such as our past cooperation experience with them, and their reputation, track record and price. The contracts we enter into with subcontractors generally mirror the terms and conditions of our contracts with the project owners. We and our subcontractors are jointly responsible for safety matters arising from the subcontracted work. We intend to continue using subcontractors to support the growth of our business.

It usually takes one year or more to complete a large-scale engineering and construction project, and the prices of key raw materials and equipment may fluctuate during such period. In 2009, we started to allow sub-contractors to purchase raw materials for their own use. Under this approach, we pay subcontractors a fixed lump sum fee based on estimated prices of raw materials and equipment, which is recorded under subcontracting costs. This approach helps us avoid the risk of fluctuation of raw materials and equipment prices.

Cost control

To effectively control our costs, we have developed and implemented various cost control measures which apply to our Group as a whole. We have developed new technologies and processes to reduce costs during our operations. We have also enhanced our project audit, on-site supervision and management of our projects. For example, we have established detailed guidelines of responsibilities

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of each role at each phase of our EPC projects, and have established an accountability system in accordance with such guidelines. We believe this has largely improved our project management. In addition, we started to outsource part of the procurement of raw materials and equipment to our sub-contractors in 2009, which enabled us to shift the price risks of raw materials to our sub-contractors and leverage their bargaining power in procurement. Moreover, we have adopted our bid tendering strategy of limiting the number of sub-contractors in each construction project, which allows our sub-contractors to enjoy economies of scale and reduces their costs, which in turn reduces our costs. We have also enhanced the risk analysis and control of projects, such as entering into forward foreign exchange contracts with banks to hedge exchange rate risk.

Our Group does not have any hedging activities against the fluctuations in the prices of commodities and raw materials. Most of our engineering and construction contracting contracts have a fixed contract price. Some of our engineering and construction contracting contracts contain price adjustment clauses to cover increases in the costs of raw materials, changes in design or work scope, or other specific factors that would cause an increase in our cost. For some other construction contracts that do not include price adjustment clauses, we build a contingency amount into our bid price to cover any potential increases in costs. On the other hand, we usually enter into subcontracting agreements with our sub-contractors with a total price cap, which minimizes our exposure to the price fluctuations of commodities and raw materials. However, there is no guarantee that we can always pass the increase in the prices of commodities and raw materials to our customers. See “Risk Factors — Risks Relating to Our Business and the Industries in Which We Operate — If we fail to accurately estimate the overall risks or costs of contracts, or the time needed to complete the relevant projects under such contracts, we may experience cost overruns, schedule delays, lower profitability or even losses on projects under such contracts when we execute such contracts.”

Business seasonality

Our business is affected by seasonality, particularly in our engineering and construction contracting business. We typically record lower revenues for the first quarter as compared to other quarters in a year. Such seasonality is due to the impact of natural environment and other external factors. For example, most of our projects are located in China, where winter weather affects our construction operations, particularly in northern China, in the first quarter. In addition, in the PRC, the long Chinese New Year holiday in the first quarter affects the availability of human resources and in turn the progress of construction projects. As a result, the demand for our products and services is typically lower in the first quarter of a year.

Taxation

PRC tax laws and regulations provide that a number of preferential tax treatments are available to business. Certain of our subsidiaries are currently exempt from income tax or enjoy a preferential income tax rate under the preferential policy of the development plan for the western part of China and the preferential tax treatments for high technology enterprises. Please refer to “— Consolidated Results of Operations — Description of Selected Components of Results of Operations — Income tax expense”. The preferential tax treatments that certain of our subsidiaries, associates and jointly controlled entities currently enjoy, may change in the future, and if they do, our results of operations and financial condition would be affected. Our effective income tax rate amounted to 21.9%, 23.2% and 22.9% for 2009, 2010 and 2011, respectively.

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In addition, we pay various taxes in foreign countries and territories in which we operate. During the Track Record Period, revenue of our overseas business increased significantly, and as a result, our tax expenditures associated with such overseas operations increased. We expect that our overseas tax obligations will continue to increase in the coming years.

Interest rates and exchange rates

We finance our business operations by cash inflows from our operations and borrowings. See “—Indebtedness”. Our borrowings are interest bearing. Our finance costs are accounted for based on the total interest expenses less interest income. Interest rate fluctuations and the amount of our total borrowings impact our finance costs.

We conduct most of our operations in the PRC and our functional currency is the Renminbi. A substantial portion of our revenues and cost of sales was denominated in the Renminbi during the Track Record Period. However, we conduct some of our engineering and construction contracting business overseas, and we may continue to expand our overseas operations in the future. We expect our foreign currency-denominated assets and liabilities to increase significantly as we further expand our overseas business, including, in particular, by undertaking more EPC projects. As a result, we are and will be subject to the effects of foreign currency fluctuations on those foreign-currency denominated assets and liabilities. Fluctuations in exchange rates could materially affect our financial condition and results of operations. We have utilized forward foreign exchange contracts to hedge exchange rate risk. We have implemented detailed guidelines for our hedging activities against foreign exchange fluctuations. Our finance department tracks the foreign exchange fluctuations on a daily basis and is responsible for the preparation of hedging plans, which are based on the forecast of the amounts of receivables and payables denominated in foreign currencies, type of currencies used, payment terms, range of foreign exchange fluctuations and relevant transaction size. These hedging plans need to be approved at the working meeting held by the president of our Company.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our results of operations and financial condition is based on our consolidated financial information, which has been prepared in accordance with IFRS. Our results of operations and financial condition are sensitive to the accounting methods, assumptions and estimates used in preparation of our financial data. We base our assumptions and estimates on historical experience, and on various other assumptions that we currently believe to be reasonable, which form the basis for making judgments about matters that are not readily apparent from other sources. Our management evaluates these estimates on an ongoing basis. Actual results may differ from these estimates as facts, circumstances and conditions change or as a result of different assumptions.

Our management considers the following factors in reviewing our financial data:

- the selection of critical accounting policies; and
- the judgments and other uncertainties affecting the application of those critical accounting policies.

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The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our consolidated financial data. Our principal accounting policies are set forth in detail in Note 3 in “Appendix I — Accountant’s Report” to this prospectus. We believe that the following accounting policies represent the most significant judgments and estimates used in the preparation of our consolidated financial information.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the construction contracts and sale of goods and services in the ordinary course of our Group’s activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within our Group.

We recognize revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of our Group’s activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. We base our estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Engineering design and consultancy

Revenue of the engineering design and consultancy segment is recognized when services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the entity. For engineering design and consultancy, we usually recognize the revenue in accordance with the time schedule and the relevant amounts for the time period provided the engineering design contracts. For engineering consultancy, we usually recognize the revenue when the engineering consultancy report is delivered to the customer.

Engineering and construction contracting

When the outcome of a contract can be reliably estimated, revenue of the engineering and construction contracting segment is recognized under the percentage of completion method and is measured mainly by reference to the contract costs incurred up to the balance sheet date as a percentage of the total estimated costs for each contract. When the outcome of a contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable and such contract costs are recognized as an expense in the period in which they are incurred. For engineering and construction contracting business, at the end of each month, we usually recognize the revenue based on the percentage of the contract work completed during that month to the overall contract work.

Variation in contract work, claims and incentive payments are included in the contract revenue to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

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If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the consolidated income statement in the period in which the circumstances that give rise to the revision become known by our management.

Revenue from individual contracts is recognised under the percentage of completion method which requires estimations by management. Anticipated losses are fully provided on contracts when identified. Because of the nature of the activity undertaken in the construction and engineering business, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. We review and revise the estimates of both contract revenue and contract costs (including material costs) in the budget prepared for each contract as the contract progresses. Our management regularly reviews the progress of the contracts and the corresponding costs of the contract. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the consolidated statement of comprehensive income in the period in which the circumstances that give rise to the revision become known by management.

Equipment manufacturing

For equipment that takes less than 12 months to manufacture, revenue of the equipment is recognized when the significant risks and rewards of ownership of the goods are transferred to the customers, the customer has accepted the products, and collection of the related receivables is reasonably assured, which usually happen upon the delivery of the equipment.

For equipment that takes more than 12 months to manufacture, when the outcome of a contract can be reliably estimated, revenue of the equipment manufacturing segment is recognized under the percentage of completion method and is measured mainly by reference to the contract costs incurred up to the balance sheet date as a percentage of the total estimated costs for each contract. When the outcome of a contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable and such contract costs are recognized as an expense in the period in which they are incurred. For equipment that is manufactured for a time period over 12 months, at the end of each month, we usually recognize the revenue based on the percentage of the work completed during that month to the overall work.

Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that we will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default, or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amounts of the assets are reduced through the use of allowance accounts, and the amount of the provision is recognized in the statement of comprehensive income.

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The estimate of the provision is based on the credit history of the customers and the current market condition. Our management reassesses the adequacy of the provision on a regular basis by reviewing the individual account based on past credit history and any prior knowledge of debtor insolvency or other credit risk which might not be easily accessible public information and market volatility might bear a significant impact which might not be easily ascertained.

When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income.

Current taxation and deferred taxation

We pay income tax in various regions. There are various uncertainties on the ultimate income tax treatments for many transactions and events arising from normal operating activities, overall asset transfers and corporate restructuring. We have to make critical accounting judgments when calculating income tax expense in different regions. In the event that the finalised amounts recognised for such tax events are different from those originally recorded, this could result in material adjustments to income tax expense and deferred income tax.

The estimates of deferred income tax assets require estimates over future taxable profit and corresponding applicable income tax rates of respective years. The change in future income tax rates and timing would affect income tax expense or benefit, as well as deferred income tax balance. The realisation of deferred income tax assets also depends on the realisation of sufficient profitability (taxable profit) of our Group. Deviation of future profitability from the estimate could result in material adjustments to the carrying amount of deferred income tax assets. Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimates are changed.

Pension obligations

The full-time employees of our Group in the PRC are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. Our Group contributes on a monthly basis to these pension plans. Under these plans, our Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are recorded as expenses when they are incurred.

Our Group also provides supplementary pension subsidies to certain employees who are retired on or before December 31, 2012, in the PRC. Such supplementary pension subsidies are considered to be defined benefit plans as our Group is obligated to provide post-employment benefits to these employees. The liability recognized in the consolidated balance sheets in respect of these defined benefit plans is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for unrecognized actuarial gains or losses and past service costs.

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The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for provisions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

We determine the appropriate discount rate at the end of each year/period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, we consider the interest rates of government securities which have maturity approximating to the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions.

Property, plant and equipment

Property, plant and equipment, apart from construction-in-progress (“CIP”), are stated at historical cost less accumulated depreciation and accumulated impairment loss except for certain property, plant and equipment, which are stated at deemed cost less accumulated depreciation and accumulated impairment loss. Historical cost includes expenditures that are directly attributable to the acquisition of the items, including the purchase price, import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Pursuant to the Reorganization, a valuation of certain of our Group’s property, plant and equipment was carried out by independent valuers and resulted in a revaluation gain. Upon the adoption of IFRS 1 (amendment), the valuation of our Group’s property, plant and equipment has been used as a deemed cost at the date of measurement on March 31, 2011.

We determine the estimated useful lives and related depreciation charges for our Group’s property, plant and equipment. This estimate is based on projected wear and tear incurred during the useful life of property, plant and equipment. This could change significantly as a result of technical renovations and competitor actions in response to severe industry cycles. Our management will increase the depreciation charge where useful lives or residual values vary from those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

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CONSOLIDATED RESULTS OF OPERATIONS

The following table sets forth the consolidated statement of comprehensive income for the periods indicated:

	Year ended December 31,					
	2009		2010		2011	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	9,553,393	100.0	11,233,202	100.0	12,194,445	100.0
Cost of sales	(8,273,712)	(86.6)	(9,440,696)	(84.0)	(9,928,220)	(81.4)
Gross profit	1,279,681	13.4	1,792,506	16.0	2,266,225	18.6
Selling and marketing expenses	(251,378)	(2.6)	(269,670)	(2.4)	(371,482)	(3.0)
Administrative expenses	(489,967)	(5.1)	(602,585)	(5.4)	(775,685)	(6.4)
Other income	14,422	0.2	43,986	0.4	55,937	0.5
Other gains or losses — net	(6,844)	(0.1)	51,395	0.5	(3,978)	(0.0)
Operating profit	545,914	5.7	1,015,632	9.0	1,171,017	9.6
Finance income	30,169	0.3	43,613	0.4	43,330	0.4
Finance expenses	(65,414)	(0.7)	(74,244)	(0.7)	(115,858)	(1.0)
Finance expenses — net	(35,245)	(0.4)	(30,631)	(0.3)	(72,528)	(0.6)
Share of losses of associates	(1,842)	0.0	(1,636)	0.0	(2,022)	(0.0)
Profit before taxation	508,827	5.3	983,365	8.8	1,096,467	9.0
Income tax expense	(111,363)	(1.2)	(228,163)	(2.0)	(250,741)	(2.1)
Profit for the year	397,464	4.2	755,202	6.7	845,726	6.9
Other comprehensive income for the year, net of tax	29,134	0.3	264,800	2.4	(166,575)	(1.4)
Profit attributable to:						
Equity owners of the Company	360,353	3.8	714,113	6.4	808,352	6.6
Non-controlling interests	37,111	0.4	41,089	0.4	37,374	0.3
Profit for the year	397,464	4.2	755,202	6.7	845,726	6.9
Total comprehensive income attributable to:						
Equity owners of the Company	389,487	4.1	978,913	8.7	641,777	5.3
Non-controlling interests	37,111	0.4	41,089	0.4	37,374	0.3
Total comprehensive income for the year	426,598	4.5	1,020,002	9.1	679,151	5.6
Earnings per share for profit attributable to equity owners of the Company during the year	0.16		0.31		0.35	
Dividends	—	—	80,779	0.7	326,457	2.7

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Description of Selected Components of Results of Operations

Revenue

We generate revenue primarily from our engineering design and consultancy, engineering and construction contracting and equipment manufacturing business.

We generate revenue from our engineering design and consultancy business in the nonferrous metals industry and other industries. We provide engineering design and consultancy services to engineering projects in the nonferrous metals industry and in other industries. We have business operations in all provinces in mainland China. Our overseas business has experienced rapid growth.

We generate revenue from our engineering and construction contracting business in the nonferrous metals industry and other industries. We typically enter into agreements with our customers in the form of EPC, EP and construction contracts, as well as project management contracts and BT contracts.

We generate revenue from our equipment manufacturing business through manufacturing and selling customized core metallurgical equipment, environmental protection equipment, mechanical and electronic equipment, production automation systems, automation assembly equipment and industrial automation systems. We also provide a range of services related to the equipment we manufacture including equipment technology consultancy, installation and testing, as well as equipment maintenance.

The following table sets forth our revenue of these business before inter-segment elimination and as a percentage of total revenue before inter-segment elimination for the periods indicated:

	Year ended December 31,					
	2009		2010		2011	
	(Percentage of total revenue before inter-segment elimination)					
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Segment revenue						
Engineering design and consultancy	1,108,430	11.5	1,350,523	11.8	1,595,172	12.8
Engineering and construction contracting	7,590,050	78.8	9,058,221	79.0	9,863,055	79.2
Equipment manufacturing	931,652	9.7	1,060,891	9.2	1,002,385	8.0
Subtotal	9,630,132	100.0	11,469,635	100.0	12,460,612	100.0
Inter-segment elimination	(76,739)		(236,433)		(266,167)	
Total revenue	9,553,393		11,233,202		12,194,445	

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The following table sets forth the gross profit, gross margin, segment result and segment result margin of each of our business segments for the periods indicated:

	Year ended December 31,											
	2009				2010				2011			
	Gross Profit (RMB million)	Gross margin (%)	Segment result (RMB million)	Segment result margin (%)	Gross Profit (RMB million)	Gross margin (%)	Segment result (RMB million)	Segment result margin (%)	Gross Profit (RMB million)	Gross margin (%)	Segment result (RMB million)	Segment result margin (%)
Engineering design and consultancy	595.1	53.7	303.0	27.3	692.4	51.3	340.1	25.2	787.9	49.4	308.9	19.4
Engineering and construction contracting	498.3	6.6	146.6	1.9	915.9	10.1	599.1	6.6	1,176.7	11.9	712.2	7.2
Equipment manufacturing	186.2	20.0	96.4	10.3	207.9	19.6	76.4	7.2	323.8	32.3	161.2	16.1
Subtotal	1,279.7		545.9		1,816.2		1,015.6		2,288.5		1,182.3	
Inter-segment elimination.	—		—		(23.7)		—		(22.3)		(11.3)	
Total	1,279.7	13.4	545.9	5.7	1,792.5	16.0	1,015.6	9.0	2,266.2	18.6	1,171.0	9.6

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We conduct business in China and overseas. The following table sets forth our revenue in China and overseas for the periods indicated:

	Year ended December 31,					
	2009		2010		2011	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
China	8,161,371	85.4	8,916,574	79.4	10,409,877	85.4
Overseas						
Vietnam	560,015	5.9	1,775,455	15.8	749,263	6.1
India	424,090	4.4	473,001	4.2	894,626	7.3
Qatar	267,893	2.8	37,483	0.3	—	—
Others ⁽¹⁾	140,024	1.5	30,689	0.3	140,679	1.2
Subtotal	<u>1,392,022</u>	<u>14.6</u>	<u>2,316,628</u>	<u>20.6</u>	<u>1,784,568</u>	<u>14.6</u>
Total	<u><u>9,553,393</u></u>	<u><u>100.0</u></u>	<u><u>11,233,202</u></u>	<u><u>100.0</u></u>	<u><u>12,194,445</u></u>	<u><u>100.0</u></u>

(1) Others include revenue from countries such as Malaysia, Indonesia, Azerbaijan, Peru, Saudi Arabia and other countries.

Revenue generated from our business in China increased from RMB8,161.4 million in 2009 to RMB8,916.6 million in 2010, and further increased to RMB10,409.9 million in 2011.

Revenue generated from overseas business increased from RMB1,392.0 million in 2009 to RMB2,316.6 million in 2010. Revenue generated from overseas business decreased from RMB2,316.6 million in 2010 to RMB1,784.6 million in 2011, primarily due to a decrease in the amount of our engineering and construction contracting services rendered overseas, which was in turn because the construction work of certain overseas projects reached their peak in 2010 and the construction work in 2011 was for completion, the volume of which was smaller than in 2010. We won an increasing volume of overseas business as we reinforced our marketing efforts overseas by, among other things, participating in international trade fairs, integrating internal marketing forces and setting up additional overseas branches. We believe that we have an established brand in the overseas markets. The contracts of our overseas operations are mainly denominated in US dollars, with some local currencies for our local expenditures. See “— Factors Affecting Our Results of Operations — Interest rates and exchange rates.”

Cost of sales

Cost of sales primarily includes cost of raw materials and other consumables used, subcontracting costs, employee benefits and other costs.

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The following table shows a breakdown of our cost of sales for the periods indicated:

	Year ended December 31,					
	2009		2010		2011	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Raw materials and consumables used	2,637,143	31.9	2,622,049	27.8	3,545,636	35.7
Purchased equipment	1,374,146	16.6	2,669,752	28.3	2,181,562	22.0
Subcontracting costs	2,953,788	35.7	2,614,965	27.7	2,611,280	26.3
Employee benefits	751,932	9.1	916,582	9.7	913,081	9.2
Provisions for impairment of assets	38,828	0.5	13,936	0.1	6,005	0.1
Others	517,875	6.3	603,412	6.4	670,656	6.8
Total	<u>8,273,712</u>	<u>100.0</u>	<u>9,440,696</u>	<u>100.0</u>	<u>9,928,220</u>	<u>100.0</u>

Raw materials and consumables used primarily include steel, cement and aluminum. Equipment primarily includes power equipment, rectifier units, diaphragm pumps and other equipment. Subcontracting costs primarily consist of the fees we pay subcontractors to cover their raw materials costs, employee benefits and purchased equipment. Employee benefits primarily consist of wages, salaries and benefits. Provisions for impairment of assets primarily include provisions for foreseeable losses on construction contracts and inventories. We recorded provisions for foreseeable losses on construction contracts of RMB38.8 million, RMB2.7 million and RMB6.0 million for 2009, 2010 and 2011, respectively, because at the respective balance sheet dates, the latest budgeted contract costs exceeded the total estimated contract revenues primarily as a result of price changes of raw materials and change of design after we entered into the relevant engineering and construction contracts. We recorded a reversal of RMB1.6 million for 2010 because certain factors leading to the foreseeable losses previously recognized in 2009 no longer existed, and based on re-assessment by our management, this provision was no longer necessary. These provisions and this reversal are primarily related to two construction projects with our related parties. The contract prices of these two projects were determined partly based on the market prices of raw materials in 2006. Both contract prices were fixed and did not incorporate any price adjustment clauses or contingency amounts. As of the Latest Practicable Date, these two projects were still under construction.

During the Track Record Period, cost of sales also included other costs, such as depreciation and amortization expenses and insurance costs.

Cost of sales increased by 14.1% from 2009 to 2010, and increased by 5.2% from 2010 to 2011. Revenue increased by 17.6% from 2009 to 2010, and increased by 8.6% from 2010 to 2011. As a result, our gross margin increased from 13.4% in 2009 to 16.0% in 2010 and further to 18.6% in 2011. These increases in our gross margin were primarily due to our innovation and ability to provide more high value-added products and services to our customers as a result of our strong research and development capabilities. These increases in our gross margin are also attributable to our cost control efforts. See “ — Factors Affecting Our Results of Operations — Cost of Sales.”

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Selling and marketing expenses

Selling and marketing expenses primarily consist of business tax, transportation costs and commission and agency fees. Our overseas engineering and construction contracting business is not subject to business tax in China.

Administrative expenses

Administrative expenses primarily consist of employee benefits, research and development expenses, business development expenses and depreciation of property, plant and equipment used in our administrative activities.

Other income

Other income primarily consists of write back to long outstanding payables, government grants and dividend income from available for sale financial assets.

Write back to long outstanding payables mainly include payables that we cannot repay to the creditors, primarily due to the fact that the creditor no longer exists as a result of winding-up or bankruptcy.

Government grants are granted under the discretion of the relevant government authorities. Government grants must be used for purposes designated by the relevant government authorities. There is no special condition or requirements on the grant of government grants.

Other gains or losses — net

Other net gains or losses primarily consist of gains or losses on disposal of property, plant and equipment, exchange gains or losses and gains or losses of financial assets at fair value.

Finance expenses — net

Finance income primarily consists of interest income on deposits with banks and other financial institutions.

Finance expenses primarily consisted of interest expenses on bank and other borrowings and interest costs of retirement obligation. Interest costs of retirement obligation were calculated by multiplying the present value of the retirement obligation in a fixed period by the discount rate determined at the time when the period began.

Income tax expense

Five of our subsidiaries had obtained the certificates of high and new technology enterprises with a term of three years, which were issued by the Ministry of Science and Technology, the Ministry of Finance and offices of the State Administration of Taxation. Pursuant to relevant PRC laws and regulations, a company holding such certificate is entitled to a preferential tax rate of 15% during

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its term. Furthermore, within three months prior to the expiration of such certificate, a company is allowed to apply for an extension of three years of the relevant preferential tax treatment. Two of these five certificates will expire by the end of 2014, one of them will expire by December 2013 and two of them will expire by October 2012 and July 2013. We plan to file extension applications before these certificates expire. However, there is no guarantee that we will be granted an extension. In addition, two of our subsidiaries had been granted tax concessions, including a preferential tax rate of 15%, because they were located in special regions in central and western china. We currently have one subsidiary which enjoys this preferential tax rate. Our other subsidiaries are currently subject to the statutory income tax rate of 25% during the Track Record Period. Our Directors have confirmed that the Reorganization will not have any implication on the preferential tax treatment or tax rates applicable to us or our subsidiaries. Our effective income tax rate for 2009, 2010 and 2011 was 21.9%, 23.2% and 22.9%, respectively.

Certain expenses are not tax-deductible, including some of the costs that are not deductible at the time of recognition of costs due to tax regulations and policies in China. For example, according to the PRC law, any entertainment expenses exceeding 0.5% of the revenue of the same period and any non-charitable donations are not deductible for income tax purpose. In addition, some of our income is not subject to taxation, including dividends received from our associates and interest income from our investment in treasury bonds.

Other comprehensive income

Our other comprehensive income reflected fair value (losses)/gains on available-for-sale financial assets, net of tax. As of December 31, 2009, 2010 and 2011, we held 0.03% equity interest in Chalco and 11.79% equity interest in Zhu Zhou Tian Qiao Crane Co., Ltd. (株洲天橋起重機股份有限公司) as available-for-sale financial instruments. All available-for-sale financial assets are denominated in Renminbi.

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Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Overview of our operating results

The following table sets forth our financial information extracted from the consolidated comprehensive income statement in 2011 and 2010:

	<u>For the year ended December 31,</u>		% of Change
	<u>2010</u>	<u>2011</u>	
	<u>(RMB'000)</u>	<u>(RMB'000)</u>	
Revenue	11,233,202	12,194,445	8.6
Cost of sales	(9,440,696)	(9,928,220)	5.2
Gross profit	1,792,506	2,266,225	26.4
Selling and marketing expenses	(269,670)	(371,482)	37.8
Administrative expenses	(602,585)	(775,685)	28.7
Other income	43,986	55,937	27.2
Other gains or losses — net	51,395	(3,978)	—
Operating profit	1,015,632	1,171,017	15.3
Finance expenses — net	(30,631)	(72,528)	136.8
Share of loss of an associate	(1,636)	(2,022)	23.6
Profit before taxation	983,365	1,096,467	11.5
Income tax expense	(228,163)	(250,741)	9.9
Profit for the year	755,202	845,726	12.0
Profit attributable to:			
Equity owners of the Company	714,113	808,352	13.2
Non-controlling interests	41,089	37,374	(9.0)

Revenue. Total revenue after inter-segment elimination increased by 8.6% from RMB11,233.2 million in 2010 to RMB12,194.4 million in 2011, primarily due to increases in revenues of our engineering design and consultancy business and engineering and construction contracting business as a result of increases in the amount of services we provided to our customers of our engineering and construction contracting business and engineering design and consultancy business.

Cost of sales. Cost of sales increased by 5.2% from RMB9,440.7 million in 2010 to RMB9,928.2 million in 2011. During this period, the increase in cost of sales, as a percentage, was less than the increase in revenue, primarily due to (i) an increase in revenue contribution of high value added products and services, mainly our engineering and construction contracting projects and engineering design and consultancy services as a result of our research and development efforts, and (ii) the implementation of effective cost control measures, in particular in our equipment manufacturing business.

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Gross profit. Gross profit increased by 26.4% from RMB1,792.5 million in 2010 to RMB2,266.2 million in 2011. Our gross profit margin increased from 16.0% in 2010 to 18.6% in 2011, primarily due to (i) general increase in gross margins of our engineering and construction contracting business and our equipment manufacturing business, and (ii) an increase in the revenue contribution of our higher margin engineering design and consultancy business.

Selling and marketing expenses. Selling and marketing expenses increased by 37.8% from RMB269.7 million in 2010 to RMB371.5 million in 2011, which was primarily attributable to an increase in business tax and other transaction taxes incurred as a result of an increase in revenue contribution of our engineering design and consultancy business segment which was subject to a higher business tax rate than our other businesses.

Administrative expenses. Administrative expenses increased by 28.7% from RMB602.6 million in 2010 to RMB775.7 million in 2011, primarily due to (i) an increase in employee benefits as a result of the increase in income levels of our administrative personnel, and (ii) a decrease in reversal of impairment of assets.

Other income. Other income increased by 27.2% from RMB44.0 million in 2010 to RMB55.9 million in 2011, primarily attributable to an increase in write-back to long-term outstanding payables of amount payables and returns from short-term investment of assets management products we purchased, partially offset by a decrease in government grants.

Other gains or losses — net. We recorded other net gains of RMB51.4 million in 2010 and other net losses of RMB4.0 million in 2011. The other net losses were primarily due to net foreign exchange losses partially set off by gains on disposal of financial assets at fair value.

Operating profit. Operating profit increased by 15.3% from RMB1,015.6 million in 2010 to RMB1,171.0 million in 2011, and operating profit margin increased from 9.0% in 2010 to 9.6% in 2011.

Finance expense — net. Net finance expenses increased significantly by 136.8% from RMB30.6 million in 2010 to RMB72.5 million in 2011, primarily due to an increase in interest expense on bank and other borrowings as a result of an increase in the amount of our outstanding interest bearing borrowings.

Income tax expenses. Income tax expenses increased by 9.9% from RMB228.2 million in 2010 to RMB250.7 million in 2011 primarily due to an increase in profit before taxation. Our effective income tax rate decreased from 23.2% for 2010 to 22.9% for 2011.

Profit for the year. As a result of the foregoing, profit for the year increased by 12.0% from RMB755.2 million in 2010 to RMB845.7 million in 2011, and net profit margin increased from 6.7% in 2010 to 6.9% in 2011.

Profit attributable to equity holders of the Company. As a result of the foregoing, profit attributable to equity holders of our Company increased by 13.2% from RMB714.1 million in 2010 to RMB808.4 million in 2011.

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Discussion of Our Operating Results by Segment

The following table shows revenue, gross profit, gross profit margin, segment result and operating profit margin of our business segments for the periods indicated:

	Revenue		Gross Profit		Gross Profit Margin		Segment Result		Segment Result Margin	
	For the year ended December 31,		For the year ended December 31,		For the year ended December 31,		For the year ended December 31,		For the year ended December 31,	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
	(RMB'000)		(RMB'000)		%		(RMB'000)		%	
Engineering design and consultancy	1,350,523	1,595,172	692,375	787,920	51.3	49.4	340,148	308,920	25.2	19.4
Engineering and construction contracting	9,058,221	9,863,055	915,938	1,176,737	10.1	11.9	599,092	712,163	6.6	7.2
Equipment manufacturing	1,060,891	1,002,385	207,917	323,822	19.6	32.3	76,392	161,222	7.2	16.1
Subtotal	11,469,635	12,460,612	1,816,230	2,288,479			1,015,632	1,182,305		
Inter-segment elimination	(236,433)	(266,167)	(23,724)	(22,254)			—	(11,288)		
Total	11,233,202	12,194,445	1,792,506	2,266,225	16.0	18.6	1,015,632	1,171,017	9.0	9.6

Engineering design and consultancy

The principal segment result data for our engineering design and consultancy business is as follows:

	For the year ended December 31,				
	2010		2011		% of Change
	(RMB'000)	(% of Segment Revenue)	(RMB'000)	(% of Segment Revenue)	
Revenue	1,350,523	100.0	1,595,172	100.0	18.1
Cost of sales	(658,148)	(48.7)	(807,252)	(50.6)	22.7
Gross profit	692,375	51.3	787,920	49.4	13.8
Selling and marketing expenses	(95,077)	(7.0)	(114,580)	(7.2)	20.5
Administrative expenses	(276,116)	(20.4)	(365,837)	(22.9)	32.5
Other income and other gains or loss — net	18,966	1.4	1,417	0.1	(92.5)
Segment result	340,148	25.2	308,920	19.4	(9.2)

Segment revenue. Revenue from our engineering design and consultancy business before inter-segment elimination increased by 18.1% from RMB1,350.5 million in 2010 to RMB1,595.2 million in 2011, primarily due to an increase in the amount of services we provided to our customers as a result of an increase in market demands.

Cost of sales. Cost of sales of our engineering design and consultancy business increased by 22.7% from RMB658.1 million in 2010 to RMB807.3 million in 2011, primarily due to increases in employee benefits as a result of the revenue growth of this segment in 2011.

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Gross profit. Gross profit of our engineering design and consultancy business increased by 13.8%, from RMB692.4 million in 2010 to RMB787.9 million in 2011. The gross profit margin of our engineering design and consultancy business remained relatively stable at 51.3% in 2010 and 49.4% in 2011.

Selling and marketing expenses. Selling and marketing expenses of our engineering design and consultancy business increased by 20.5% from RMB95.1 million in 2010 to RMB114.6 million in 2011, primarily due to increases in business tax, which was in line with our business growth.

Administrative expenses. Administrative expenses of our engineering design and consultancy business increased by 32.5% from RMB276.1 million in 2010 to RMB365.8 million in 2011, primarily due to an increase in employee benefits as a result of an increase in head count, which was in turn due to our business growth.

Other income and other gains or loss — net. Other net income and other net gains or loss derived from our engineering design and consultancy business decreased by 92.5% from RMB19.0 million in 2010 to RMB1.4 million in 2011, primarily due to an increase in expected litigation losses and a decrease in gains on disposal of property, plant and equipment.

Segment result. As a result of the foregoing, segment result for the year from our engineering design and consultancy business decreased by 9.2% from RMB340.1 million in 2010 to RMB308.9 million in 2011, and segment result margin decreased from 25.2% in 2010 to 19.4% in 2011.

Engineering and construction contracting

The principal segment result data for our engineering and construction contracting business is as follows:

	For the year ended December 31,				
	2010		2011		% of Change
	(RMB'000)	(% of Segment Revenue)	(RMB'000)	(% of Segment Revenue)	
Segment revenue	9,058,221	100.0	9,863,055	100.0	8.9
Cost of sales	(8,142,283)	(89.9)	(8,686,318)	(88.1)	6.7
Gross profit	915,938	10.1	1,176,737	11.9	28.5
Selling and marketing expenses	(159,845)	(1.8)	(244,282)	(2.5)	52.8
Administrative expenses	(225,025)	(2.5)	(270,702)	(2.7)	20.3
Other income and other gains or loss — net.	68,024	0.8	50,410	0.5	(25.9)
Segment result	599,092	6.6	712,163	7.2	18.9

Segment revenue. Revenue of our engineering and construction contracting business before inter-segment elimination increased by 8.9% from RMB9,058.2 million in 2010 to RMB9,863.1 million in 2011, primarily due to an increase in the amount of services we provided to our customers as a result of an increased market demand for our services.

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Cost of sales. Cost of sales of our engineering and construction contracting business increased by 6.7% from RMB8,142.3 million in 2010 to RMB8,686.3 million in 2011, primarily due to increases in costs of raw materials and subcontracting costs as a result of our business growth, partially offset by a decrease in purchased equipment due to an increase in work of property development and road construction undertaken by us, which did not require the installment of equipment. During this period, the increase in cost of sales, as a percentage, was less than the increase in revenue, primarily due to (i) the implementation of effective cost control measures, and (ii) an increase in revenue contribution of high value-added engineering and construction contracting projects.

Gross profit. Gross profit of our engineering and construction contracting business increased by 28.5% from RMB915.9 million in 2010 to RMB1,176.7 million in 2011. The gross profit margin of our engineering and construction contracting business increased from 10.1% in 2010 to 11.9% in 2011, primarily due to the implementation of cost control measures and our enhanced research and development capabilities as well as our enhanced management skills to improve our efficiency.

Selling and marketing expenses. Selling marketing expenses of our engineering and construction contracting business increased by 52.8% from RMB159.8 million in 2010 to RMB244.3 million in 2011, primarily due to an increase in business tax incurred in our domestic operations as we increased the percentage of engineering and construction contracting projects conducted by ourselves, which were subject to business tax, and decreased the percentage of engineering and construction contracting projects outsourced to sub-contractors, which did not subject us to business tax.

Administrative expenses. Administrative expenses of our engineering and construction contracting business increased by 20.3%, from RMB225.0 million in 2010 to RMB270.7 million in 2011, primarily due to increases in entertainment expenses, impairment of assets, research and development expenses, office expenses, taxes and repairs as a result of the growth of our engineering and construction contracting business.

Other income and other gains or loss — net. Our other net income and other net gains or loss decreased by 25.9% from RMB68.0 million in 2010 to RMB50.4 million in 2011, primarily due to a one-time gain on disposal of land use rights in 2010.

Segment result. As a result of the foregoing, segment result for the year of our engineering and construction contracting business increased by 18.9% from RMB599.1 million in 2010 to RMB712.2 million in 2011, and segment result margin increased from 6.6% in 2010 to 7.2% in 2011.

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Equipment manufacturing

The principal segment result data for our equipment manufacturing business is as follows:

	For the year ended December 31,				
	2010		2011		% of Change
	(RMB'000)	(% of Segment Revenue)	(RMB'000)	(% of Segment Revenue)	
Segment revenue	1,060,891	100.0	1,002,385	100.0	(5.5)
Cost of sales	(852,974)	(80.4)	(678,563)	(67.7)	(20.4)
Gross profit	207,917	19.6	323,822	32.3	55.7
Selling and marketing expenses	(14,748)	(1.4)	(12,620)	(1.3)	(14.4)
Administrative expenses	(125,168)	(11.8)	(150,112)	(15.0)	19.9
Other income and other gains or loss — net.	8,391	0.8	132	0.0	(98.4)
Segment result	<u>76,392</u>	<u>7.2</u>	<u>161,222</u>	<u>16.1</u>	<u>111.0</u>

Segment revenue. Revenue of our equipment manufacturing business before inter-segment elimination decreased by 5.5% from RMB1,060.9 million in 2010 to RMB1,002.4 million in 2011, primarily due to a decrease in sales volume of our equipment.

Cost of sales. Cost of sales of our equipment manufacturing business decreased by 20.4% from RMB853.0 million in 2010 to RMB678.6 million in 2011, primarily attributable to a decrease in subcontracting costs and equipment purchased, as a result of the decrease in equipment sold, partially offset by an increase in our costs of raw materials as we increased the volume of equipment manufactured by ourselves. During this period, the decrease in cost of sales, as a percentage, was greater than the decrease in revenue, primarily due to an increase in revenue contribution of high value-added equipment products of which we held proprietary intellectual property rights as a result of our research and development efforts.

Gross profit. Gross profit of our equipment manufacturing business increased by 55.7% from RMB208.0 million in 2010 to RMB323.8 million in 2011. The gross profit margin of our equipment manufacturing business increased from 19.6% in 2010 to 32.3% in 2011, primarily due to an increase in revenue contribution of higher margin equipment products, of which we held proprietary intellectual property rights.

Selling and marketing expenses. Selling and marketing expenses of our equipment manufacturing business decreased by 14.4% from RMB14.7 million in 2010 to RMB12.6 million in 2011, primarily due to a decrease in city planning tax and education levy incurred as a result of the decrease in revenue.

Administrative expenses. Administrative expenses of our equipment manufacturing business increased by 19.9% from RMB125.2 million in 2010 to RMB150.1 million in 2011, primarily due to an increase in research and development expenses as a result of our efforts to enhance our research and development capabilities.

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Other income and other gains or loss — net. Other net income and other net gains or loss derived from our equipment manufacturing business decreased from RMB8.4 million in 2010 to RMB0.1 million in 2011.

Segment result. As a result of the foregoing, segment result for the year of our equipment manufacturing business increased significantly by 111.0% from RMB76.4 million in 2010 to RMB161.2 million in 2011, and segment result margin increased from 7.2% in 2010 to 16.1% in 2011.

Year ended December 31, 2010 Compared to Year ended December 31, 2009

Overview of our operating results

The following table sets forth our financial information extracted from the consolidated comprehensive income statement in 2010 and 2009 and a comparison thereof:

	<u>For the years ended December 31,</u>		% of Change
	<u>2009</u>	<u>2010</u>	
	(RMB'000)	(RMB'000)	
Revenue	9,553,393	11,233,202	17.6
Cost of sales	(8,273,712)	(9,440,696)	14.1
Gross profit	1,279,681	1,792,506	40.1
Selling and marketing expenses	(251,378)	(269,670)	7.3
Administrative expenses	(489,967)	(602,585)	23.0
Other income	14,422	43,986	205.0
Other gains or losses — net	(6,844)	51,395	—
Operating profit	545,914	1,015,632	86.0
Finance expenses — net	(35,245)	(30,631)	(13.1)
Shares of loss of an associate	(1,842)	(1,636)	(11.2)
Profit before taxation	508,827	983,365	93.3
Income tax expense	(111,363)	(228,163)	104.9
Profit for the year	397,464	755,202	90.0
Profit attributable to:			
Equity owners of the Company	360,353	714,113	98.2
Non-controlling interests	37,111	41,089	10.7

Revenue. Total revenue after inter-segment elimination increased by 17.6% from RMB9,553.4 million in 2009 to RMB11,233.2 million in 2010, primarily due to an increase in the amount of our services and the sales volume of our products we provided to our customers of each of our business segments, especially in our overseas business as a result of our marketing efforts in the overseas markets, and the resumption of suspended projects as the economy recovered.

Cost of sales. Cost of sales increased by 14.1% from RMB8,273.7 million in 2009 to RMB9,440.7 million in 2010, primarily due to an increase in purchased equipment and employee benefits as a

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result of our business expansion, partially offset by a decrease in subcontracting costs. The increase in revenue, as a percentage, was greater than the increase of cost of sales, which was primarily due to the growth of our high value-added overseas projects as a result of our research and development efforts, and our effective cost control.

Gross profit. As a result of the foregoing, our gross profit increased by 40.1% from RMB1,279.7 million in 2009 to RMB1,792.5 million in 2010. Our gross profit margin increased from 13.4% in 2009 to 16.0% in 2010, primarily due to a significant increase in the gross margin of the engineering and construction contracting segment, partially offset by a decrease in the gross margin of the engineering design and consultancy segment.

Selling and marketing expenses. Selling and marketing expenses increased by 7.3% from RMB251.4 million in 2009 to RMB269.7 million in 2010 primarily due to an increase in business tax incurred as a result of our business growth. However, the growth of our selling and marketing expenses, as a percentage, was lower than the growth of our revenue, primarily due to an increase in the revenue contribution of our overseas engineering and construction contracting business, which were not subject to business tax in China.

Administrative expenses. Administrative expenses increased by 23.0% from RMB490.0 million in 2009 to RMB602.6 million in 2010, primarily due to (i) an increase in employee benefits as a result of an increase in the head count of our administrative personnel, which were in turn primarily attributable to our business growth, (ii) an increase in business reception expenses, which were in turn primarily attributable to our business growth, and (iii) an increase in research and development costs, which was primarily due to our efforts to enhance our research and development capabilities.

Other income. Other income increased significantly from RMB14.4 million in 2009 to RMB44.0 million in 2010, primarily due to an increase in write-back to long-term outstanding payables of amount payables and an increase in government grants in 2010.

Other gains or losses — net. Other net gains were RMB51.4 million in 2010, primarily consisting of gains on disposal of property, plant and equipment, intangible assets and investment properties. Other net losses were RMB6.8 million in 2009, primarily consisting of losses on disposal of financial assets at fair value through profit or loss and losses on disposal of property, plant and equipment, intangible assets and investment properties.

Operating profit. Operating profit increased by 86.0% from RMB545.9 million in 2009 to RMB1,015.6 million in 2010, and operating profit margin increased from 5.7% in 2009 to 9.0% in 2010.

Finance expenses — net. Net finance expenses decreased by 13.1% from RMB35.2 million in 2009 to RMB30.6 million in 2010, primarily due to an increase in interest income as a result of an increase in our bank deposits and interest rates, which was partially offset by an increase in interest cost of retirement and other supplemental benefit obligations as a result of an increase in interest rates.

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Income tax expense. Income tax expense increased by 104.9% from RMB111.4 million in 2009 to RMB228.2 million in 2010, primarily due to an increase in our profit before taxation. Our effective income tax rate increased from 21.9% in 2009 to 23.2% in 2010, primarily due to an increase in profit before taxation contributed by our subsidiaries that are subject to higher tax rates.

Profit for the year. As a result of the foregoing, profit for the year increased by 90.0% from RMB397.5 million in 2009 to RMB755.2 million in 2010, and net profit margin increased from 4.2% in 2009 to 6.7% in 2010.

Profit attributable to equity holders of the Company. As a result of the foregoing, profit attributable to equity holders of our Company increased by 98.2% from RMB360.4 million in 2009 to RMB714.1 million in 2010.

Discussion of Our Operating Results by Segment

The following table shows revenue, gross profit, gross profit margin, segment result and segment result margin of our business segments for the periods indicated:

	Revenue		Gross Profit		Gross Profit Margin		Segment Result		Segment Result Margin	
	For the year ended December 31,		For the year ended December 31,		For the year ended December 31,		For the year ended December 31,		For the year ended December 31,	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
	(RMB'000)		(RMB'000)		(%)		(RMB'000)		(%)	
Engineering design and consultancy	1,108,430	1,350,523	595,147	692,375	53.7	51.3	302,971	340,148	27.3	25.2
Engineering and construction contracting	7,590,050	9,058,221	498,323	915,938	6.6	10.1	146,552	599,092	1.9	6.6
Equipment manufacturing	931,652	1,060,891	186,211	207,917	20.0	19.6	96,391	76,392	10.3	7.2
Subtotal	9,630,132	11,469,635	1,279,681	1,816,230			545,914	1,015,632		
Inter-segment eliminations	(76,739)	(236,433)	—	(23,724)			—	—		
Total	9,553,393	11,233,202	1,279,681	1,792,506	13.4	16.0	545,914	1,015,632	5.7	9.0

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Engineering design and consultancy

The principal segment result data for our engineering design and consultancy business is as follows:

	For the year ended December 31,				
	2009		2010		
	(RMB'000)	(% of Segment Revenue)	(RMB'000)	(% of Segment Revenue)	% of Change
Segment revenue	1,108,430	100.0	1,350,523	100.0	21.8
Cost of sales	(513,283)	(46.3)	(658,148)	(48.7)	28.2
Gross profit	595,147	53.7	692,375	51.3	16.3
Selling and marketing expenses	(83,237)	(7.5)	(95,077)	(7.0)	14.2
Administrative expenses	(208,998)	(18.9)	(276,116)	(20.4)	32.1
Other income and other gains or loss — net	59	0.0	18,966	1.4	32,045.8
Segment result	302,971	27.3	340,148	25.2	12.3

Segment revenue. Revenue from our engineering design and consultancy business before inter-segment elimination increased by 21.8% from RMB1,108.4 million in 2009 to RMB1,350.5 million in 2010, primarily due to an increase in the amount of services we provided to our customers as a result of the resumption of a number of suspended projects and commencement of new projects as the economy recovered.

Cost of sales. Cost of sales of our engineering design and consultancy business increased by 28.2% from RMB513.3 million in 2009 to RMB658.1 million in 2010, primarily due to an increase in raw materials cost, employee benefits and subcontracting cost, which is in turn due to our increased business in this segment.

Gross profit. Gross profit of our engineering design and consultancy business increased by 16.3% from RMB595.1 million in 2009 to RMB692.4 million in 2010. The gross profit margin of our engineering design and consultancy business decreased from 53.7% in 2009 to 51.3% in 2010.

Selling and marketing expenses. Selling and marketing expenses of our engineering design and consultancy business increased by 14.2% from RMB83.2 million in 2009 to RMB95.1 million in 2010, primarily due to an increase in business tax incurred, which was in line with the business growth of this segment.

Administrative expenses. Administrative expenses of our engineering design and consultancy business increased by 32.1% from RMB209.0 million in 2009 to RMB276.1 million in 2010, primarily due to an increase in employee benefits as a result of an increase in the head count of our administrative personnel as a result of our business growth, and an increase in research and development expenditure as result of our efforts to enhance our research and development capabilities.

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Other income and other gains or loss — net. Other net income and other net gains or loss of our engineering design and consultancy business increased from RMB59,000 in 2009 to RMB19.0 million in 2010, primarily due to increases in government grants and gains on disposal of property, plant and equipment.

Segment result. As a result of the foregoing, segment result of our engineering design and consultancy business increased by 12.3% from RMB303.0 million in 2009 to RMB340.1 million in 2010, and segment result margin decreased from 27.3% in 2009 to 25.2% in 2010.

Engineering and construction contracting

The principal segment result data for our engineering and construction contracting business is as follows:

	For the year ended December 31,				
	2009		2010		% of Change
	(RMB'000)	(% of Segment Revenue)	(RMB'000)	(% of Segment Revenue)	
Segment revenue	7,590,050	100.0	9,058,221	100.0	19.3
Cost of sales	(7,091,727)	(93.4)	(8,142,283)	(89.9)	14.8
Gross profit	498,323	6.6	915,938	10.1	83.8
Selling and marketing expenses	(156,538)	(2.1)	(159,845)	(1.8)	2.1
Administrative expenses	(196,232)	(2.6)	(225,025)	(2.5)	14.7
Other income and other gains or loss — net.	999	0.0	68,024	0.8	6,709.2
Segment result	146,552	1.9	599,092	6.6	308.8

Segment revenue. Revenue of our engineering and construction contracting business before inter-segment elimination increased by 19.3% from RMB7,590.1 million in 2009 to RMB9,058.2 million in 2010, primarily due to an increase in an amount of services we provided to our customers of our overseas business as a result of our marketing efforts in the overseas markets, as well as the resumption of suspended projects as the economy recovered.

Cost of sales. Cost of sales of our engineering and construction contracting business increased by 14.8% from RMB7,091.7 million in 2009 to RMB8,142.3 million in 2010, primarily due to an increase in purchased equipment as a result of our business growth of this segment. However, the increase in revenue, as a percentage, was greater than the increase in cost of sales, which was primarily due to (i) the expansion of our high value-added overseas projects as a result of our strong research and development capabilities, and (ii) our effective cost control.

Gross profit. Gross profit of our engineering and construction contracting business increased by 83.8% from RMB498.3 million in 2009 to RMB915.9 million in 2010. The gross profit margin of our engineering and construction contracting business increased from 6.6% in 2009 to 10.1% in 2010, primarily due to an increase in revenue contribution of our higher margin domestic and overseas projects.

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Selling and marketing expenses. Selling and marketing expenses of our engineering and construction contracting business remained relatively stable at RMB156.5 million in 2009 and RMB159.8 million in 2010.

Administrative expenses. Administrative expenses of our engineering and construction contracting business increased by 14.7% from RMB196.2 million in 2009 to RMB225.0 million in 2010, primarily due to an increase in employee benefits as a result of an increase in the head count of our administrative personnel as a result of an increased number of projects we operated.

Other income and other gains or loss — net. Other net income and other net gains or loss from our engineering and construction contracting business increased significantly from RMB1.0 million in 2009 to RMB68.0 million in 2010, primarily due to an increase in gains on disposal of land use rights.

Segment result. As a result of the foregoing, segment result from our engineering and construction contracting business increased significantly by 308.8% from RMB146.6 million in 2009 to RMB599.1 million in 2010, and segment result margin increased from 1.9% in 2009 to 6.6% in 2010.

Equipment manufacturing

The principal segment result data for our equipment manufacturing operations is as follows:

	For the year ended December 31,				
	2009		2010		% of Change
	(RMB'000)	(% of Segment Revenue)	(RMB'000)	(% of Segment Revenue)	
Segment revenue	931,652	100.0	1,060,891	100.0	13.9
Cost of sales	(745,441)	(80.0)	(852,974)	(80.4)	14.4
Gross profit	186,211	20.0	207,917	19.6	11.7
Selling and marketing expenses	(11,603)	(1.2)	(14,748)	(1.4)	27.1
Administrative expenses	(84,737)	(9.1)	(125,168)	(11.8)	47.7
Other income and other gains or loss — net.	6,520	0.7	8,391	0.8	28.7
Segment result	96,391	10.3	76,392	7.2	(20.7)

Segment revenue. Revenue of our equipment manufacturing business before inter-segment elimination increased by 13.9% from RMB931.7 million in 2009 to RMB1,060.9 million in 2010, primarily due to an increase in sales volume of equipment as a result of the increased market demand for our products as the economy recovered.

Cost of sales. Cost of sales of our equipment manufacturing business increased by 14.4% from RMB745.4 million in 2009 to RMB853.0 million in 2010, primarily due to increases in purchased equipment and raw materials cost as a result of the business growth of this segment.

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Gross profit. Gross profit of our equipment manufacturing business increased by 11.7% from RMB186.2 million in 2009 to RMB208.0 million in 2010. The gross profit margin remained relatively stable at 20.0% in 2009 and 19.6% in 2010.

Selling and marketing expenses. Selling and marketing expenses of our equipment manufacturing business increased by 27.1% from RMB11.6 million in 2009 to RMB14.7 million in 2010, primarily due to an increase in provision of warranty, which was in turn mainly due to the business growth of this segment.

Administrative expenses. Administrative expenses of our equipment manufacturing business increased by 47.7% from RMB84.7 million in 2009 to RMB125.2 million in 2010, primarily due to the increase in expenditures of research and development as a result of our efforts to enhance our research and development capabilities.

Other income and other gains or loss — net. Other net income and other net gains or loss of our equipment manufacturing business increased by 28.7% from RMB6.5 million in 2009 to RMB8.4 million in 2010, primarily due to an increase in gains on disposal of property, plant and equipment, partially offset by a decrease in government grants.

Segment result. As a result of the foregoing, segment result for the year from our equipment manufacturing business decreased by 20.7% from RMB96.4 million in 2009 to RMB76.4 million in 2010, and segment result margin decreased from 10.3% in 2009 to 7.2% in 2010.

OUR PERFORMANCE FOR THE THREE MONTHS ENDED MARCH 31, 2012

Our unaudited total revenue after inter-segment elimination increased by 91.8% from RMB1,467.4 million for the three months ended March 31, 2011 to RMB2,814.4 million for the three months ended March 31, 2012, primarily due to an increase in the amount of services we provided to our customers in each of our business segments, especially an increase in the amount of services of our engineering and construction contracting business. Overall gross profit margin remained stable at 20.3% and 20.5% for the three months ended March 31, 2011 and the three months ended March 31, 2012, respectively.

We have not had any material non-recurring income or expenses for the three months ended March 31, 2012.

Our Directors expect that, in the absence of unforeseen circumstances, there will not be any material and adverse change in our performance for the year ending December 31, 2012 compared to the year ended December 31, 2011.

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LIQUIDITY AND CAPITAL RESOURCES

Our liquidity needs primarily comprise working capital needs, purchases of property, plant and equipment, and servicing our indebtedness.

Historically, we have met our liquidity needs mainly by using cash generated from operations, financing the remainder primarily through bank borrowings. Besides financing our operations with the proceeds from the Global Offering, we will continue to rely on our internally generated cash flows and bank borrowings.

The following table sets forth our current assets and current liabilities extracted from the consolidated balance sheet as of the dates indicated:

	As of December 31,			As of April 30,
	2009	2010	2011	2012
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)
CURRENT ASSETS				
Available-for-sale financial assets	—	—	130,364	721,000
Inventories	1,209,934	463,160	617,908	525,081
Notes and trade receivables	2,867,929	3,706,690	3,762,217	3,682,641
Prepayments and other receivables	1,734,533	1,354,819	1,026,439	1,541,987
Amounts due from customers for contract work	1,521,534	1,319,937	2,254,791	3,353,568
Current income tax prepayments	8,182	6,926	3,553	—
Financial assets at fair value through profit or loss	—	1,493	3,803	—
Restricted cash	207,608	174,486	202,653	172,226
Time deposits	432,962	1,002,843	227,592	130,421
Cash and cash equivalents	2,416,056	2,611,456	2,154,465	2,379,774
Total current assets	10,398,738	10,641,810	10,383,785	12,506,698
CURRENT LIABILITIES				
Trade and other payables	8,046,404	7,502,608	7,517,357	9,123,937
Dividends payable	—	4,263	81,681	80,073
Amounts due to customers for contract work	868,955	756,119	388,650	414,230
Short-term borrowings	386,800	555,000	1,303,045	1,628,012
Current income tax liabilities	49,217	98,325	132,340	147,311
Retirement and other supplemental benefit obligations	130,866	142,296	120,499	120,771
Total current liabilities	9,482,242	9,058,611	9,543,572	11,514,334
NET CURRENT ASSETS	916,496	1,583,199	840,213	992,364

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Net Current Assets

Our net current assets, the difference between total current assets and current liabilities, remained positive during the Track Record Period. As of April 30, 2012, we had net current assets of RMB992.4 million. As of December 31, 2009, 2010 and 2011, we had net current assets of RMB916.5 million, RMB1,583.2 million and RMB840.2 million, respectively.

Cash Flows

The following table shows changes in cash flows for the periods indicated:

	For the year ended December 31,		
	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)
Cash and cash equivalents at beginning of the year . .	2,622,052	2,416,056	2,611,456
Net cash generated from/(used in) operating activities	87,495	789,451	(913,950)
Net cash (used in)/generated from investing activities .	(399,925)	(602,360)	59,688
Net cash generated from financing activities	106,430	8,617	400,621
Net (decrease)/increase in cash and cash equivalents . .	(206,000)	195,708	(453,641)
Exchange gains/(losses) on cash and cash equivalents .	4	(308)	(3,350)
Cash and cash equivalents at end of the year	2,416,056	2,611,456	2,154,465

Cash flows generated from/(used in) operating activities

In 2011, we had net cash flow used in operating activities of RMB914.0 million because the negative effects of changes in working capital exceeded the profit before taxation of RMB1,096.5 million. The negative effects of changes in working capital primarily reflected an increase in cash used in contract work-in-progress of RMB919.0 million, primarily due to our engineering and construction contracting business growth, and a decrease in trade and other payables of RMB424.3 million, primarily due to increased settlement with our sub-contractors and suppliers.

In 2010, our operating activities generated net cash of RMB789.5 million, which was mainly attributable to a profit before taxation of RMB983.4 million adjusted for positive effects of changes in working capital. The positive effects of changes in working capital primarily reflected a decrease in cash used in inventories of RMB652.1 million as a result of our improved inventory management and a decrease in cash used in contract work-in-progress of RMB282.4 million as a result of (i) our improved settlement with project owners, and (ii) a decrease in contract work-in-progress, partially offset by a decrease in trade and other payables of RMB651.2 million as a result of an increase in the settlement with our suppliers and subcontractors and an increase in trade and other receivables of RMB335.4 million as a result of an increase in revenue.

In 2009, our operating activities generated net cash of RMB87.5 million, which was mainly attributable to profit before taxation for the year of RMB508.8 million adjusted for negative effects of changes in working capital. The negative effects of changes in working capital primarily reflected a decrease in trade and other payables of RMB1,498.7 million as a result of an increase in the settlement with our suppliers and subcontractors and an increase in cash used in contract

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work-in-progress of RMB428.1 million as a result of an increase in contract work-in-progress, partially offset by a decrease in trade and other receivables of RMB847.4 million as a result of our improved management of receivables and a decrease in revenue and a decrease in inventories of RMB661.4 million as a result of our improved inventory management and a decrease in business volume.

Cash flows (used in)/generated from investing activities

In 2011, we generated net cash of RMB59.7 million in investing activities, primarily reflecting a decrease in time deposits of RMB775.3 million, which matured, and proceeds from disposal of property, plant and equipment of RMB73.5 million, which primarily included equipment that we did not use, partially offset by the purchase of property, plant and equipment of RMB295.9 million, which primarily included the new office buildings purchased by us, and purchase of land use rights of RMB178.9 million, which primarily included the premiums paid by us to change the nature of the land use rights of the land parcels from allocated land to transferred land.

In 2010, we used net cash of RMB602.4 million in investing activities, primarily reflecting an increase in time deposits of RMB569.9 million, partially offset by proceeds from disposal of land use rights of RMB71.7 million and government grants of RMB16.0 million.

In 2009, we used net cash of RMB399.9 million in investing activities, primarily reflecting an increase in time deposits of RMB222.1 million, loans and borrowings provided to related parties of RMB99.8 million, and purchase of property, plant and equipment of RMB81.7 million, partially offset by proceeds from disposal of property, plant and equipment of RMB9.6 million, interest received of RMB6.8 million and government grants of RMB5.2 million.

Cash flows generated from/(used in) financing activities

In 2011, our financing activities generated net cash of RMB400.6 million. This amount primarily included borrowings of RMB1,521.0 million, which was mainly for our working capital and BT projects, partially offset by cash used for repayment of borrowings of RMB773.0 million, and dividends paid to Chinalco Group of RMB476.9 million, which included the dividends accumulated in 2010 and before.

In 2010, our financing activities generated net cash of RMB8.6 million. This amount primarily comprised cash used in the repayment of borrowings of RMB426.8 million and dividends paid to equity owners of our Company of RMB127.1 million, partially offset by borrowings of RMB595.0 million.

In 2009, our financing activities generated net cash of RMB106.4 million. This amount primarily comprised borrowings of RMB503.3 million, partially offset by cash used in repayments of borrowings of RMB340.0 million.

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Working Capital

Taking into account the financial resources available to us, including internally generated funds, available credit facilities and estimated net proceeds of the Global Offering, our Directors are of the opinion that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus.

Inventories

The following table sets forth the components of our inventories as of the balance sheet dates indicated:

	As of December 31,		
	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)
Raw materials	537,547	351,641	374,520
Work-in-progress	93,922	38,918	236,979
Finished goods	573,992	68,676	4,774
Turnover materials and spare parts	4,473	3,925	1,635
Total	<u>1,209,934</u>	<u>463,160</u>	<u>617,908</u>

As of April 30, 2012, the latest practicable date for the purpose of the indebtedness statement, we had utilized/sold approximately RMB372.3 million of our inventories as of December 31, 2011. The low utilization of inventories was due to the seasonality of our operations as the market demand for and the output of our products and services is typically lower in the first quarter of a year. For more details, please see “Risk Factors — Risks Relating to Our Business and the Industries in Which We Operate — Our business is subject to seasonal variations in demand”.

As of December 31, 2011, the balance of our inventories increased, primarily due to an increase in work-in-progress, which was in turn due to an increase in equipment manufactured for our engineering and construction contracting projects that had not been installed. As of December 31, 2009 and 2010, the balance of our inventories decreased significantly, primarily due to decreases in raw materials, work-in-progress and finished goods. The balance of raw materials decreased primarily due to our adjustments to our material purchase strategy for engineering and construction contracting projects, and outsourcing of raw materials procurement for engineering construction to our subcontractors. The balance of finished goods decreased primarily because we improved our organization and management of our engineering and construction contracting project, time management and lot-size of equipment procurement, which allowed us to reduce the level of finished goods. The balance of work-in-progress decreased primarily because work-in-progress represented equipment being manufactured for engineering projects according to their timetables. Such balance would fluctuate with the different construction periods of various engineering projects.

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The following table sets forth the turnover days of our inventories for the periods indicated:

	For the year ended December 31,		
	2009	2010	2011
Turnover days of inventories ⁽¹⁾	68	32	20

(1) Turnover days of inventories is derived by dividing the arithmetic mean of the opening and closing balances of inventories for the relevant period by cost of sales and multiplying by 360 days.

The turnover days of inventories decreased from 2009 to 2011 primarily due to the significant decrease in our inventory level.

Contract Work-in-progress

The following table shows our contract work-in-progress as of the dates indicated:

	For the year ended December 31,		
	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)
Contract cost incurred plus recognized profit less			
recognized losses	17,548,859	25,800,738	34,845,440
Less: progress billings	<u>(16,896,280)</u>	<u>(25,236,920)</u>	<u>(32,979,299)</u>
Contract work-in-progress	<u>652,579</u>	<u>563,818</u>	<u>1,866,141</u>
Representing:			
Amounts due from customers for contract work	1,636,705	1,354,333	2,273,286
Less: Provision	<u>(115,171)</u>	<u>(34,396)</u>	<u>(18,495)</u>
Net amounts due from customers for contract work	<u>1,521,534</u>	<u>1,319,937</u>	<u>2,254,791</u>
Amount due to customers for contract work	(868,955)	(756,119)	(388,650)

Our contract work-in-progress decreased from RMB652.6 million as of December 31, 2009 to RMB563.8 million as of December 31, 2010, and increased to RMB1,866.1 million as of December 31, 2011, which was due mainly to the fluctuations in the amount of our engineering and construction work.

A typical engineering and construction contract includes a schedule of billing, according to which we bill the customer based on the agreed timelines or milestones, and the billing is not necessarily based on the percentage of completion. As a result, not all of our revenue recognized under the amounts due from customers for contract work has been billed, and the balance of the unbilled portion is classified as contract work due from customer for contract work. If the billed portion exceeds the construction work carried out plus the profit or loss recognized, then the excessive portion is classified as amounts due to customers for contract work.

We recognize provisions for expected losses on contract work-in-progress as soon as they are foreseen, and deduct the provisions from the direct project costs, which consist of raw materials costs, payroll costs, costs of subcontracted work, borrowing costs directly attributable to the relevant contracts, rental charges, maintenance costs for the equipment used and other direct costs.

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Profits are not recognised unless a reliable estimate can be made of the result on completion of the project. The balance of the value of contract work-in-progress and progress billings is determined case by case. Upon the construction contract costs and related payables / payments are incurred and recorded, the corresponding revenues are recognised (based on percentage of completion method) and the balance of contract work-in-progress increases by the same amount. When bills are issued according to the agreed payment schedule, the balance of accounts receivable increases and the balance of contract work-in-progress decreases by the same amount respectively. According to the IFRS, amounts due from customers for contract work are recognized where the amount of revenue recognized based on the percentage of completion method exceeds the sum of recognized losses and accumulated progress billings, and amounts due to customers for contract work are recognized where the amount of revenue recognized based on percentage of completion method is less than the sum of recognized losses and the accumulated progress billings.

Notes and Trade Receivables

As of December 31, 2009, 2010 and 2011, our notes and trade receivables were RMB2,867.9 million, RMB3,706.7 million and RMB4,138.4 million, respectively. The contracts governing provision of our Group's service would not include specific credit terms. For the settlement of trade receivables from provision of services, our Group usually reaches an agreement on the term of each payment with the customer by taking into account of factors such as, among other things, the credit history of the customer, its liquidity position and our Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management. Our Group does not hold any collateral as security. We usually provide a credit term between 30 to 90 days for sales of goods in accordance with sales contracts. A provision for impairment of trade and other receivables is established when there is objective evidence that we will not be able to fully collect the amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate.

The following table sets forth a breakdown of our notes and trade receivables as of the dates indicated:

	As of December 31,		
	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)
Trade receivables	2,737,609	3,602,638	3,817,456
Notes receivable	284,284	271,370	515,508
Less: Provision for impairment	(153,964)	(167,318)	(194,602)
Notes and trade receivables — net	2,867,929	3,706,690	4,138,362
Less: Non-current portion ⁽ⁱ⁾	—	—	(376,145)
Current notes and trade receivables	2,867,929	3,706,690	3,762,217

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Note

- (i) The non-current portion related to the amount of notes and trade receivables that will not be settled within the next twelve months from the end of the financial year in accordance with specific terms and conditions set out in the various contracts as described below:
- On January 27, 2011, our Group signed a BT contract with Duyun Company to construct a road in Duyun (the “BT Contract”). As of December 31, 2011, the non-current trade receivable amounted to RMB275.5 million and would be collected from 2013 to 2015 upon the completion of the road construction in accordance with the contract. The non-current trade receivable of RMB275.5 million represented receivables arising from our provision of road construction services. This receivable was secured by a guarantee granted by the Qiannan Buyi Miao Autonomous Prefecture local government (“黔南布依族苗族自治州政府”) and bore an interest rate that approximated the bank lending rate plus 2%.
 - Our Group entered into a settlement plan with China Henan Aluminum Fabrication Co., Ltd (“中鋁河南鋁業有限公司”, or “Henan Aluminum”) to agree on a repayment schedule for the trade receivables of approximately RMB34.5 million arising from the construction services we provided to Henan Aluminum. This trade receivable will be settled by RMB10 million to be paid in 2012, RMB10 million to be paid in 2013, RMB10 million to be paid in 2014 and RMB4.5 million to be paid in 2015. This settlement plan was reached between us and Henan Aluminum by taking into account Henan Aluminum’s projected cash flows. As Henan Aluminum is a related party to us, we consider this trade receivable fully recoverable and have not made any provision.
 - On December 30, 2010, our Group entered into a construction contract with Yunnan Yun Aluminum Zexin Fabrication Co., Ltd. (“雲南雲鋁澤鑫鋁業有限公司”, the “Yunnan Yun”). As of December 31, 2011, the non-current receivable amounted to RMB 52.52 million and would be collected in 2013. According to this contract, 50% of the progress bill will be paid two years subsequent to the date of billing with an interest at the interest rate published by the People’s Bank of China, and the maximum amount of the unpaid receivable would not exceed RMB 500 million.
 - On September 8, 2011, our Group entered into a BT contract with Chongqing Liangjiang New Area Public Rental House Investment and Management Co., Ltd. (“重慶兩江新區公共租賃房投資管理有限公司”) to build public rental housing in Chongqing. As of December 31, 2011, the non-current receivable amounted to RMB 23.66 million and would be collected from 2013 to 2014.

As of April 30, 2012, the latest practicable date for the purpose of the indebtedness statement, we had settled approximately RMB1,369.7 million of our notes and trade receivables as of December 31, 2011. The remaining unsettled current notes and trade receivables were not due as of April 30, 2012 pursuant to the agreement of progress payments between us and our customers. For more details, please see “Business — Engineering and Construction Contracting — Progress Payments.”

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The following table sets forth an aging analysis of our trade receivables as of the dates indicated:

	As of December 31,		
	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)
Within one year	1,910,846	2,316,655	3,121,689
Between one and two years	513,949	744,117	246,198
Between two and three years	125,746	297,404	270,982
Between three and four years	81,292	90,123	57,540
Between four and five years	12,004	67,852	29,322
Over five years	<u>93,772</u>	<u>86,487</u>	<u>91,725</u>
Trade receivables	2,737,609	3,602,638	3,817,456
Less: provision for impairment	<u>(153,964)</u>	<u>(167,318)</u>	<u>(194,602)</u>
Trade receivables — net	<u>2,583,645</u>	<u>3,435,320</u>	<u>3,622,854</u>

During the Track Record Period, a majority of our trade receivables had been outstanding for less than one year. We have continually enhanced our management of tradable receivables in order to reduce the exposure to impairment risks. Additionally, after fully considering the nature of trade receivables and their collectability, we have made provisions for the impairment of certain trade receivables in order to ensure the quality of our assets. As of December 31, 2009, 2010 and 2011, our provisions for the impairment of trade receivables were RMB154.0 million, RMB167.3 million and RMB194.6 million, respectively, which represented 5.6%, 4.6% and 5.1% of our trade receivables, respectively.

The following table sets forth an aging analysis of our trade receivables that were past due but not impaired as of the dates indicated:

	As of December 31,		
	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)
Within one year	1,900,701	2,296,236	3,116,218
Between one and two years	417,463	614,148	119,151
Between two and three years	73,192	257,643	187,905
Between three and four years	54,822	60,226	12,319
Between four and five years	918	22,343	6,862
Over five years	<u>936</u>	<u>15,654</u>	<u>57</u>
Total	<u>2,448,032</u>	<u>3,266,250</u>	<u>3,442,512</u>

As of December 31, 2011, our trade receivables which were past due but not impaired amounted to RMB3,442.5 million, among which RMB3,116.2 million aged within one year and RMB326.3 million aged more than one year. We do not have a credit policy for these installment payments. We usually reach an agreement on the terms of each payment with the project owners by taking into

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account factors such as, among other things, the credit history of the project owners, their liquidity position and our working capital needs. Based on the credit history of the customers and our study of their financial and operational status, our management determines whether we should make provisions for the trade receivables that are past due. The receivables that were past due for a period within one year were related to projects under construction as of December 31, 2011, and we believe we would be able to fully recover such amounts. In addition, the majority of the trade receivables that were past due for a period more than one year were due from Chinalco and its subsidiaries, which were periodically reconciled with and confirmed by Chinalco and its subsidiaries. We believe no impairment provisions should be made due to Chinalco's strong credit as of December 31, 2011.

The following table sets forth the trade receivables wholly or partially impaired as of the dates indicated:

	As of December 31,		
	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)
Impaired trade receivables	289,577	336,388	374,944
Provision for impairment	<u>(153,964)</u>	<u>(167,318)</u>	<u>(194,602)</u>
Impaired trade receivables — net	<u>135,613</u>	<u>169,070</u>	<u>180,342</u>

The following table sets forth the turnover days of our notes and trade receivables for the periods indicated:

	For the year ended December 31,		
	2009	2010	2011
Turnover days of notes and trade receivables ⁽¹⁾	111	105	116

(1) Turnover days of notes and trade receivables is derived by dividing the arithmetic mean of the opening and closing balances of notes and trade receivables for the relevant period by revenues and multiplying by 360 days.

Our turnover days of notes and trade receivables decreased to 105 days in 2010 from 111 days in 2009, primarily due to the gradual recovery of the PRC economy. Our turnover days of notes and trade receivables increased to 116 days in 2011, mainly due to (i) limited availability of liquidity in the market as a result of the macroeconomic environment, which had an adverse impact on our customers' abilities to fund their payments to us, and (ii) an increase in non-current portion of trade receivables as a result of our new BT contracting business.

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Prepayments and Other Receivables

The following table sets forth the main components of our other receivables as of the dates indicated:

	As of December 31,		
	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)
Prepayments			
Prepayments to suppliers	989,045	585,544	712,853
Prepayments to property developers	—	—	250,434
	989,045	585,544	963,287
Other receivables			
Interest receivable	1,252	8,662	2,283
Dividend receivable	—	78	—
Financing provided to Duyun Company	—	—	157,000
Amounts due from related parties	239,385	189,066	32,507
Loans receivable from related parties	184,951	233,466	—
Retention fund	82,051	46,456	32,472
Prepayment for front-end engineering	83,300	31,879	154
Receivables of export tax refund	22,559	41,302	18,159
Staff advance	68,102	54,254	64,435
Bid security	92,030	105,274	106,382
Deposit	10,061	15,096	13,304
Payment on behalf of third parties	18,826	66,589	33,022
Litigation claims	8,357	8,256	—
Deductible value-added tax	32,146	27,397	16,262
Others	34,201	48,973	85,399
	877,211	876,748	561,379
Total prepayments and other receivables	1,866,266	1,462,292	1,524,666
Less: provisions for impairment	(83,083)	(88,772)	(65,480)
Prepayments and other receivables — Net	1,783,183	1,373,520	1,459,186
Less: non-current portion	(48,650)	(18,701)	(432,747)
Current portion	1,734,533	1,354,819	1,026,439

Our prepayments mainly comprised prepayments to suppliers and prepayments to property developers. In June 2011, Twelfth Metallurgical Company entered into a property sales and purchase contract with Taiyuan China Nonferrous Metal Industry and Twelfth Metallurgical Real Estate Development Co., Ltd. (太原中色十二冶房地產開發有限公司), which we expect to use as our office premises, and prepaid an amount of RMB150 million as of December 31, 2011. In September 2011, Changsha Institute entered into a property sales and purchase contract with Hunan Runhe Real Estate Development Co., Ltd. (湖南潤和房地產開發有限公司), which we expect to use as our office premises, and prepaid an amount of RMB100.4 million as of December 31, 2011.

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According to the BT Contract, our Group was obligated to provide financing to Duyun Company as working capital for some preliminary work, such as relocation of local residents for the construction of the road. As of December 31, 2011, the amount of financing we provided to Duyun Company amounted to approximately RMB157 million, which was secured by a guarantee granted by Qiannan Buyi Miao Autonomous Prefecture local government. This financing of RMB157 million will be collected from 2013 to 2015 upon the completion of the road construction. This financing provided to Duyun Company is recorded as other receivables of our Group.

Our other receivables included amounts due from related parties and loan receivables from related parties. During the Track Record Period, we also recorded deposits of RMB10.1 million, RMB15.1 million and RMB13.3 million as of December 31, 2009, 2010 and 2011, respectively, which mainly comprised security deposits we paid, and payments on behalf of third parties of RMB18.8 million, RMB66.6 million and RMB33.0 million as of December 31, 2009, 2010 and 2011, respectively, which primarily comprised miscellaneous fees and expenses we paid on behalf of our customers during the provision of our services, social security contributions we paid on behalf of our employees, and taxes we paid on behalf of our subcontractors. Deposits and payments on behalf of third parties were recorded under other receivables.

During the Track Record Period, under other receivables, we had also recorded (i) quality assurance deposit, which is the retention withheld by our customers and to be released after the end of the warranty period, (ii) litigation claims, which represent the amount of the awards granted to us in final judgments by courts, (iii) staff advance, which represents advance to our staff for their activities relating to our operations, (iv) bid security, which represents the deposit held by our customers for bidding and to be released after the bid, (v) prepayment for front-end-engineering, which represents the amounts we paid to our suppliers and subcontractors pursuant to the respective supply agreements and subcontracting agreements for the procurement of raw materials or equipment and other expenditures relating to the respective projects, and (vi) others, which represent amounts of capital contribution which had not been completed, advance to property developers on behalf of our employees for the residential properties developed for our employees.

A provision for impairment of prepayments and other receivables is established when there is objective evidence that we will not be able to fully collect the amounts due according to the original terms of prepayments and other receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate.

As of December 31, 2009, 2010 and 2011, our amount of other receivables due from related parties were RMB239.4 million, RMB189.1 million and RMB32.5 million, respectively. All amounts of non-trade nature due from our related parties were settled before the Listing.

Available-for-sale Financial Assets

As of December 31, 2009, 2010 and 2011, we had available-for-sale financial assets of RMB131.5 million, RMB487.0 million and RMB361.3 million.

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As of December 31, 2009, 2010 and 2011, we held 0.03% equity interest in Chalco as available-for-sale financial instruments in listed securities, and as of December 31, 2010 and 2011, we held 11.79% equity interest in Zhu Zhou Tian Qiao Crane Co., Ltd. as available-for-sale financial instruments in listed securities. The listed securities held by us as available-for-sale financial assets as of December 31, 2009 were accounted for based on the closing price of the shares of Chalco, and the listed securities held by us as our available-for-sale financial assets as of December 31, 2010 and 2011 were accounted for based on the closing prices of the shares of Chalco and Zhu Zhou Tian Qiao Crane Co., Ltd. as of the same dates respectively. As of December 31, 2009, 2010 and 2011, we held listed securities as available-for-sale financial assets of RMB59.6 million, RMB440.9 million and RMB220.8 million, respectively.

We held unlisted securities as available-for-sale financial assets of RMB71.9 million, RMB46.1 million and RMB10.2 million as of December 31, 2009, 2010 and 2011, respectively. We held the shares of Zhuzhou Tianqiao Crane Co., Ltd. during the Track Record Period, which were listing on the Shenzhen Stock Exchange in 2010.

In addition, we held short-term investments of RMB 130.3 million as of December 31, 2011, which mainly included commercial bank products which are designated in investing in low risk financial products such as state bonds and time deposits. All of the short-term investments have matured and fully recovered as of the Latest Practicable Date with annual investment returns from 3.9% to 7.1%.

We invested in these available-for-sale financial assets for investment returns. We currently do not intend to make new investments in listed securities after the Listing. As we are implementing the restrictions on our investment in financial assets, we expect the total balance of financial assets as a percentage of total assets to decrease.

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Trade and Other Payables

The following table sets forth the main components of our trade and other payables as of the balance sheet dates indicated:

	As of December 31,		
	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)
Trade and notes payable			
Trade payables	3,837,914	4,179,495	4,278,393
Notes payable	130,221	155,689	110,087
Other payables			
Advance payment from Duyun Company	—	—	123,525
Provision for litigation	10,840	10,840	20,279
Advances from customers	2,505,345	1,666,182	1,823,885
Staff welfare payable	230,409	248,485	202,922
Tax payable	130,009	135,305	211,213
Deposit payable	419,972	376,272	120,332
Housing funds raised by employees	23,204	74,134	42,650
Amounts paid by other parties on behalf of the Group	210,691	184,935	161,043
Equipment payables	125,677	62,305	1,732
Amounts due to related parties	56,044	64,844	161,683
Loans and borrowings received from related party . . .	—	—	52,345
Others	377,724	355,911	351,103
Total trade and other payables	<u>8,058,050</u>	<u>7,514,397</u>	<u>7,661,192</u>
Less: Non-current portion	<u>(11,646)</u>	<u>(11,789)</u>	<u>(143,835)</u>
Current portion	<u>8,046,404</u>	<u>7,502,608</u>	<u>7,517,357</u>

On September 13, 2011, CNPT entered into a loan contract with Luoyang Institute, where Luoyang Institute provided a working capital loan of RMB35 million to CNPT with an annual interest rate of 6%, which is to be repaid by 12 September 2012. On September 18, 2011, CNPT entered into another loan contract with Luoyang Institute, where Luoyang Institute provided working capital amounting to RMB 17.3 million to CNPT with an annual interest rate of 5.9%, to be repaid by 17 September 2012. All amounts due to related parties, including the two loans from Luoyang Institute, were settled before the completion of the Listing.

According to the BT Contract, Duyun Company was obliged to provide our Group with financing. As of December 31, 2011, the amount of financing we received from Duyun Company was in form of advance payment of approximately RMB123.5 million, including the principal of approximately RMB120.0 million and the interest of approximately RMB3.5 million. To provide this financing to us, Duyun Company borrowed an earmarked bank loan specifically for this BT project. This financing is recorded as other payables of our Group. According to the BT Contract, the financing of approximately RMB120.0 million received by us from Duyun Company and the financing of approximately RMB157 million provided by us to Duyun Company should not be offset against each other. See “— Prepayments and Other Receivables”.

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The following table shows an aging analysis of our trade payables as of the balance sheet dates indicated:

	As of December 31,		
	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)
Within one year	2,518,970	2,744,523	3,218,778
Between one and two years	855,722	783,116	492,440
Between two and three years	325,782	344,875	341,009
Over three years	137,440	306,981	226,166
Total	<u><u>3,837,914</u></u>	<u><u>4,179,495</u></u>	<u><u>4,278,393</u></u>

As of December 31, 2011, we had trade payable of approximately RMB1,059.6 million that aged more than one year, primarily because we usually pay a portion of the progress payment to our suppliers and sub-contractors, and the remaining unpaid payables will be settled upon the completion of the relevant project. Our Directors believe this is in line with the industry practice in China.

The following table sets forth the turnover days of our notes and trade payables for the periods indicated:

	For the year ended December 31,		
	2009	2010	2011
Turnover days of notes and trade payables ⁽¹⁾	170	158	158

(1) Turnover days of notes and trade payables is derived by dividing the arithmetic mean of opening and closing balances of note and trade payables for the relevant period by cost of sales and multiplying by 360 days.

The turnover days decreased from 170 days for 2009 to 158 days for 2010, primarily due to the recovery of the economic condition which allowed us to make payment to the suppliers which, in turn, made the increase of payables less than the increase of cost of sales. The turnover days remained stable at 158 days for 2011. We had relatively long turnover days of notes and trade payables during the Track Record Period, which was primarily due to the relatively long development periods of our engineering and construction contracting projects, which our Directors believe is in line with the industry practice.

During the Track Record Period, we recorded provisions for litigation, deposit payable and amounts paid by others on behalf of our Group under other payables. Provision for litigation primarily represents amounts payable by us to third parties pursuant to final judgments of courts, which judgments have not been enforced yet. Deposit payable primarily represents security deposits and warranty deposits we received from our subcontractors. Amounts paid by others on behalf of our Group represents the fees, expenses and costs that were incurred during the ordinary course of our business and paid by others on behalf of our Group, as well as social security contribution and housing maintenance fund contribution paid by others on behalf of our Group.

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As of December 31, 2009, 2010 and 2011, our amount due to related parties were RMB56.0 million, RMB64.8 million and RMB161.7 million, respectively. All amounts of non-trade nature due to our related parties were settled before the Listing.

RELATED PARTY TRANSACTIONS

It is the view of our Directors that each of the related party transactions set out in Note 42(a) to the Accountant's Report in Appendix I to this prospectus were conducted in the ordinary and usual course of business and on normal commercial terms between the relevant parties. Certain of the related party transactions set out in Note 42(a) to the Accountant's Report in Appendix I to this prospectus will continue after the Listing. Our Directors confirm that in addition to the loans and borrowings and the related interest income and expense which will not continue after the Listing, the one-off purchase of property as our office premise from a related party will not continue after the Listing.

INDEBTEDNESS

Borrowings

Our borrowings as of December 31, 2009, 2010 and 2011 and April 30, 2012, being the latest practicable date for purpose of the indebtedness statement, are as follows:

	As of December 31,			As of April 30,
	2009	2010	2011	2012
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(Unaudited)
Long-term borrowings				
Bank borrowings				
- Guaranteed by the Company to its subsidiaries	—	—	—	100,000
Financing from Duyun Company				
- Unsecured	—	—	123,525	247,931
Total long-term borrowings	—	—	123,525	347,931
Short-term borrowings				
Bank borrowings				
- Guaranteed by the Company to its subsidiaries	—	315,000	630,000	630,000
- Guaranteed by the parent company . .	70,000	—	—	—
- Guaranteed by fellow subsidiaries. . .	315,000	100,000	20,000	—
- Secured by trade receivables of the Group	—	—	80,000	—
- Unsecured	—	140,000	573,045	996,329

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	As of December 31,			As of April 30,
	2009	2010	2011	2012
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)
Borrowings from other financial institutions				
- Guaranteed by fellow subsidiaries. . . .	1,800	—	—	—
Borrowings from related parties				
- Unsecured	—	—	52,345	—
Borrowing from employees				
- Unsecured	—	—	—	101,204
Total short-term borrowings	<u>386,800</u>	<u>555,000</u>	<u>1,355,390</u>	<u>1,727,533</u>
Total borrowings	<u>386,800</u>	<u>555,000</u>	<u>1,478,915</u>	<u>2,075,464</u>

As of December 31, 2009, 2010 and 2011, our borrowings were RMB386.8 million, RMB555.0 million and RMB1,478.9 million, respectively, of which RMB386.8 million, RMB555.0 million and RMB1,355.4 million were short-term borrowings. As of December 31, 2011, we had unutilized credit facilities amounting to approximately RMB12.8 billion.

For 2009, 2010 and 2011, the interest rates per annum of our borrowings ranged from 3.98% to 7.47%, 3.98% to 7.47%, and 4.78% to 8.00%, respectively.

Guarantees

We have acted as the guarantor mainly for various external borrowings made by certain fellow subsidiaries. All guarantees provided to fellow subsidiaries as of December 31, 2011 has been released prior to the Listing. The following table sets forth the guarantees we provided to fellow subsidiaries during the periods indicated:

	As of December 31,			As of April 30,
	2009	2010	2011	2012
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)
Guarantee provided to:				
- Chinalco Henan Aluminum Fabrication Co., Ltd. (中鋁河南鋁業有限公司)	48,340	48,340	48,340	48,340
- Fellow subsidiaries	<u>40,000</u>	<u>90,000</u>	—	—
Total	<u>88,340</u>	<u>138,340</u>	<u>48,340</u>	<u>48,340</u>

Except as disclosed above, we did not have, as of April 30, 2012, any outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any other guarantees or material contingent liabilities.

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As of December 31, 2009, 2010 and 2011 and April 30, 2012, our borrowings of RMB386.8 million, RMB100.0 million, RMB20.0 million and RMB nil, respectively, were guaranteed by Chinalco and its subsidiaries.

Our Group monitors our capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debts are calculated as the total borrowings and other liabilities (including short-term borrowings, long-term borrowings, trade and other payables, as shown in the consolidated balance sheets) less restricted cash, time deposits and cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheets, plus net debts less non-controlling interest. We had gearing ratios of approximately 78%, 66% and 70% as of December 31, 2009, 2010 and 2011, respectively. The increase of gearing ratio as of December 31, 2011 as compared with that as of December 31, 2010 was primarily due to (i) an increase of short-term bank borrowings amounting to approximately RMB748.0 million and (ii) a decrease of cash and cash equivalents of approximately RMB457.0 million as a result of the purchase of short-term investments of approximately RMB130.4 million.

CONTINGENCIES

Our Group has been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. Provision has been made for the probable losses to us on those claims when our management can reasonably estimate the outcome of the lawsuits based on its judgments and the legal advice. No provision has been made for pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or our management believes the outflow of resources is not probable. It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for.

COMMITMENTS

Capital commitments

Our capital commitments as of the dates indicated below are as follows:

	As of December 31,		
	2009	2010	2011
	(RMB'000)		
Contracted but not provided for:			
Property, plant and equipment ⁽ⁱ⁾	3,072	15,402	307,875
Authorized but not contracted for.	—	43,540	20,000
Total	<u>3,072</u>	<u>58,942</u>	<u>327,875</u>

Note

- (i) According to the contract signed between Twelfth Metallurgical Construction Corporation of China National Nonferrous Metals Industry Co., Ltd (中色冶金十二冶建设有限公司) and Taiyuan China National Nonferrous Metals

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Industry and Twelfth Metallurgy Real Estate Development Co., Ltd. (太原中色十二冶房地產開發有限公司) (“the Taiyuan developer”), we made a prepayment amounting to RMB150.0 million to the Taiyuan developer and the final purchase price will depend on the prevailing market price at the point of sale. As the final price cannot be ascertained, hence the amount is not reflected in the above capital commitments.

As of December 31, 2011, our capital commitments were RMB327.9 million, of which RMB255.0 million was for our engineering design and consultancy business and RMB22.3 million was for our equipment manufacturing business. Among these capital commitments, approximately RMB50.6 million was to be spent on the development of high-technology equipment manufacturing operations. See “Business — Business Strategies”. We plan to fund these capital commitments by utilizing cash generated in our operations.

Operating leasing commitments

We lease various offices, warehouses, residential properties and machinery under non-cancellable operating lease agreements. These leases have varying terms, escalation clauses and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As of December 31,		
	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)
Less than one year	307	985	6,382
One year to five years	72	—	7,631
Total	<u>379</u>	<u>985</u>	<u>14,013</u>

Loan commitment

In connection with the Build-Transfer Contract entered into with Duyun Company, our Company is required to provide financing to Duyun Company not exceeding 30% of the proprietor's total investment in this project, which is estimated to be approximately RMB345 million. As of December 31, 2011, RMB157 million has been provided.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2011, being the date of our latest audited consolidated financial information as contained in the Accountant's Report included in Appendix I to this prospectus, we did not have any material off-balance sheet arrangements except for the financial guarantees, contingent liabilities and commitments disclosed above.

CAPITAL EXPENDITURE

During the Track Record Period, our capital expenditures were used mainly for the construction of production facilities and the purchase of equipment. For 2009, 2010 and 2011, our capital expenditures were RMB127.6 million, RMB173.0 million and RMB528.0 million, respectively.

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The following table sets forth our capital expenditures for the periods indicated:

	For the year ended December 31,		
	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)
Engineering design and consultancy	45,806	76,188	101,286
Engineering and construction contracting	60,389	86,656	378,251
Equipment manufacturing	21,376	10,179	48,492
Total	<u>127,571</u>	<u>173,023</u>	<u>528,029</u>

We manage our capital expenditures through our capital budget management policies and investment management policies. We plan to finance our capital commitments using cash flow generated from our operations as well as external financings, including the Global Offering and bank borrowings. After our listing, we may also procure financial resources by issuing debt securities such as short-term notes.

MARKET RISKS

We are exposed to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The overall risk management program of our Company focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of our Company.

Foreign exchange risk

Because we operate globally with a significant part of our operations in China, Southeast Asia, South Asia and South America, our financial position and results of operations can be affected by movements of those currencies relevant to our operations, mainly the RMB, the U.S. dollar and the Euro. Our Company is exposed to currency risk primarily through sales and purchases that give rise to receivables and payables, borrowings and cash balances that are denominated in foreign currencies.

RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the PRC foreign exchange control system may prevent our Company from satisfying sufficient foreign currency demands.

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The following table details our Company's exposure to currency risk arising from recognized assets or liabilities denominated in a currency other than the RMB to which they relate, as of the balance sheet date.

	As of December 31,					
	2009		2010		2011	
	US\$ (RMB'000)	Others (RMB'000)	US\$ (RMB'000)	Others (RMB'000)	US\$ (RMB'000)	Others (RMB'000)
Cash and cash equivalent, restricted cash and time deposits	153,654	15,395	86,459	34,824	47,072	44,760
Trade receivables	13,564	—	1,017,969	87,935	236,194	74,646
Trade and other payables	(712,686)	(128,921)	(729,067)	(128,200)	(799,763)	(44,283)
Net exposure in RMB	(545,468)	(113,526)	375,361	(5,441)	(516,497)	75,123

The exchange gains from a 5% strengthening of the RMB against the U.S. dollar as of December 31, 2009, 2010 and 2011 may (decrease)/increase the net profit by the amounts shown below:

	As of December 31,		
	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)
Net profit change	<u>27,273</u>	<u>(18,768)</u>	<u>25,825</u>

A 5% weakening of the RMB against the U.S. dollar as of December 31, 2009, 2010 and 2011 would have had the equal but opposite effect on the U.S. dollar to the amounts shown above, on the basis that all other variables remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. This analysis is performed on the same basis for 2009, 2010 and 2011.

Interest rate risk

Our Company's income and operating cash flows are substantially independent from changes in market interest rates, as our Company has no significant interest-bearing assets and borrowings. As of December 31, 2009, 2010 and 2011, our Company's short-term borrowings from financial institutes, being RMB386.8 million, RMB555.0 million and RMB1,303.0 million, respectively, were at floating rates.

Price risk

Our Company is exposed to equity securities price risk, because our Company's equity securities investments are classified as available-for-sale financial assets or other financial assets at fair value through profit or loss which are required to be stated at their fair values.

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The following table sets forth our Company's sensitivity analysis to a 5% increase and 5% decrease in equity price on the available-for-sale financial assets or financial assets at fair value through profit or loss at each balance sheet date, while all other variables were held constant. Management has used 5% to illustrate the equity price risk as the fluctuation in equity price is unpredictable.

	As of December 31,		
	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)
Impact on profit attributable to equity holders of the Company			
Increase/(decrease) in profit attributable to equity holders of the Company for the year/period			
— as a result of increase in equity price	2,533	16,741	8,412
— as a result of decrease in equity price	(2,533)	(16,741)	(8,412)

Credit risk

Our Company's credit risk is primarily attributable to restricted cash, time deposit, cash and cash equivalents, trade and other receivables and other current assets.

Substantially all of our Company's time deposits, cash and cash equivalents are deposited in the state owned/controlled PRC banks, the credit risk of which the Directors believe to be insignificant.

Our Company has policies in place to ensure that services are rendered and products are sold to customers with appropriate credit history, and our Company performs periodic credit evaluations of its customers. Our Company typically does not require collateral from trade debtors. The Directors consider that our Company does not have a significant concentration of credit risk.

Regarding balances with related parties, our Company assesses the credibility of the related parties by reviewing the operating results and assets-liability ratios periodically.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet, after deducting any impairment allowance.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of our business, we aim to maintain flexibility in funding by keeping committed credit lines available.

Management monitors the cash flow forecasts of our Company, which comprises the undrawn borrowing facility and cash and cash equivalents available at each month end in meeting its liabilities.

FINANCIAL INFORMATION

The table below sets forth our non-derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period from the balance sheet dates to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
At December 31, 2009					
Short-term borrowings . . .	400,428	—	—	—	400,428
Trade and other payables	5,180,641	11,646	—	—	5,192,287
Financial guarantee	40,000	—	48,340	—	88,340
	<u>5,621,069</u>	<u>11,646</u>	<u>48,340</u>	<u>—</u>	<u>5,681,055</u>

	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
At December 31, 2010					
Short-term borrowings . . .	568,628	—	—	—	568,628
Trade and other payables	5,452,636	11,789	—	—	5,464,425
Dividends payable	4,263	—	—	—	4,263
Financial guarantee	90,000	48,340	—	—	138,340
	<u>6,115,527</u>	<u>60,129</u>	<u>—</u>	<u>—</u>	<u>6,175,656</u>

	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
At December 31, 2011					
Short-term borrowings . . .	1,354,228	—	—	—	1,354,228
Trade and other payables	5,155,812	143,835	—	—	5,299,647
Dividends payable	81,681	—	—	—	81,681
Financial guarantee	48,340	—	—	—	48,340
	<u>6,640,061</u>	<u>143,835</u>	<u>—</u>	<u>—</u>	<u>6,783,896</u>

Effects of inflation

The PRC has not experienced significant inflation in recent years, and thus inflation in the PRC has not materially affected our operations during the Track Record Period. According to NBSC, the consumer price index in the PRC decreased by 0.7% in 2009, increased by 3.3% in 2010 and increased by 5.4% in 2011. Although there can be no assurance as to the impact of inflation in future periods, we have not been materially and adversely affected by any recent inflationary or deflationary pressures in China.

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SUBSEQUENT EVENTS

On March 8, 2012, our subsidiary CNPT entered into loan arrangements with approximately 1,174 employees of CNPT, pursuant to which CNPT borrowed RMB101.2 million from these employees at an interest rate of 7.2% and repayable by March 7, 2013. It took less time for CNPT to raise these loans than obtaining loans from commercial banks and the interest rate of these loans was lower than the market rate, which supported CNPT's needs for working capital at low cost. In addition, as CNPT is owned as to 73.5% by our Company rather than our wholly-owned subsidiary, it is difficult to reach an agreement between CNPT's shareholders to provide a shareholders' loan to CNPT. CNPT's employees lent loans to CNPT on a voluntary basis and were under no obligations to do so. Our PRC legal advisors, Jia Yuan Law Firm, advised us that provision of loans to CNPT would not subject these employees to any penalties under PRC laws and regulations. CNPT fully repaid these amounts to these employees by May 23, 2012. Our PRC legal advisors, Jia Yuan Law Firm, have further advised us that (i) taking loans from employees is not prohibited by PRC banking and financing laws and regulations and does not constitute illegal financing activity; in addition, it does not constitute the crime of illegal fund-raising, and CNPT will not be subject to any criminal liability by making these loans; as a result, CNPT is not in violation of applicable PRC laws and regulations for the loans; and (ii) since CNPT has fully repaid the amounts and the employees have agreed not to claim for any losses, CNPT will not be subject to any civil liabilities. Our Directors have confirmed that we will not take out loans with our employees in the future.

We served a written notice to IRANCO for purpose of terminating the Iran Contracts on May 8, 2012. The Iran Contracts are governed by Iranian laws and any dispute among the parties will be subject to arbitration by the International Court of Arbitration in Geneva. Our Iranian counsel have advised us that providing a notice of non-performance of any obligation we have under the Iran Contracts will constitute a breach of contract and we will be liable to compensate IRANCO for any actual damages it sustains as a result, up to a cap contained in the Iran Contracts of up to 15% of the total contract price of each of the Iran Contracts, which will be approximately RMB1,076.8 million under the 2005 Iran Contract and approximately Euro 29.9 million under the 2008 Iran Contract. Our Directors believe that because the conditions precedent of the Iran Contracts have not been satisfied, the actual damages are minimal. In addition, Chinalco, our parent company, has agreed to indemnify us for all liabilities, losses, damages, costs and expenses (if any) that are incurred by us in connection with, or otherwise arising out of, the Iran Contracts and the Iran Project.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE HONG KONG LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules had the H Shares been listed on the Stock Exchange on that date.

DIVIDEND POLICY

We may distribute dividends by way of cash, or by other means that we consider appropriate. Any proposed distribution of dividends shall be formulated by our Board and will be subject to our shareholders' approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including our results of operations, cash flow,

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financial condition, payments by our subsidiaries of cash dividends to us, future prospects and other factors that our Directors may consider important. According to PRC law and our Articles of Association, we will pay dividends out of our profit after tax only after we have made the following allocations:

- recovery of accumulated losses, if any;
- allocations to the statutory common reserve fund equivalent to 10% of our after-tax profit, as determined under PRC GAAP; and
- allocations, if any, to any common reserve fund that are approved by the shareholders in a shareholders' meeting.

The minimum allocations to the statutory common reserve funds are 10% of our profit after tax, as determined under the Company Law. When the statutory common reserve fund reaches and is maintained at or above 50% of our registered capital, no further allocations to this statutory common reserve fund will be required. Our profit distributable for the above-mentioned allocations and our dividend distribution shall be our after-tax profit as determined by PRC GAAP or IFRS, whichever is lower. All of our shareholders have equal rights to dividends and distributions in the form of stock or cash. For holders of our H Shares, cash dividend payments, if any, will be declared by our Board in RMB and paid in Hong Kong dollars.

Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years. In the future, we expect to distribute no less than 20% of our annual distributable earnings as dividends. There is, however, no assurance that we will be able to declare dividends of such amount or any amount each year or in any year. In addition, the declaration or payment of dividends may be limited by legal restrictions and/or by financing agreements that we may enter into in the future.

DIVIDEND DISTRIBUTION PRIOR TO THE LISTING

Dividend distributions prior to the Listing shall be paid out of profit after tax as determined under PRC GAAP or IFRS, whichever is lower.

On July 26, 2011, our shareholders resolved that our distributable profits accumulated before the Global Offering shall be distributed as follows:

- Chinalco and Luoyang Institute will jointly be entitled to a special dividend of approximately RMB276.4 million, in an amount that in aggregate is equivalent to the increase in our net assets from April 1, 2011 to June 30, 2011;
- Chinalco and Luoyang Institute will jointly be entitled to a special dividend of approximately RMB50.1 million generated from July 1, 2011 to September 30, 2011; and
- Domestic Share holders and investors of the H Shares will be entitled to distributable profits generated from October 1, 2011 to the date prior to the completion of the Global Offering, which are not part of the special dividends.

The declaration of the special dividends is made by us as a commercial decision. The total special dividends of approximately RMB326.5 million were fully paid before the Listing. As of December 31, 2011, we had dividends payable of approximately RMB81.7 million. As of the Latest Practicable Date, approximately RMB28.6 million was distributed before the Listing, and approximately RMB53.1 million will be distributed after the Listing. Such dividends of approximately RMB53.1

FINANCIAL INFORMATION

million is not part of the above special dividends and is payable to the then sole shareholder of a current subsidiary of our Group immediately before the Reorganization, and our Group and this then sole shareholder have not reached an agreement on the payment terms of such dividends. Our Directors have confirmed that our cash resources are sufficient to cover the full payment of the unpaid dividends of RMB53.1 million, as well as the dividends accumulated from October 1, 2011 to the date prior to the completion of the Global Offering, which will be shared by our Domestic Share holders and all of our H Shareholders, from our available cash and cash equivalents on hand. As of April 30, 2012, we had cash and cash equivalents of approximately RMB2,379.8 million. Our Directors believe that we will continue to have sufficient working capital upon the full payment of the dividends without using any of the net proceeds from the Global Offering. Our Directors further confirm that the payment of the special dividends will not adversely affect our financial position, having regard to our operating cash flow. Investors in the Global Offering should note that they will not be entitled to share in the special dividends, and therefore, any distributable profits available for distribution to our Company's shareholders after the Global Offering will exclude the amount of the special dividend to be paid to Chinalco and Luoyang Institute. Investors in the Global Offering should further note that the special dividends are not indicative of future operating results of our Group.

DISTRIBUTABLE RESERVES

The distributable reserve of our Company as of December 31, 2011 amounted to RMB42.2 million.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group which has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of our Group attributable to the equity holders of our Company as at 31 December 2011 as if the Global Offering had taken place on December 31, 2011. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group had the Global Offering been completed as of December 31, 2011 or at any future dates. It is based on the consolidated net assets attributable to equity holders of our Company as of December 31, 2011 as shown in the Accountant's Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below:

	Consolidated net tangible assets attributable to equity holders of our Company as of December 31, 2011 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company ⁽³⁾	Unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company per Share ⁽⁴⁾	
	(RMB'000)	(RMB'000)	(RMB'000)	RMB	HK\$
Based on an Offer Price of HK\$3.93 per Share	2,638,508	1,082,024	3,720,532	1.40	1.72
Based on an Offer Price of HK\$4.73 per Share	2,638,508	1,312,656	3,951,164	1.48	1.82

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Notes:

- (1) The consolidated net tangible assets attributable to equity holders of our Company as at December 31, 2011 was calculated based on the consolidated net assets attributable to equity holders of our Company as of December 31, 2011 of approximately RMB2,884.4 million as extracted from the Accountant's Report set out in Appendix I to this prospectus, with adjustments for the intangible assets of approximately RMB250.2 million and the relevant share of the intangible assets by non-controlling interests of approximately RMB4.3 million.
- (2) The estimated net proceeds from the Global Offering are based on an indicative Offer Price of HK\$3.93 per Share and HK\$4.73 per Share, respectively, after deduction of the underwriting fees and other related expenses estimated by our Company in connection with the Global Offering and do not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are translated at the exchange rate of HK\$1.00 to RMB0.81419.
- (3) Pursuant to a resolution of the Shareholders' meeting held on July 26, 2011, our existing Shareholders, Chinalco and Luoyang Institute, are entitled to special dividends totalling approximately RMB326.5 million, representing the increase in net assets between April 1, 2011 and June 30, 2011 and the distributable profit from July 1, 2011 to September 30, 2011. The distributable profit from October 1, 2011 to the date prior to the completion of the Global Offering is available for distribution to Domestic Share holders and investors of H Shares. Please see "- Dividend Distribution Prior to the Listing."

The unaudited pro forma adjusted net tangible assets has accounted for the special dividends, which have been recorded as dividend distribution in the consolidated financial information of our Group for our year ended December 31, 2011. The unaudited pro forma adjusted net tangible assets however has not taken into account the effect of any potential dividend distribution relating to the distributable profit from October 1, 2011 to the date prior to the completion of the Global Offering.

- (4) The unaudited pro forma adjusted net tangible assets per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by 2,663,160,000 Shares, being the number of shares in issue assuming the Global Offering has been completed on December 31, 2011 and do not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The unaudited pro forma adjusted net tangible assets per Share is translated at the exchange rate of HK\$1.00 to RMB0.81419.
- (5) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading result or other transaction of our Group entered into subsequent to December 31, 2011.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that since December 31, 2011 (being the date to which our Company's latest audited consolidated financial results were prepared), there has been no material adverse change in the financial or trading position of our Group.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business — Business Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK\$4.33 per H Share (being the mid-point of the estimated Offer Price range) and assuming the Over-allotment Option is not exercised, we estimate that we will receive net proceeds of approximately HK\$1,470.6 million from the Global Offering after deducting the underwriting commissions and other estimated expenses. Assuming that the Over-allotment Option is exercised in full and assuming an Offer Price of HK\$4.33 per H Share, we will receive total net proceeds of approximately HK\$1,700.6 million, including additional net proceeds of approximately HK\$230.0 million.

In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 50% of the net proceeds, or approximately HK\$735.3 million, will be used for new engineering and construction contracting projects, among which approximately 30% of the net proceeds, or approximately HK\$441.2 million, will be used for overseas engineering and construction contracting projects, and the remaining 20%, or approximately HK\$294.1 million, will be used for PRC engineering and construction contracting projects. We currently plan to apply the net proceeds to the alumina project for VINACOMIN- Nhan Co Alumina Joint-stock Company in Renji, Vietnam, a titanium and nickel material processing project for Chinalco Shenyang Nonferrous Metals Processing Co., Ltd. in Shenyang, China, and the Duyun City East Interchange (Ramp) City Road BT Project for Duyun Company. We plan to apply for necessary licenses and/or permits from the local government authorities of our targeted overseas markets in order to develop and enhance our overseas business. We believe that there should be no material legal impediment to applying for such licenses and/or permits. The funds will mainly be used as working capital for such projects before our costs are covered by the relevant progress payments made by the owners;
- approximately 20% of the net proceeds, or approximately HK\$294.1 million, will be used for the procurement of key equipment and parts, among which approximately 10% of the net proceeds, or approximately HK\$147.1 million, will be used for the procurement of key equipment and parts used for overseas engineering and construction contracting projects;
- approximately 10% of the net proceeds, or approximately HK\$147.1 million, will be used for the research and development of science and technology as well as for the development of information technology. We plan to invest in research and development of technologies and processes related to the production of alumina, aluminum, aluminum alloys and profiles, as well as technologies and processes related to the production of other nonferrous metals, such as zinc, copper and lead. We also plan to invest in technologies related to environmental protection and work safety in the course of the production of nonferrous metal products. We expect to complete these projects by 2015. In addition, we plan to invest in our information technology platform, which we expect to complete by 2013;

FUTURE PLANS AND USE OF PROCEEDS

- approximately 10% of the net proceeds, or approximately HK\$147.1 million, will be used for investing in the development of our core technologies into new services and products to our customers. We plan to (i) establish a subsidiary in Hunan Province, China, which will be dedicated to core technology industrialization, (ii) implement a project in Shenyang, China, which will be dedicated to manufacturing key parts for offshore oil production platform, (iii) implement a project in Zhengzhou, China, which will be dedicated to the manufacturing of large-capacity equipment and steel structures, and (iv) implement a project in Tianjin, China, which will be dedicated to the manufacturing of metal structures. We expect to establish this subsidiary and complete these projects by 2015; and
- approximately 10% of the net proceeds, or HK\$147.1 million, will be used for working capital and other general corporate uses.

In the event that the Offer Price is fixed at HK\$4.73 per H Share, being the high end of the stated Offer Price range, and assuming the Over-allotment Option is not exercised, the net proceeds will be approximately HK\$1,612.2 million. Assuming the Over-allotment Option is exercised in full, the net proceeds will be approximately HK\$1,863.4 million.

In the event that the Offer Price is fixed at HK\$3.93 per H Share, being the low end of the stated Offer Price range, and assuming the Over-allotment Option is not exercised at all, the net proceeds will be approximately HK\$1,329.0 million. Assuming the Over-allotment Option is exercised in full, the net proceeds will be approximately HK\$1,537.7 million.

To the extent that the net proceeds from the Global Offering (including the net proceeds from the exercise of the Over-allotment Option) are more than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis. To the extent that the net proceeds from the Global Offering are less than expected, we will use our own funds to make up for the difference.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes, the Directors currently intend that such proceeds will be placed on short-term deposits with licensed banks or financial institutions in Hong Kong or the PRC.

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HONG KONG UNDERWRITERS

Joint Lead Managers

China International Capital Corporation Hong Kong Securities Limited
GF Securities (Hong Kong) Brokerage Limited

Co-lead managers

Oriental Patron Securities Limited
First Shanghai Securities Limited

INTERNATIONAL UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
GF Securities (Hong Kong) Brokerage Limited
Oriental Patron Securities Limited
First Shanghai Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on June 21, 2012. Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions in this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the H Shares to be offered pursuant to the Global Offering as mentioned herein (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option), and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to subscribe or procure subscribers for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on, and subject to, the terms and conditions in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination with immediate effect, if, at any time prior to 8:00 a.m. on the day that trading in the H Shares commences on the Stock Exchange:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any event or series of events in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union as a whole or any jurisdiction relevant to any member of the Group (collectively, the “Relevant Jurisdictions”) in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, large scale outbreak of

UNDERWRITING

- infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is or has been declared), acts of God or acts of terrorism);
or
- (ii) any change, or any event or development likely to result in any change, in or affecting any financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets of any Relevant Jurisdiction;
or
 - (iii) any moratorium, suspension or limitation in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange or the Shanghai Stock Exchange; or
 - (iv) any moratorium, suspension or limitation in or on trading in any securities of the Company;
 - (v) any general moratorium on commercial banking activities in any of the Relevant Jurisdictions, or any material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, procedures in or affecting any of the Relevant Jurisdictions; or
 - (vi) any new Law, or any change or any event or development likely to result in a change in (or in the interpretation or application by any court or other competent Authority of) existing Laws, in each case, in or affecting any of the Relevant Jurisdictions; or
 - (vii) the imposition of economic sanctions, directly or indirectly, by, or for, the United States or the European Union as a whole or the PRC; or
 - (viii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or
 - (ix) any litigation or claim of any third party being presented or instigated against any member of the Group; or
 - (x) a Director being charged with an indictable offence or prohibited by operation of law which has the effect of disqualifying such Director from taking part in the management of a company; or
 - (xi) an authority or a political body or organization in any relevant jurisdiction commencing any investigation or other action against any Director; or
 - (xii) a contravention by any member of the Group of the Listing Rules or applicable laws; or
 - (xiii) a prohibition on the Company for whatever reason from offering, allotting or issuing any of the H Shares pursuant to the terms of the Global Offering in any Relevant Jurisdiction;
or
 - (xiv) any adverse change or development involving a reasonably likely material adverse change of any of the risks set out in the section headed “Risk Factors” in this prospectus; or

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- (xv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the H Shares) or any aspect of the Global Offering with the Listing Rules, the Securities and Futures Ordinance, the Companies Ordinance or the Takeovers Code; or
 - (xvi) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the H Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
 - (xvii) an order is granted or a petition is presented for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group,
- and which, individually or in the aggregate and in the sole opinion of the Sole Global Coordinator (after prior consultation with the Company and the Joint Bookrunners):
- (A) has or will have or may have a material adverse effect on the assets, liabilities, business, management, prospects, shareholders' equity, profits, losses, or financial condition of our Group as a whole; or
 - (B) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or
 - (C) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or
 - (D) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) there has come to the notice of the Sole Global Coordinator:
- (i) that any statement contained in any of this prospectus, the Application Forms and/or any notices, announcements, advertisements or circulars issued or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms and/or any notices, announcements, advertisements or circulars issued by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplemental or amendment thereto) is not fair and honest in any material respect and based on reasonable assumptions when taken as a whole; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of this prospectus, the Application Forms and/or in any notices, announcements, advertisements or circulars issued by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

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- (iii) any material breach on the part of our Company of any of the obligations imposed upon us under the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters or any of their respective delegates); or
- (iv) any material event, act or omission which gives or may give rise to any liability of our Company pursuant to the Hong Kong Underwriting Agreement; or
- (v) any material adverse change or development involving a prospective material adverse change in the assets, liabilities, business, management, prospects, shareholders' equity, profits, losses, or financial conditions of any member of the Group; or
- (vi) any breach of, or any event or series of events rendering untrue or incorrect in any material respect, any of the representations, warranties and undertakings given by our Company in the Hong Kong Underwriting Agreement;
- (vii) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or
- (viii) that, as a result of market conditions or otherwise, any order placed by any investor immediately before the price determination agreement is entered into, has been withdrawn or cancelled, and the Sole Global Coordinator, in its sole and absolute discretion after prior consultation with the Company and with the Joint Bookrunners, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering. For the avoidance of doubt, the right to terminate under this clause is exercisable only from 3:00 p.m. on the day immediately before the Listing Date to 8:00 a.m. on the Listing Date.

Undertakings to the Stock Exchange

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Chinalco, our controlling shareholder, has undertaken to the Stock Exchange and us that, save as permitted under the Listing Rules:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, it will not, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares directly or indirectly beneficially owned by it (except for the share transfer to NSSF as required by relevant PRC law); and
- (b) in the period of six months commencing on the date on which the period referred to in the above paragraph (a) expires, it will not, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares directly or indirectly beneficially owned by us if immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be our controlling shareholder.

UNDERWRITING

Chinalco has further undertaken to the Stock Exchange and us that, within the period commencing on the date of this prospectus and ending on the date which is 12 months after the Listing Date, it will:

- (a) when it pledges or charges any shares of our Company beneficially owned by us directly or indirectly in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform our Company of any such pledges or charges and the number of shares of our Company so pledged or charged; and
- (b) when it receives any indication, either verbal or written, from any such pledgee or charge of the pledged or charged shares of our Company will be disposed of, immediately inform us of any such indication.

Undertakings to the Hong Kong Underwriters

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to any exercise of the Over-Allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “First Six-Month Period”), we have, pursuant to the Hong Kong Underwriting Agreement, undertaken to the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters not to without the prior written consent of the Joint Bookrunners and unless in compliance with the requirements of the Listing Rules (and only after the consent of any relevant PRC authorities (if so required) has been obtained):

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind (“**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any H Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or any shares of such other member of our Group, as applicable), or deposit any H Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depositary in connection with the issue of depositary receipts; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any H Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or any shares of such other member of our Group, as applicable); or
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

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(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of H Shares or other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of such H Shares or other shares or securities will be completed within the First Six-month Period). In the event that, during the period of six months commencing on the date on which the First Six-month Period expires, our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Indemnity

We have agreed to indemnify the Sole Global Coordinator, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Hong Kong Underwriters for certain losses which they may suffer, including, among other matters, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commissions. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Joint Bookrunners and the relevant underwriters (but not the Hong Kong Underwriters).

The aggregate commissions together with the listing fees, SFC transaction levy, the Stock Exchange fees and other expenses of us relating to the Global Offering are estimated to amount to HK\$101.89 million (assuming an Offer Price of HK\$4.33 per Offer Share, which is the mid-point of our indicative price range for the Global Offering, and the Over-allotment Option is not exercised) in total. Such commissions, fees and expenses are payable by our Company.

The International Offering

Underwriting arrangement with GF Securities

On June 8, 2012, GF Securities entered into an underwriting agreement (the “Hard Underwriting Agreement”) with us, pursuant to which GF Securities has committed to, in the event of the Global Offering being under-subscribed, purchase, or procure investors to purchase, up to US\$20.0 million of H Shares (approximately HK\$155.2 million based on an exchange rate of US\$1.00 to HK\$7.7608 as of June 1, 2012) for which purchasers are not procured by any Underwriter (other than GF Securities) (the “Hard Underwriting Shares”), provided that (i) the final Offer Price is fixed at the low end of the indicative Offer Price range as disclosed in this prospectus or, if the final Offer Price

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is reduced below the low end of the indicative Offer Price range pursuant to the procedures described in the section headed “Structure of the Global Offering — Reduction in indicative offer price range and/or number of Offer Shares” in this prospectus, then at such reduced Offer Price; and (ii) the Global Offering is consummated before July 31, 2012.

Upon the consummation of the Global Offering and the Listing, GF Securities will be paid, out of the gross commissions to the Underwriters, either (i) if GF Securities has not performed its hard underwriting commitment pursuant to the Hard Underwriting Agreement, a lump sum payment of HK\$2.0 million to cover underwriting expenses; or (ii) if GF Securities has performed its hard underwriting commitment pursuant to the Hard Underwriting Agreement, a gross commission which will be the higher of: (a) HK\$2.0 million; or (b) 5.0% of the amount of Hard Underwriting Shares (calculated based on the Offer Price) plus 2.5% of the amount of H Shares which GF Securities has procured investors to purchase in addition to the Hard Underwriting Shares (calculated based on the Offer Price). In the Hard Underwriting Agreement, GF Securities has irrevocably agreed to perform its hard underwriting commitment by entering into the International Underwriting Agreement as and when we direct.

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the Joint Bookrunners and the International Underwriters on or about June 29, 2012. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally but not jointly, agree to procure subscribers to subscribe for, or failing which to subscribe for themselves, their respective applicable proportions of the International Offer Shares being offered pursuant to the International Offering which are not taken up under the International Offering.

We will grant to the International Underwriters the Over-allotment Option, exercisable by the Stabilizing Manager on behalf of the International Underwriters during the 30-day period from the last day for the lodging of applications under the Hong Kong Public Offering, to require us to issue up to an aggregate of 54,474,000 additional H shares, representing 15% of the H shares initially available under the Global Offering, at the Offer Price, among other things, to cover over-allocations in the International Offering, if any.

Over-allotment and Stabilization

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, GF Securities, as stabilizing manager (the “**Stabilizing Manager**”) or any person acting for it, on behalf of the Underwriters, may make purchases, over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the Underwriters are required to purchase in the Global Offering. “Covered” short sales are sales made in an amount not greater than

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the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional H Shares or purchasing H Shares in the open market. In determining the source of the H Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of H Shares in the open market as compared to the price at which they may purchase additional H Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the H Shares while the Global Offering is in progress. Any market purchases of the H Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of the H Shares that may be over-allocated will not exceed the number of the H Shares that may be sold under the Over-allotment Option, namely, 54,474,000 H Shares, which is 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

- (a) over-allocation for the purpose of preventing or minimizing any reduction in the market price;
- (b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any deduction in the market price;
- (c) subscribing, or agreeing to subscribe, for the H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase, the H Shares for the sole purpose of preventing or minimizing any reduction in the market price;
- (e) selling the H Shares to liquidate a long position held as a result of those purchases; and
- (f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the H Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the H Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the H Shares.

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Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the H Shares for longer than the stabilizing period, which begins on the day on which trading of the H Shares commences on the Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. As a result, demand for the H Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the H Shares. As a result, the price of the H Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the H Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the H Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

Hong Kong Underwriters' Interest in our Company

Save as disclosed in this prospectus and save for the obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters is interested in any shares of any of our members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members in the Global Offering.

Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3.07 of the Listing Rules.

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THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- (a) the Hong Kong Public Offering of 36,316,000 H Shares (subject to adjustment as mentioned below) in Hong Kong as described below under “The Hong Kong Public Offering”; and
- (b) the International Offering of an aggregate of 326,844,000 H Shares (subject to adjustment as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may apply for the H Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the H Shares under the International Offering, but may not do both.

Our Company has obtained the requisite PRC governmental approvals, including the approval of the CSRC, in respect of the Global Offering.

The number of H Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the subsection entitled “The Hong Kong Public Offering — Reallocation” below.

THE HONG KONG PUBLIC OFFERING

Number of H Shares initially offered

We are initially offering 36,316,000 H Shares at the Offer Price, representing 10% of the H Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the number of H Shares initially offered under the Hong Kong Public Offering will represent approximately 1.36% of our Company’s enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the subsection below entitled “Conditions of the Global Offering.”

Allocation

Allocation of H Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

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The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will initially be divided into two pools for allocation purposes as follows:

- Pool A: The Offer Shares in Pool A being an aggregate of 18,158,000 Shares will be allocated on an equitable basis to applicants who have applied for Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or less; and
- Pool B: The Offer Shares in Pool B being an aggregate of 18,158,000 Shares will be allocated on an equitable basis to applicants who have applied for Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of more than HK\$5 million and up to the value of Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 18,158,000 Offer Shares will be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. In the event of over-applications in the Hong Kong Public Offering, the Sole Global Coordinator shall apply a clawback mechanism following the closing of the application lists on the following basis:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 108,948,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 145,264,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the

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Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 181,580,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may in its discretion reallocate H Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator will have the discretion (but shall not be under any obligation) to reallocate to the International Offering all or any unsubscribed Hong Kong Offer Shares in such amounts as it deems appropriate.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of H Shares initially offered

Subject to the reallocation as described above, the number of H Shares to be initially offered under the International Offering will be 326,844,000 H Shares, representing 90% of the Offer Shares under the Global Offering. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of H Shares initially offered under the International Offering will represent approximately 12.27% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

Pursuant to the International Offering, the International Offer Shares will be conditionally placed on behalf of our Company by the International Underwriters or through selling agents appointed by them. International Offer Shares will be selectively placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong, Europe and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that

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the relevant investor is likely to buy further, and/or hold or sell, H Shares after the listing of the H Shares on the Stock Exchange. Such allocation is intended to result in a distribution of H Shares on a basis which would lead to the establishment of a solid shareholder base which would be to our benefit and to that of the Shareholders as a whole.

The Joint Bookrunners may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Bookrunners so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that our Company will grant the Over-allotment Option to the International Underwriters, which is exercisable by the Stabilizing Manager on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Stabilizing Manager at any time from the Listing Date on or before the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require our Company to sell up to 54,474,000 H Shares, representing 15% of the initial Offer Shares, at the same price per H Share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional International Offering Shares will represent approximately 2.00% of our enlarged total issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a public announcement will be made.

OVER-ALLOCATION

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for them may cover such over-allocation by (among other methods) using H Shares purchased by the Stabilizing Manager, its affiliates or any person acting for them in the secondary market, exercising the Over-allotment Option in full or in part. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of H Shares which can be over-allocated will not exceed the number of H Shares which may be issued upon exercise of the Over-allotment Option, being 54,474,000 H Shares, representing 15% of the Offer Shares initially available under the Global Offering.

PRICING AND ALLOCATION

Determining the Offer Price

The International Underwriters are soliciting from prospective investors indications of interest in acquiring the H Shares in the International Offering. Prospective investors will be required to specify

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the number of H Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around June 28, 2012 and in any event on or before July 4, 2012, by agreement between the Joint Bookrunners, and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer price range

The Offer Price will be not more than HK\$4.73 per H Share and is expected to be not less than HK\$3.93 per H Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable on application

Applicants for Hong Kong Offer Shares under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$4.73 for each Hong Kong Offer Share (plus 1% brokerage, 0.003% SFC transaction levy, and 0.005% Stock Exchange trading fee). If the Offer Price is less than HK\$4.73, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applications.

If, for any reason, our Company and the Joint Bookrunners are unable to reach agreement on the Offer Price on or before July 4, 2012, the Global Offering will not proceed and will lapse.

Reduction in indicative offer price range and/or number of Offer Shares

The Sole Global Coordinator, on behalf of the Underwriters, may where considered appropriate, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, reduce the indicative Offer Price range and/or the number of Offer Shares below those stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.chalieco.com.cn) notices of the reduction. Upon issue of such a notice, the revised indicative Offer Price range and/or number of Offer Shares will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator, on behalf of the Underwriters, and

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our Company, will be fixed within such revised range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change materially as a result of such reduction.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative offer price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such announcement so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Sole Global Coordinator, on behalf of the Underwriters, and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Sole Global Coordinator may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised). The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Global Coordinator.

Announcement of Offer Price and basis of allocations

The final Offer Price, the level of indications of interest in the Global Offering, the results of applications and the basis of allotment of the Hong Kong Offer Shares are expected to be announced on July 5, 2012 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and to be posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.chalieco.com.cn).

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Bookrunners, agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, and the Underwriting Agreements, are summarized in the section entitled “Underwriting” in this prospectus.

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CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on:

- the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including the additional H Shares which may be made available pursuant to the exercise of the Over-allotment Option) (subject only to allotment);
- the Offer Price having been duly agreed between us and the Joint Bookrunners;
- the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners on or before July 4, 2012, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the subsection entitled “How to Apply for Hong Kong Offer Shares — Despatch/Collection of H Share Certificates and Refund Monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on July 6, 2012, provided that (a) the Global Offering has become unconditional in all respects and (b) the right of termination as described in the subsection entitled “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” in this prospectus has not been exercised.

STRUCTURE OF THE GLOBAL OFFERING

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into the Central Clearing and Settlement System, or CCASS, established and operated by the Hong Kong Securities Clearing Company Limited, or HKSCC.

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on July 6, 2012, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on July 6, 2012.

The H Shares will be traded in board lots of 1,000 H Shares each.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

WHO CAN APPLY FOR THE HONG KONG OFFER SHARES

You can apply for Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity.

If an application is made by a person duly authorized under a valid power of attorney, our Company and the Joint Bookrunners (or their respective agents and nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

If you wish to apply for Hong Kong Offer Shares online through the **White Form eIPO** service (www.eipo.com.hk), you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may apply by means of the **White Form eIPO** service only if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

We, the Joint Bookrunners and the designated **White Form eIPO** Service Provider, in their capacity as our agents, have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Hong Kong Offer Shares are not available to existing beneficial owners of Shares, the Directors, Supervisors or chief executive or their respective associate or any of our other Connected Persons or persons who will become our Connected Persons immediately upon completion of the Global Offering.

You may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest for International Offer Shares under the International Offering, but may not do both.

CHANNELS OF APPLYING FOR THE HONG KONG OFFER SHARES

There are four channels to make an application for the Hong Kong Offer Shares:

- You may apply for the Hong Kong Offer Shares by using a **WHITE** Application Form. Use a **WHITE** Application Form if you want the H Shares to be issued in your own name;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- Instead of using a **WHITE** Application Form, you may apply for the Hong Kong Offer Shares by means of **White Form eIPO** by submitting applications online through the designated website of the **White Form eIPO** Service Provider at www.eipo.com.hk. Use **White Form eIPO** if you want the H Shares to be issued in your own name;
- You may apply for the Hong Kong Offer Shares by using a **YELLOW** Application Form. Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account; or
- Instead of using a **YELLOW** Application Form, you may give **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf.

Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through **White Form eIPO** service or by giving **electronic application instructions** to HKSCC.

WHERE TO COLLECT THIS PROSPECTUS AND APPLICATION FORMS

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. June 22, 2012 till 12:00 noon on June 27, 2012 from:

Any of the following addresses of the Hong Kong Underwriters:

China International Capital Corporation Hong Kong Securities Limited

29/F, One International Finance Centre
1 Harbour View Street,
Central, Hong Kong

GF Securities (Hong Kong) Brokerage Limited

Rooms 2301-2305 & 2313, COSCO Tower
183 Queen's Road Central
Hong Kong

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

or any of the following branches of Bank of China (Hong Kong) Limited:

	Branch Name	Address
Hong Kong	Bank of China Tower Branch	3/F, 1 Garden Road
	Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui
	Gilman Street Branch	136 Des Voeux Road Central
	North Point (King's Centre) Branch	193-209 King's Road, North Point
Kowloon	Prince Edward Branch	774 Nathan Road, Kowloon
	Wang Kwun Road Branch	Unit G1, Nan Fung Commercial Centre, Wang Kwun Road, Kowloon Bay
	Mong Kok Branch	589 Nathan Road, Mong Kok
	Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong
New Territories . .	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II
	Yuen Long (Hang Fat Mansion) Branch	8-18 Castle Peak Road, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on June 22, 2012 until 12:00 noon on June 27, 2012 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.

Your stockbroker may also have Application Forms and this prospectus available.

HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM

- (a) Obtain an Application Form as described in the subsection above entitled "Where to Collect this prospectus and Application Forms".
- (b) Complete the Application Form in English using blue or black ink, and sign it. There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address given on the Application Form.
- (c) Each Application Form must be accompanied by payment, in the form of either one cheque or one banker's cashier order. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or banker's cashier order does not meet the requirements set out on the Application Form.
- (d) Lodge the Application Form in one of the special collection boxes by the time and at one of the locations as described in the subsection above entitled "Where to Collect this prospectus and Application Forms".
- (e) Cheque and banker's cashier order should be crossed "Account Payee Only" and made payable to "Bank of China (Hong Kong) Nominees Limited — China Aluminum Intl Eng Public Offer"

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

You should note that by completing and submitting a **WHITE** or **YELLOW** Application Form, among other things:

- (a) you agree with our Company and each of the Shareholders, and our Company agrees with each of the Shareholders, to observe and comply with PRC laws, the Companies Ordinance and the Articles of Association;
- (b) you confirm that you have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations save as set out in any supplement to this prospectus;
- (c) you agree that none of our Company, the Sole Global Coordinator, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not contained in this prospectus (and any supplement thereto);
- (d) you undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Share nor otherwise participated in the International Offering; and
- (e) you agree to disclose to our Company, and/or our H Share Registrar, receiving banker, the Joint Bookrunners, the Underwriters and their respective advisors and agents any personal data which they require about you and the person(s) for whose benefit you have made the application.

In order for an application made on a **YELLOW** Application Form to be valid:

You, as the applicant(s), must complete the Application Form as indicated below and sign on the first page of the Application Form. Only written signatures will be accepted.

(a) If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):

- (i) the designated CCASS Participant must endorse the Application Form with its company chop (bearing its company name) and insert its participant identity in the appropriate box in the Application Form.

(b) If the application is made by an individual CCASS Investor Participant:

- (i) the Application Form must contain the CCASS Investor Participant's full name and Hong Kong Identity Card number; and
- (ii) the CCASS Investor Participant must insert its participant identity in the appropriate box in the Application Form.

(c) If the application is made by a joint individual CCASS Investor Participant:

- (i) the Application Form must contain all joint CCASS Investor Participants' full names and the Hong Kong Identity Card numbers of all joint CCASS Investor Participants; and
- (ii) the participant identity must be inserted in the appropriate box in the Application Form.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(d) If the application is made by a corporate CCASS Investor Participant:

- (i) the Application Form must contain your company name and the Hong Kong business registration number; and
- (ii) the participant identity and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or omission of details of the CCASS Participant (including participant identity and/or company chop bearing its company name) or other similar matters may render your application invalid.

If your application is made through a duly authorized attorney, we and the Joint Bookrunners (or their respective agents and nominees) may accept it at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney. We and the Joint Bookrunners, in its capacity as our agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

APPLYING THROUGH WHITE FORM eIPO SERVICE

General

- (a) If you are an individual and meet the criteria set out above in the subsection entitled “Who can apply for the Hong Kong Offer Shares”, you may apply through **White Form eIPO** service by submitting an application through designated website at www.eipo.com.hk. If you apply through **White Form eIPO** service, the H Shares will be issued in your own name.
- (b) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **White Form eIPO** Service Provider and may not be submitted to our Company.
- (c) In addition to the terms and conditions set out in this prospectus, the designated **White Form eIPO** Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at www.eipo.com.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (d) By submitting an application to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service (www.eipo.com.hk), you are deemed to have authorized the designated **White Form eIPO** Service Provider to transfer the details of your application to our Company and our H Share Registrar.
- (e) You may submit an application through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.eipo.com.hk.
- (f) You may submit your application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk from 9:00 a.m. on June 22, 2012 until 11:30 a.m. on June 27, 2012 or such later time as described under the subsection entitled “Effect of bad weather on the opening of the application lists” below (24 hours daily, except on the last

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on June 27, 2012 the last application day, or, if the application lists are not open on that day, then by the time and date stated in the subsection entitled “Effect of bad weather on the opening of the application lists” below.

- (g) You will not be permitted to submit your application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on June 27, 2012, or such later time as described under the subsection entitled “Effect of bad weather on the opening of the application lists” below, the designated **White Form eIPO** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.
- (h) **Warning:** The application for Hong Kong Offer Shares through the **White Form eIPO** service (www.eipo.com.hk) is only a facility provided by the designated **White Form eIPO** Service Provider to public investors. Our Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and the **White Form eIPO** Service Provider take no responsibility for such applications, and provide no assurance that applications through the **White Form eIPO** service (www.eipo.com.hk) will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider will contribute HK\$2.00 for each “China Aluminum International Engineering Corporation Limited” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Source of DongJiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White Form eIPO** service (www.eipo.com.hk), you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **White Form eIPO** service (www.eipo.com.hk), you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. Please see the subsection entitled “How many applications may be made” below.

Additional information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk will be treated as an applicant.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **White Form eIPO** Service Provider, the designated **White Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **White Form eIPO** Service Provider on the designated website at www.eipo.com.hk.

APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Counter
2nd Floor, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form. Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company, the Sole Global Coordinator, the Underwriters, the Joint Bookrunners, the Joint Lead Managers and the H Share Registrar.

Giving electronic application instructions to HKSCC to apply for Hong Kong Offer Shares by HKSCC Nominees on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

- (i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (ii) HKSCC Nominees does the following things, among others, on behalf of each such person:
- agrees that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
 - undertakes and agrees to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
 - undertakes and confirms that person has not indicated an interest for, applied for or taken up or indicated an interest for, any Offer Shares under the International Offering nor otherwise participated in the International Offering;
 - (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;
 - (if that person is an agent for another person) declares that person has only given one set of **electronic application instructions** for the benefit of that other person and that person is duly authorized to give those instructions as that other person's agent;
 - understands that the above declaration will be relied upon by our Company, the Directors and the Joint Bookrunners in deciding whether or not to make any allotment of the Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that person may be prosecuted if he makes a false declaration;
 - authorizes our Company to place the name of HKSCC Nominees on our register of members as the holder of the Hong Kong Offer Shares allotted in respect of that person's **electronic application instructions** and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between us and HKSCC;
 - confirms that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
 - confirms that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf save as set out in any supplement to this prospectus;
 - agrees that our Company, the Sole Global Coordinator, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus and any supplement thereto;
 - agrees to disclose that person's personal data to our Company, the Sole Global Coordinator, the Joint Lead Managers, the Joint Bookrunners and/or their respective agents and any information which they may require about that person;
 - agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;
 - agrees that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day), such agreement to take effect as a collateral contract with us and to become binding when that person gives the instructions and such

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

collateral contract to be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day) if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

- agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offer published by our Company;
- agrees to the arrangements, undertakings and warranties, representations and declarations specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares;
- agrees with our Company, for ourselves and for the benefit of each of the Shareholders (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Company Law, the Companies Ordinance and the Articles of Association;
- agrees with our Company, for itself and for the benefit of each shareholder of our Company and each director, supervisor, manager and other senior officer of our Company (and so that our Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each Shareholder of our Company and each Director, Supervisor, manager and other senior officer of our Company, with each CCASS Participant giving **electronic application instructions**):
 - (a) to refer all differences and claims arising from the Articles of Association of our Company or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles of Association of our Company;
 - (b) that any award made in such arbitration shall be final and conclusive; and
 - (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
- agrees with our Company (for our Company itself and for the benefit of each shareholder of our Company) that H shares in our Company are freely transferable by their holders;
- authorizes our Company to enter into a contract on its behalf with each Director and officer of our Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of our Company; and
- agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

EFFECT OF GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum offer price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the offer price per H Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated in the **WHITE** Application Form.

Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Minimum Subscription Amount and Permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the **WHITE** and **YELLOW** Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Allocation of the Hong Kong Offer Shares

For the purposes of allocating the Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

TIMING FOR INPUTTING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

June 22, 2012 — 9:00 a.m. to 8:30 p.m. ⁽¹⁾
June 25, 2012 — 8:00 a.m. to 8:30 p.m. ⁽¹⁾
June 26, 2012 — 8:00 a.m. to 8:30 p.m. ⁽¹⁾
June 27, 2012 — 8:00 a.m. ⁽¹⁾ to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on June 22, 2012 until 12:00 noon on June 27, 2012 (24 hours daily, except the last application day).

The latest time for inputting **electronic application instructions** will be 12:00 noon on June 27, 2012, the last application day, or if the application lists are not open on that day, by the time and date stated in the subsection entitled “Effects of bad weather conditions on the opening of the application lists” below.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form entitled “Personal Data” applies to any personal data held by us and our H Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The subscription for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Our Company, the Directors, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions**. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either:

- (i) submit a **WHITE** or **YELLOW** Application Form; or
- (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on June 27, 2012, or such later time as described under the subsection entitled "Effect of bad weather conditions on the opening of the application lists" below.

HOW MANY APPLICATIONS MAY BE MADE

You may make more than one application for the Hong Kong Offer Shares if and only if you are a nominee, in which case you may make an application as a nominee by (i) giving **electronic application instructions** to HKSCC (if you are a CCASS Participant) or; (ii) using a **WHITE** or **YELLOW** Application Form, and lodging more than one Application Form in your own name if each application is made on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed. It will be a term and condition of all applications that by completing and delivering an Application Form, you:

- (if the application is made for your own benefit) warrant that this is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS if you are a CCASS Investor Participant or applying through a CCASS Clearing Participant or CCASS Custodian Participant or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk);
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which has been or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk) and that you are duly authorized to sign the Application Form as that other person's agent.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Except where you are a nominee and provide the information required to be provided in your application, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS if you are a CCASS Investor Participant or applying through a CCASS Clearing Participant or CCASS Custodian Participant or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk); or
- apply both (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC via CCASS if you are a CCASS Investor Participant or applying through a CCASS Clearing Participant or CCASS Custodian Participant or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk); or
- apply (whether individually or jointly) on one **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS if you are a CCASS Investor Participant or applying through a CCASS Clearing Participant or CCASS Custodian Participant or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk) for more than 18,158,000 H Shares, being 50% of the Offer Shares initially being offered for public subscription under the Hong Kong Public Offering, as more particularly described in the subsection entitled “Structure of the Global Offering — The Hong Kong Public Offering” in this prospectus; or
- have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Offering.

All of your applications will also be rejected as multiple applications if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control in relation to a company means you:

- control the composition of the board of directors of the company; or
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK\$4.73 per H Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%. This means that for one board lot of 1,000 H Shares you will pay HK\$4,777.68. The Application Forms have tables showing the exact amount payable for numbers of H Shares up to 18,158,000 H Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the H Shares by a cheque or a banker's cashier order in accordance with the terms set out in the Application Forms (if you apply by an Application Form).

If your application is successful, brokerage is paid to participants of the Stock Exchange, the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected on behalf of the SFC).

REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any reason, we will refund your application monies, including brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon. All interest accrued on such monies prior to the date of collection/dispatch of e-Refund payment instructions/refund cheques/share certificates will be retained for our benefit.

If your application is accepted only in part, we will refund the appropriate portion of your application monies, including the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than HK\$4.73 per H Share, appropriate refund payments, including the brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies will be made to successful applicants, without interest. Details of the procedure for refund are set out below in the subsection entitled "Despatch/Collection of H Share Certificates and Refund Monies" below.

In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Sole Global Coordinator, cheques for applications for certain small denominations of Hong Kong Offer Shares on Application Forms (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on July 5, 2012 in accordance with the various arrangements as described in this section.

MEMBERS OF THE PUBLIC — TIME FOR APPLYING FOR HONG KONG OFFER SHARES

Completed WHITE or YELLOW Application Forms, together with payment attached, must be lodged by 12:00 noon on June 27, 2012 or, if the application lists are not open on that day, then by the time and date stated in the subsection entitled "Effect of bad weather on the opening of the application lists" below.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Your completed Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed under the section entitled “Where to collect this prospectus and Application Forms” above at the following times:

June 22, 2012 — 9:00 a.m. to 5:00 p.m.

June 25, 2012 — 9:00 a.m. to 5:00 p.m.

June 26, 2012 — 9:00 a.m. to 5:00 p.m.

June 27, 2012 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on June 27, 2012.

No proceedings will be taken on applications for the Offer Shares and no allotment of any such Offer Shares will be made until the closing of the application lists. No allotment of any of the Offer Shares will be made earlier than June 27, 2012.

EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on June 27, 2012. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon on such day. Business Day means a day that is not a Saturday, Sunday or a public holiday in Hong Kong.

PUBLICATION OF RESULTS

We expect to announce the Offer Price, the indication of the level of interest in the International Offering, the basis of allotment of the Hong Kong Offer Shares and the indication of the level of applications under the Hong Kong Public Offering on July 5, 2012 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese). The allotment results as published in the newspapers will also be posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.chalieco.com.cn) on July 5, 2012.

In addition, we expect to announce the results of applications and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering at the times and dates and in the manner specified below:

- (a) Results of allocations for the Hong Kong Public Offering will be available from our designated results of allocations websites at www.iporesults.com.hk, and www.chalieco.com.cn on a 24-hour basis from 8:00 a.m. on July 5, 2012 to 12:00 midnight on July 11, 2012. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- (b) Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from July 5, 2012 to July 8, 2012; and

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (c) Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from July 5, 2012 to July 7, 2012 at all the receiving bank branches and sub-branches at the addresses set out in the subsection entitled “Where to collect this prospectus and the Application Forms” above.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted the Hong Kong Offer Shares are set out in the notes attached to the relevant Application Forms (whether you are making your application by an Application Form or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf), and you should read them carefully. You should note in particular the following situations in which the Hong Kong Offer Shares will not be allotted to you:

- **If your application is revoked:**

By completing and submitting an Application Form or giving an **electronic application instruction**, you agree that your application or the application made by HKSCC Nominees or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk) on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a Business Day). This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or give your **electronic application instruction** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a Business Day) except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a Business Day) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk) on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- **Full discretion of our Company or our agents to reject or accept your application:**

Our Company, the Joint Bookrunners (as our agent) and the **White Form eIPO** Service Provider or the respective agents and nominees, have full discretion to reject or accept any application, or to accept only part of any application.

Our Company, the Joint Bookrunners and the **White Form eIPO** Service Provider in their capacity as our agents, and the respective agents and nominees do not have to give any reason for any rejection or acceptance.

- **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

- **You will not receive any allotment if:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and/or Offer Shares in the International Offering. By filling in any of the Application Forms or applying by giving **electronic application instructions** you agree not to apply for Hong Kong Offer Shares as well as the International Offering Shares in the International Offering. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering;
- the number of shares you have applied for is not one of the numbers as set out in the payment tables in the Application Forms;
- your application is not completed in accordance with the instructions as stated in the Application Forms (if you apply by an Application Form) or on the **White Form eIPO** website;
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional;
- the Underwriting Agreements are terminated in accordance with their respective terms;
- our Company or the Joint Bookrunners believe that by accepting your application, they would violate the applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered for public subscription under the Hong Kong Public Offering.

DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Offer Price of HK\$4.73 per H Share (excluding brokerage, SFC

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

transaction levy and Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the subsection entitled “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

You will receive one H Share certificate for all the Hong Kong Offer Shares issued to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course they will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the application:

- (a) for applications on **WHITE** Application Forms or **White Form eIPO**:
 - (i) H Share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or
 - (ii) H Share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful; and/or
- (b) for applications on **WHITE** or **YELLOW** Application Forms, refund cheque(s) will be crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum offer price per H Share paid on application in the event that the Offer Price is less than the offer price per H Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, your refund cheque.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the offer price per H Share initially paid on application (if any) under **WHITE** or **YELLOW** Application Forms; and H Share certificates for wholly and partially successful applicants under **WHITE** Application Forms and the **White Form eIPO** service are expected to be posted on or before July 5, 2012. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

H Share certificates will only become valid certificates of title at 8:00 a.m. on July 6, 2012 provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the subsection entitled “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” in this prospectus has not been exercised.

(a) If you apply using a **WHITE** Application Form:

If you apply for 1,000,000 or more Hong Kong Offer Shares and have indicated your intention in your **WHITE** Application Form respectively to collect your refund cheque(s) (where applicable) and/or H Share certificate(s) (where applicable) in person and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and H Share certificate(s) (where applicable) from our 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, from 9:00 a.m. to 1:00 p.m. on July 5, 2012 or such other date as notified by us in the newspapers as the date of collection/dispatch of e-Refund payment instructions/refund cheques/share certificates. If you are an individual who opts for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our H Share Registrar. If you do not collect your refund cheque(s) (where applicable) and/or H Share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or H Share certificate(s) (where applicable) in person, your refund cheque(s) (where applicable) and/or H Share certificate(s) (where applicable) will be sent to the address on your Application Form on July 5, 2012, by ordinary post and at your own risk.

(b) If you apply using a **YELLOW** Application Form:

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you apply for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque(s) (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) (if any) will be sent to the address on your Application Form on the date of despatch, which is expected to be on July 5, 2012, by ordinary post and at your own risk.

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on July 5, 2012, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant:

- our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the section headed "Publication of Results" above on July 5, 2012. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on July 5, 2012 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

(c) If you apply through **White Form eIPO** service:

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your H Share certificate(s) in person from our 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, from 9:00 a.m. to 1:00 p.m. on July 5, 2012 or such other date as notified by our Company in the newspapers as the date of collection/dispatch of e-Refund payment instructions/refund cheque(s)/share certificate(s).

If you do not collect your H Share certificate(s) personally within the specified period for collection, they will be sent to the address specified in your instructions to the **White Form eIPO** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk on July 5, 2012, by ordinary post and at your own risk.

If you apply through the **White Form eIPO** service (www.eipo.com.hk) by paying the application monies through a single bank account and your application is wholly or partially unsuccessful and/or the final Offer Price being different from the offer price initially paid on your application, e-refund payment instructions (if any) will be despatched to the application payment account on July 5, 2012.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If you apply through the **White Form eIPO** service (www.eipo.com.hk) by paying the application monies through multiple bank accounts and your application is wholly or partially unsuccessful and/or the final Offer Price being different from the offer price initially paid on your application, refund cheque(s) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider on July 5, 2012, by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **White Form eIPO** Service Provider set out in the subsection entitled “Applying through White Form eIPO service — Additional Information” above.

(d) If you apply by giving **electronic application instructions** to HKSCC:

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

Deposit of H Share Certificates into CCASS and Refund of application monies

- No temporary document of title will be issued. No receipt will be issued for application monies received.
- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on July 5, 2012, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner), your Hong Kong Identity Card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner described in the subsection entitled “Publication of Results” above on July 5, 2012. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on July 5, 2012 or such other date as shall be determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on July 5, 2012. Immediately after the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account and the credit of refund monies to your designated bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per H Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on July 5, 2012. No interest will be paid thereon.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to China International Capital Corporation Hong Kong Securities Limited pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

22 June 2012

The Directors
China Aluminum International Engineering Corporation Limited

China International Capital Corporation Hong Kong Securities Limited

Dear Sirs,

We report on the financial information of China Aluminum International Engineering Corporation Limited (中鋁國際工程股份有限公司, the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated balance sheets as at 31 December 2009, 2010 and 2011, the balance sheets of the Company as at 31 December 2009, 2010 and 2011, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flow for each of the years ended 31 December 2009, 2010 and 2011 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company (the "Directors") and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 22 June 2012 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Company was established as a company with limited liability under the name of China Aluminum International Engineering Co., Ltd. (中鋁國際工程有限責任公司) in the People's Republic of China (the "PRC") on 16 December 2003 under the Company Law of the PRC. Pursuant to a group reorganisation as described in Note 1 of Section II headed "Principal activities, organisation and reorganisation" below, which was completed on 31 March 2011, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation"). On 30 June 2011, the Company was transformed into a joint stock company with limited liability and changed to its current name.

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As at the date of this report, the Company has direct and indirect interests in the subsidiaries and associates as set out in Notes 43 and 20 of Section II below, respectively. All of these companies are private companies.

All the companies now comprising the Group have adopted 31 December as their financial year end dates. The audited financial statements of the Company and other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with relevant accounting principles and financial regulations applicable to enterprises established in the PRC. The statutory auditor of the Company for each of the years ended 31 December 2009 and 2010 was Zhonglei Certified Public Accountants Co., Ltd. (“中磊會計師事務所有限公司”). The statutory auditor of the Company for the year ended 31 December 2011 was PricewaterhouseCoopers Zhong Tian CPAs Limited Company (“普華永道中天會計師事務所有限公司”). Details of the statutory auditors of other companies now comprising the Group are set out in Notes 43 of Section II of this report.

The Directors have prepared the consolidated financial statements of the Company for the Relevant Periods (the “Underlying Financial Statements”), in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board. We have audited the Underlying Financial Statements in accordance with International Standards on Auditing (the “ISA”) issued by the International Auditing and Assurance Standards Board (“IAASB”) pursuant to separate terms of engagement with the Company.

The Directors are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with IFRS.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' responsibility for the financial information

The Directors are responsible for the preparation of the financial information that gives a true and fair view in accordance with IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009, 2010 and 2011 and of the Group's results and cash flows for the Relevant Periods then ended.

I. FINANCIAL INFORMATION

The following is the financial information of the Group prepared by the Directors as at 31 December 2009, 2010 and 2011 and for each of the years ended 31 December 2009, 2010 and 2011 (the "Financial Information") presented on the basis set out in Note 2 below:

A. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December		
		2009	2010	2011
		RMB'000	RMB'000	RMB'000
Revenue	6	9,553,393	11,233,202	12,194,445
Cost of sales	7	(8,273,712)	(9,440,696)	(9,928,220)
Gross profit		1,279,681	1,792,506	2,266,225
Selling and marketing expenses	7	(251,378)	(269,670)	(371,482)
Administrative expenses	7	(489,967)	(602,585)	(775,685)
Other income	8	14,422	43,986	55,937
Other gains or losses - net	9	(6,844)	51,395	(3,978)
Operating profit		545,914	1,015,632	1,171,017
Finance income	10	30,169	43,613	43,330
Finance expenses	10	(65,414)	(74,244)	(115,858)
Finance expenses - net		(35,245)	(30,631)	(72,528)
Share of losses of associates	20(b)	(1,842)	(1,636)	(2,022)
Profit before taxation		508,827	983,365	1,096,467
Income tax expense	11	(111,363)	(228,163)	(250,741)
Profit for the year		397,464	755,202	845,726
Fair value gains/(losses) on available-for-sale financial assets, net of tax		29,134	264,800	(166,575)
Other comprehensive income for the year, net of tax		29,134	264,800	(166,575)
Total comprehensive income for the year		426,598	1,020,002	679,151
Profit attributable to:				
Equity owners of the Company		360,353	714,113	808,352
Non-controlling interests		37,111	41,089	37,374
Profit for the year		397,464	755,202	845,726
Total comprehensive income attributable to:				
Equity owners of the Company		389,487	978,913	641,777
Non-controlling interests		37,111	41,089	37,374
Total comprehensive income for the year		426,598	1,020,002	679,151
Earnings per share for profit attributable to equity owners of the Company during the year (expressed in RMB per share) — Basic and diluted	12	0.16	0.31	0.35
Dividends	13	—	80,779	326,457

B. CONSOLIDATED BALANCE SHEETS

	Note	At 31 December		
		2009	2010	2011
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	16	1,273,289	1,217,206	1,329,329
Land use rights	17	480,473	451,617	713,515
Investment properties	18	63,351	60,334	31,190
Notes and trade receivables	22	—	—	376,145
Prepayments and other receivables	23	48,650	18,701	432,747
Intangible assets	19	20,348	23,389	250,179
Investment in associates	20(b)	53,816	52,721	50,018
Available-for-sale financial assets	21	131,514	486,958	230,985
Deferred income tax assets	36	473,418	423,761	330,282
Other non-current assets		1,080	8,344	6,425
Total non-current assets		2,545,939	2,743,031	3,750,815
Current assets				
Available-for-sale financial assets	21	—	—	130,364
Inventories	26	1,209,934	463,160	617,908
Notes and trade receivables	22	2,867,929	3,706,690	3,762,217
Prepayments and other receivables	23	1,734,533	1,354,819	1,026,439
Amounts due from customers for contract work	25	1,521,534	1,319,937	2,254,791
Current income tax prepayments		8,182	6,926	3,553
Financial assets at fair value through profit or loss	24	—	1,493	3,803
Restricted cash	27	207,608	174,486	202,653
Time deposits	28	432,962	1,002,843	227,592
Cash and cash equivalents	29	2,416,056	2,611,456	2,154,465
Total current assets		10,398,738	10,641,810	10,383,785
Total assets		12,944,677	13,384,841	14,134,600
EQUITY				
Paid in capital/Share capital	30	200,000	200,000	2,300,000
Reserves	31	1,544,884	2,408,851	584,419
Consolidated equity attributable to equity owners of the				
Company		1,744,884	2,608,851	2,884,419
Non-controlling interests		154,340	159,346	79,528
Total equity		1,899,224	2,768,197	2,963,947

	Note	At 31 December		
		2009	2010	2011
		RMB'000	RMB'000	RMB'000
LIABILITIES				
Non-current liabilities				
Deferred income	32	12,816	20,014	20,850
Retirement and other supplemental benefit obligations	33	1,519,205	1,437,901	1,421,426
Deferred income tax liabilities	36	19,544	88,329	40,970
Trade and other payables	35	11,646	11,789	143,835
Total non-current liabilities		1,563,211	1,558,033	1,627,081
Current liabilities				
Trade and other payables	35	8,046,404	7,502,608	7,517,357
Dividends payable	37	—	4,263	81,681
Amounts due to customers for contract work	25	868,955	756,119	388,650
Short-term borrowings	34	386,800	555,000	1,303,045
Current income tax liabilities		49,217	98,325	132,340
Retirement and other supplemental benefit obligations	33	130,866	142,296	120,499
Total current liabilities		9,482,242	9,058,611	9,543,572
Total liabilities		11,045,453	10,616,644	11,170,653
Total equity and liabilities		12,944,677	13,384,841	14,134,600
Net current assets		916,496	1,583,199	840,213
Total assets less current liabilities		3,462,435	4,326,230	4,591,028

C. BALANCE SHEETS OF THE COMPANY

	Note	At 31 December		
		2009	2010	2011
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	16	119,523	110,659	105,603
Intangible assets	19	4,636	8,524	14,873
Land use rights	17	204,967	198,833	192,699
Investment in subsidiaries	20(a)	277,685	377,685	1,884,414
Available-for-sale financial assets	21	25,802	399,084	194,353
Deferred income tax assets	36	45,781	—	—
Trade and notes receivables	22	—	—	52,518
Total non-current assets		678,394	1,094,785	2,444,460
Current assets				
Inventories	26	943,669	215,630	133,737
Available-for-sale financial assets	21	—	—	89,294
Notes and trade receivables	22	1,542,524	2,214,177	2,093,253
Prepayments and other receivables	23	1,100,112	557,129	1,173,884
Amounts due from customers for contract work	25	534,320	372,322	698,618
Financial assets at fair value through profit or loss	24	—	1,493	3,803
Restricted cash	27	35,355	6,476	298
Time deposits	28	232,739	735,332	131,993
Cash and cash equivalents	29	1,383,247	1,415,711	705,761
Total current assets		5,771,966	5,518,270	5,030,641
Total assets		6,450,360	6,613,055	7,475,101
EQUITY				
Paid in capital/Share capital	30	200,000	200,000	2,300,000
Reserves	31	827,852	1,507,630	262,416
Total equity		1,027,852	1,707,630	2,562,416
Non-current liabilities				
Deferred income tax liabilities	36	—	66,293	17,869
Retirement and other supplemental benefit obligations	33	—	—	14,860
Total non-current liabilities		—	66,293	32,729
LIABILITIES				
Current liabilities				
Short-term borrowings	34	—	—	491,045
Trade and other payables	35	5,093,074	4,607,106	4,090,376
Dividends payable	37	—	—	18,457
Amounts due to customers for contract work	25	315,277	172,757	186,476
Retirement and other supplemental benefit obligations	33	—	—	230
Current income tax liabilities		14,157	59,269	93,372
Total current liabilities		5,422,508	4,839,132	4,879,956
Total liabilities		5,422,508	4,905,425	4,912,685
Total equity and liabilities		6,450,360	6,613,055	7,475,101
Net current assets		349,458	679,138	150,685
Total assets less current liabilities		1,027,852	1,773,923	2,595,145

D. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							Total equity RMB'000
	Paid in capital/Share capital Note	Capital reserve RMB'000 (Note 31)	Statutory surplus reserve RMB'000 (Note 31)	Investment revaluation reserve RMB'000 (Note 31)	Special reserve RMB'000 (Note 31)	Retained earnings RMB'000	Non- controlling interests RMB'000	
At 1 January 2009	200,000	631,520	114,653	17,285	13,432	305,406	155,071	1,437,367
Profit of the year	—	—	—	—	—	360,353	37,111	397,464
Other comprehensive income:								
Fair value change of available-for-sale financial assets — gross	—	—	—	34,275	—	—	—	34,275
Fair value change of available-for-sale financial assets — tax	—	—	—	(5,141)	—	—	—	(5,141)
Total comprehensive income	—	—	—	29,134	—	360,353	37,111	426,598
Distributions to Chinalco Group by subsidiaries described in Note 1.2(a)	—	—	—	—	—	(28,350)	—	(28,350)
Dividends to non-controlling interests	—	—	—	—	—	—	(22,650)	(22,650)
Transaction with non-controlling interests	—	651	—	—	—	—	(16,518)	(15,867)
Capital contributions by Chinalco Group to the subsidiaries described in Note 1.2(a)	—	100,800	—	—	—	—	—	100,800

Attributable to equity holders of the Company									
Note	Paid in capital/Share capital	Capital reserve	Statutory surplus reserve	Investment revaluation reserve	Special reserve	Retained earnings	Total	Non-controlling interests	Total equity
At 1 January 2010	200,000	732,971	122,892	46,419	24,575	618,027	1,744,884	154,340	1,899,224
Profit of the year	—	—	—	—	—	714,113	714,113	41,089	755,202
Other comprehensive income:									
Fair value change of available-for-sale financial assets - gross	—	—	—	355,444	—	—	355,444	—	355,444
Fair value change of available-for-sale financial assets - tax	—	—	—	(90,644)	—	—	(90,644)	—	(90,644)
Total comprehensive income	—	—	—	264,800	—	714,113	978,913	41,089	1,020,002
Dividends to shareholders of the Company	—	—	—	—	—	(80,779)	(80,779)	—	(80,779)
Distributions to Chinalco Group by subsidiaries described in Note 1.2(a)	—	—	—	—	—	(48,049)	(48,049)	—	(48,049)
Dividends to non-controlling interests	—	—	—	—	—	—	—	(39,914)	(39,914)
Transaction with non-controlling interests	—	(1,094)	—	—	—	—	(1,094)	1,094	—
Capital contributions by Chinalco Group to the subsidiaries described in Note 1.2(a)	—	14,976	—	—	—	—	14,976	—	14,976

Attributable to equity holders of the Company									
Note	Paid in	Capital	Statutory	Investment	Special	Retained	Total	Non-	Total
	capital/Share	reserve	surplus	revaluation	reserve	earnings	RMB'000	controlling	equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 31)	(Note 31)	(Note 31)	(Note 31)	(Note 31)	(Note 31)	(Note 31)	(Note 31)	(Note 31)
At 1 January 2011	200,000	746,853	170,809	311,219	35,785	1,144,185	2,608,851	159,346	2,768,197
Profit of the year	—	—	—	—	—	808,352	808,352	37,374	845,726
Other comprehensive income:									
Fair value change of									
available-for-sale financial									
assets — gross	—	—	—	(220,056)	—	—	(220,056)	—	(220,056)
Fair value change of									
available-for-sale financial									
assets — tax	—	—	—	53,481	—	—	53,481	—	53,481
Total comprehensive income ..	—	—	—	(166,575)	—	808,352	641,777	37,374	679,151
Special Dividends									
(Note 31(iv (a)))	13	—	—	—	—	(276,403)	(276,403)	—	(276,403)
Special Dividends									
(Note 31(iv (b)))	13	—	—	—	—	(50,054)	(50,054)	—	(50,054)
Distributions to Chinalco									
Group by subsidiaries									
described in Note 1.2(a)	—	—	—	—	—	(137,211)	(137,211)	—	(137,211)
Dividends to non-controlling									
interests	—	—	—	—	—	—	—	(91,472)	(91,472)
Acquisition of non-controlling									
interests	1.2(d)	(1,606)	—	—	—	—	(1,606)	(64,478)	(66,084)
Capital contributions by									
Chinalco Group to									
subsidiaries described in									
Note 1.2(a)	—	6,421	—	—	—	—	6,421	—	6,421

Attributable to equity holders of the Company

Note	Paid in capital/Share capital	RMB'000	Capital reserve	RMB'000	Statutory surplus reserve	RMB'000	Investment revaluation reserve	RMB'000	Special reserve	RMB'000	Retained earnings	RMB'000	Total	RMB'000	Non-controlling interests	RMB'000	Total equity	RMB'000
Capital contributions by non-controlling interest of the subsidiaries described in Note 1.2(a)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	9,967	9,967	—	—
Acquisition of subsidiaries under common control	—	—	(3,301)	—	—	—	—	—	—	—	—	—	(3,301)	—	(2,097)	(5,398)	—	—
Acquisition of a subsidiary 41	—	—	—	—	—	—	—	—	—	—	—	—	—	—	30,888	30,888	—	—
Event-driven revaluation 31	—	—	405,368	—	—	—	—	—	—	—	—	—	405,368	—	—	405,368	—	—
Transfer of Excluded Assets and Liabilities (defined in Note 1.2(c)) to Chinalco Group 2.3	—	—	(309,423)	—	—	—	—	—	—	—	—	—	(309,423)	—	—	(309,423)	—	—
Appropriation of special reserve	—	—	—	—	—	—	—	14,181	—	—	(14,181)	—	—	—	—	—	—	—
Transfer into joint stock company with limited liability	2,100,000	—	(842,932)	(170,809)	—	—	—	—	—	—	(1,086,259)	—	—	—	—	—	—	—
Appropriation of statutory surplus reserve	—	—	—	7,084	—	—	—	—	—	—	(7,084)	—	—	—	—	—	—	—
At 31 December 2011	2,300,000	1,380	—	7,084	—	144,644	49,966	381,345	—	—	2,884,419	79,528	2,963,947	—	—	—	—	—

E. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December		
		2009	2010	2011
		RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Cash generated from/(used in) operations	39	171,353	961,334	(707,241)
Income tax paid		(107,098)	(200,366)	(215,333)
Interest received		23,240	28,483	8,624
Net cash generated from/(used in) operating activities		87,495	789,451	(913,950)
Cash flows from investing activities				
Purchase of property, plant and equipment		(81,735)	(85,538)	(295,945)
Purchase of intangible assets		(7,559)	(11,390)	(52,286)
Purchase of land use rights		(615)	(2,204)	(178,860)
Purchase of available-for-sale financial assets		—	—	(2,483,214)
Acquisition of the subsidiary described in Note 41		—	—	6,792
Acquisition of non-controlling interest		(10,500)	—	(71,486)
Liquidation of a subsidiary		(1,528)	—	—
Loans and borrowings provided to related parties		(99,831)	(47,394)	—
Interest received from available-for-sale financial assets and time deposits		6,840	7,565	45,573
(Increase)/decrease in time deposits		(222,066)	(569,882)	775,251
Proceeds from disposal of property, plant and equipment		9,578	14,977	73,482
Proceeds from disposal of intangible assets		—	27	—
Proceeds from disposal of land use rights		—	71,746	18,428
Proceeds from disposal of available-for-sale financial assets		—	—	2,342,877
Government grants		5,207	15,984	3,174
Disposal of financial assets at fair value through profit or loss		—	—	28,249
Net cash inflow from disposal of subsidiaries and available-for-sale financial assets		—	955	832
Financing provided to Build-Transfer contract counterparty	23(ii)	—	—	(157,000)
Dividends received		2,284	2,794	3,821
Net cash (used in)/generated from investing activities		(399,925)	(602,360)	59,688
Cash flows from financing activities				
Capital contributions by Chinalco Group to the subsidiaries described in Note 1.2(a)		4,283	14,976	6,461
Capital contributions by the non-controlling interests of the subsidiaries described in Note 1.2(a)		2,854	2,737	9,967
Borrowings received		503,300	595,000	1,521,045
Repayments of borrowings		(340,000)	(426,800)	(773,000)
Loans and borrowings received from related party	35(iii)	—	—	52,345
Advance payment received from Build-Transfer contract counterparty	35(i)	—	—	120,000
Dividends paid to Chinalco Group		(28,350)	(127,128)	(476,884)
Dividends paid to non-controlling interests		(24,992)	(37,350)	(839)
Interest paid		(10,665)	(12,818)	(58,474)
Net cash from financing activities		106,430	8,617	400,621
Net (decrease)/increase in cash and cash equivalents		(206,000)	195,708	(453,641)
Cash and cash equivalents at beginning of year		2,622,052	2,416,056	2,611,456
Exchange gains/(losses) on cash and cash equivalents		4	(308)	(3,350)
Cash and cash equivalents at end of year	29	<u>2,416,056</u>	<u>2,611,456</u>	<u>2,154,465</u>

II. NOTES TO THE FINANCIAL INFORMATION

1. Principal activities, organisation and reorganisation

1.1 Principal activities

China Aluminum International Engineering Corporation Limited (中鋁國際工程股份有限公司, the “Company”) and its subsidiaries (together, the “Group”) is principally engaged in engineering design and consultancy, engineering and construction contracting and equipment manufacturing.

1.2 Organisation and reorganisation

The Company was established on 16 December 2003 as a company with limited liability under the name of China Aluminum International Engineering Co., Ltd. (中鋁國際工程有限責任公司). Upon the establishment of the Company, Aluminum Corporation of China (中國鋁業公司, “Chinalco”) held its 95% equity interest and China Aluminum International Trading Company Limited (中鋁國際貿易有限公司), a wholly-owned subsidiary of Aluminum Corporation of China Limited (中國鋁業股份有限公司), which is a subsidiary of Chinalco, held the remaining 5% equity interest. On 10 February 2011, China Aluminum International Trading Company Limited transferred its 5% equity interest in the Company to Chinalco and subsequently the Company became a wholly-owned subsidiary of Chinalco. Pursuant to a reorganisation of the engineering and construction contracting, design consultation business and equipment manufacturing business (the “Core Business”) of Chinalco and its subsidiaries (collectively, the “Chinalco Group”) in preparation for the initial listing (the “Listing”) of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Reorganisation”), the Company became the holding company of the subsidiaries now comprising the Group. The Company was then transformed into a joint stock company with limited liability and renamed as China Aluminum International Engineering Corporation Limited (中鋁國際工程股份有限公司) on 30 June 2011.

The address of the Company’s registered office is Building C, No. 99 Xingshikou Road, Haidian District, Beijing, the PRC.

The principal reorganisation transactions include:

- (a) Chinalco Group transferred the equity interests in following subsidiaries to the Group:
 - (i) 100% equity interest in China Nonferrous Metal Changsha Investigation and Design Research Institute Co., Ltd. (中國有色金屬工業長沙勘察設計研究院有限公司, “Changkan Institute”);
 - (ii) 100% equity interest in Sixth Metallurgical Construction Company of China Nonferrous Metals Industry (中國有色金屬工業第六冶金建設有限公司, “Sixth Construction”);
 - (iii) 100% equity interest in China Nonferrous Metals Industry’s 12th Metallurgical Construction Co., Ltd. (中色十二冶金建設有限公司, “Twelfth Construction”);
 - (iv) 100% equity interest in Shandong Aluminum Engineering Co., Ltd. (山東鋁業工程有限公司, “Shanlv Construction”);
 - (v) 100% equity interest in China Aluminum Great Wall Construction Co., Ltd. (中國長城建設有限公司, “Changlv Construction”);
 - (vi) 100% equity interest of Tianjin Jinlv Construction Co., Ltd., (天津晉鋁建設有限公司, “Jinlv Construction”), where Shanxi Aluminum Plant (山西鋁廠), which is a wholly-owned subsidiary of Chinalco acquired the remaining 31% equity interest of Jinlv Construction from the non-controlling equity holder before transferring the entire 100% equity interest of Jinlv Construction to the Group;

- (vii) 60% equity interest in China Nonferrous Metals Processing Technology Co., Ltd. (中色科技股份有限公司, “China Nonferrous Metals”).
- (b) Certain subsidiaries of the Company, including those transferred from the Chinalco Group described in Note 1.2(a), where applicable, were transformed from state-owned enterprises into companies with limited liability under the Company Law of the PRC. The limited liability companies transformed from previous state-owned enterprises include Shenyang Aluminum & Magnesium Engineering Research Institute Co., Ltd. (瀋陽鋁鎂設計研究院有限公司), Guiyang Aluminum & Magnesium Design Institute Co., Ltd. (貴陽鋁鎂設計研究院有限公司), Changkan Institute, Changsha Institute, Sixth Construction, Twelfth Construction and Changlv Construction.
- (c) In connection with the reorganisation described in Note 1.2(a) and (b), the following assets and liabilities were transferred to Chinalco Group:
- (i) operating assets and liabilities (the “Excluded Operations”) which are unrelated to the Core Business, mainly including real estate business; and
- (ii) certain individual assets and liabilities (the “Excluded Assets and Liabilities”) which are not directly related to the Core Business.
- (d) In addition to the acquisition of equity interests mentioned in Note 1.2(a)(vi), the Group acquired certain equity interests from non-controlling equity holders during the Reorganisation.

The impact of the acquisition of such non-controlling interest is summarised as follows:

	Impact on equity attributable to equity owners of the Company	Non-controlling interest acquired
	RMB '000	RMB '000
Acquisition of the remaining 31% equity interest of Jinlv Construction by Shanxi Aluminum Plant (Note 1.2(a)(vi))	27,804	(27,804)
Acquisition of 13.5% equity interest of China Nonferrous Metals, increasing the Company's equity interest from 60% to 73.5%	(26,103)	(8,723)
Acquisition of 20% equity interest of Guiyang Zhenxing Aluminum & Magnesium Technological Development Co., Ltd.	731	(16,106)
Acquisition of 22.29% equity interest of Suzhou Engineering & Research Institute for Nonferrous Metal Co., Ltd.	(4,038)	(11,845)
	<u>(1,606)</u>	<u>(64,478)</u>

- (e) Chinalco transferred 3.84% of the equity interest in the Company to Luoyang Engineering & Research Institute of Nonferrous Metals Processing (洛陽有色金屬加工設計研究院, “Luoyang Institute”), a wholly owned subsidiary of Chinalco.

Subsequent to the above reorganisation transactions which were completed on 31 March 2011, the Company was transformed into a joint stock company with limited liability on 30 June 2011.

All English names of the entities mentioned in Note 1 represent the best effort by the Directors in translating the Chinese names as they do not have any official English names, and are for reference only.

2. Basis of presentation

- 2.1 As the Company and its subsidiaries described in Note 1.2(a) are under the control of Chinalco both before and after the Reorganisation and control is not transitory, the Reorganisation has been accounted for as a reorganisation of business under common control and the consolidated financial statements of the Group have been prepared using the principals of merger accounting. The consolidated balance sheets as at 31 December 2009, 2010 and 2011, and consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the years ended 31 December 2009, 2010 and 2011 have been presented as if the current group structure had been in existence throughout each of the years ended 31 December 2009, 2010 and 2011 or since respective dates of incorporation/establishment or acquisition, whichever is the shorter period.
- 2.2 The Financial Information has not included the assets, liabilities and results of the Excluded Operations as described in Note 1.2(c)(i) above, on the basis that these operations are engaged in dissimilar business from those of the Group, have separate management personnel and accounting records and have been financed and operated historically as if they were autonomous.
- 2.3 The Financial Information however includes the Excluded Assets and Liabilities as described in Note 1.2(c)(ii) above, because they were not managed or accounted for separately and could not be clearly distinguished from the Core Business. These assets and liabilities were transferred to Chinalco Group upon the completion of the Reorganisation.

The Excluded Assets and Liabilities that were transferred to Chinalco Group upon the completion of the Reorganisation as 31 March 2011 were summarised as follow:

	<u>At 31 March 2011</u>
	RMB'000
Non-current assets	256,305
Current assets	80,469
Current liabilities	<u>(27,351)</u>
Net assets	<u>309,423</u>

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied during each of the years ended 31 December 2009, 2010 and 2011.

3.1 Basis of preparation

The Financial Information set out in this report has been prepared in accordance with IFRS issued by the International Accounting Standards Board (the “IASB”).

The financial information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value, and certain property, plant and equipment, investment properties, land use rights and intangible assets, which are carried at deemed cost.

Pursuant to relevant PRC laws and regulations and as part of the Reorganisation, property, plant and equipment, investment properties, land use rights and intangible assets of certain subsidiaries were revalued on 31 March 2011 by the independent qualified valuer, Beijing Zhongfeng Assets Evaluation Co., Ltd. (北京中鋒資產評估有限責任公司) and approved by relevant government authorities upon the completion of the reorganisation on 31 March 2011. The amendment to IFRS1 allows first-time adopters to use an even-driven fair value as deemed cost for assets and liabilities, even if the event occurs after the date of transition to IFRS, but before the first set of IFRS financial statements are issued, the Group has elected the exemption granted under the Amendment to IFRS 1 in applying such values as the deemed cost in the first IFRS financial information.

The preparation of financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 5 below.

The IASB has issued a number of new and revised IFRS. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised IFRSs, which are effective for the accounting periods beginning on or after 1 January 2011 consistently throughout the periods. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year ended 31 December 2011 which are relevant to the Group but the Group has not early adopted are set out below:

- IFRS 7 (Amendment) ‘Disclosures — Transfers of financial assets’ introduces new disclosure requirement on transfers of financial assets. Disclosure is required by class of asset of the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity’s balance sheet. The gain or loss on the transferred assets and any retained interest in those assets must be given. In addition, other disclosures must enable users to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. The disclosures must be presented by type of ongoing involvement. For example, the retained exposure could be presented by type of financial instrument (such as guarantees, call or put options), or by type of transfer (such as factoring of receivables, securitizations or securities lending). The amendment is applicable to annual periods beginning on or after 1 July 2011 with early adoption permitted.
- IAS 1 (Amendment) ‘Financial statement presentation’. The main change resulting from this amendment is a requirement for entities to group items presented in other comprehensive

income (OCI) on the basis of whether they are potential recycled to profit or loss (reclassified adjustments). The amendment does not address which items are presented in OCI. The amendment will be effective for annual periods beginning on or after 1 July 2012. However, initial indications are that it is not expected to have a material impact on the Group's financial statements. The Group has not yet decided when to adopt IAS 1 (Amendment).

- IAS 12 (Amendment) 'Income Tax'. Currently IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the assets through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 'Investment property'. Hence this amendment introduces an exception to the existing principles for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendment, SIC 21, 'Income taxes- recovery of revalue non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendment also incorporates into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn. The effective date for the amendment is annual periods on or after 1 January 2012. However, initial indications are that it is not expected to have a material impact on the Group's financial statements. The adoption of amendment of IAS 12 did not result any significant impact to the Group.
- IFRS 9, 'Financial instruments' addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2015 but is available for early adoption. The Group is yet to assess IFRS 9's full impact. However, initial indications are that it may affect the Group's accounting for its available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in the consolidated statement of comprehensive income. However, initial indications are that it is not expected to have a material impact on the Group's financial statements. The Group has not yet decided when to adopt IFRS 9.
- IFRS 10, 'Consolidated financial statements', replaces all of the guidance on control and consolidation in IAS 27, 'Consolidated and separate financial statements', and SIC-12, 'Consolidation — special purpose entities'. The standard is not applicable until 1 January 2013 but is available for early adoption. As IFRS 10 applies retrospectively, the standard might impact the entities to be consolidated from 1 January 2012. The Group is yet to assess IFRS 10's full impact. However, initial indications are that it is not expected to have a material impact on the Group's financial statements. The Group has not yet decided when to adopt IFRS 10.
- IFRS 12, 'Disclosure of interests in other entities', addresses the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess IFRS 12's full impact. However, initial indications are that it is not expected to have a material impact on the Group's financial statements. The Group has not yet decided when to adopt IFRS 12.
- IFRS 13, 'Fair value measurement', provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it

should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The standard is not applicable until 1 January 2013 but is available for early adoption. However, initial indications are that it is not expected to have a material impact on the Group's financial statements. The Group has not yet decided when to adopt IFRS 13.

- IAS 19 (Amendment), 'Employee benefits', eliminates the corridor approach and calculate finance costs on a net funding basis. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess IAS 19 (Amendment)'s full impact. However, initial indications are that it is not expected to have a material impact on the Group's financial statements. The Group has not yet decided when to adopt IAS 19 (Amendment).

3.2 Consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that the Group control ceases.

The transfer/acquisition of equity interests in subsidiaries which are regarded as common control combinations are accounted for in a manner similar to a uniting of interests. Assets and liabilities are transferred at book value, adjusted only to harmonise accounting policies, and no goodwill arises. Any difference between the consideration given and the aggregate book value of the assets and liabilities acquired (as of the date of the transaction) is included in equity. The Financial Information incorporates the acquired entity's results as if both entities (acquirer and acquiree) had always been combined. Consequently, the Financial Information reflects both entities' full year's results, even though the business combination may have occurred part of the way through the year. In addition, the corresponding amounts for the previous year also reflect the combined results of both entities, even though the transaction did not occur until the current year.

The acquisition method of accounting is used to account for business combinations other than common control combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income (Note 3.8).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying value for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (Note 3.9).

The Group's shares of its associates' post-acquisition profits or losses is recognised consolidated in the statement of comprehensive income and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amounts of the investments. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated statement of comprehensive income.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors and certain senior management (including chief accountant) (together referred to as the “Senior Management”) that makes strategic decisions.

3.4 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the entities within the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The Financial Information is presented in Renminbi (“RMB”), which is the Group’s functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within “finance income or costs”. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within “other gains — net”.

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognised in other comprehensive income.

3.5 *Property, plant and equipment*

Property, plant and equipment, apart from construction-in-progress (“CIP”), are stated at historical cost less accumulated depreciation and accumulated impairment loss except for certain property, plant and equipment, which are stated at deemed cost less accumulated depreciation and accumulated impairment loss. Historical cost includes expenditures that are directly attributable to the acquisition of the items, including the purchase price, import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset’s carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings and other facilities

- Buildings	8-45 years
- Temporary used facilities	2-3 years
Equipment plant and machinery	8-20 years
Transportation equipment	5-14 years
Furniture, office and other equipment	4-10 years

CIP represents buildings and plant under construction and is stated at cost. Cost includes costs of construction of buildings, cost of plant and other direct costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to the relevant asset categories and depreciated in accordance with the policy as stated above.

The assets’ residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (Note 3.9).

Gains or losses on disposals are determined by comparing the proceeds on disposal with the carrying amount and are included within “other gains — net” in the consolidated statement of comprehensive income.

3.6 *Land use rights*

Land use rights represent upfront prepayments made for the land use rights at historical cost, except for certain land use rights stated at deemed cost, and are expensed in the consolidated statement of comprehensive income on a straight-line basis over the terms of the leases. Whenever there is impairment, the impairment is recognised in the consolidated statement of comprehensive income.

3.7 Investment properties

Property that is held for long-term yields or for capital appreciation or both, and that is not occupied by the companies comprising the Group, is classified as investment property. Investment properties are stated at cost including related transaction costs, less accumulated depreciation and impairment losses except for certain investment property stated at deemed cost. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated statement of comprehensive income during the financial year in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Property that is being constructed or developed for future use as investment property is stated at cost until construction or development is completed, at which time it is reclassified and subsequently accounted for as investment property.

Depreciation is calculated using the straight-line method to amortise and write off the cost of the asset over a period ranging from 20 to 40 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are recognised in the consolidated statement of comprehensive income.

Rental income from investment property is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease.

3.8 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business consolidation in which the goodwill arose identified according to operating segment.

Computer software

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 4 to 6 years, and recorded in 'depreciation and amortisation' within operating expenses in the consolidated statement of comprehensive income.

Patent and proprietary technologies

Patents and proprietary technologies are initially recorded at cost except for certain patent and proprietary technologies stated at deemed cost. These intangibles assets are amortised on a straight-line basis over their estimated useful lives of 5 to 10 years.

3.9 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.10 Financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The Group's loans and receivables primarily include 'trade and other receivables', 'Restricted cash', 'Time deposits' and 'Cash and cash equivalents' in the balance sheet.

(iii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. The Group assesses its intention and ability to hold its held-to-maturity investments to maturity at each subsequent balance sheet date. If the Group was to sell other than an insignificant amount of held-to-maturity financial assets, the whole category should be tainted for two full annual reporting periods and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months after the balance sheet date.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Changes in the fair value of available-for-sale investments are recognised in other comprehensive income. When available-for-sale investments are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income when the right of the Group to receive payments is established.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statements as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as

available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investments previously recognised in the consolidated statement of comprehensive income — is removed from equity and recognised in the consolidated statement of comprehensive income. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. Impairment loss on the available-for-sale investment is measured as the difference between the carrying amount of the investment and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset (Note 3.12).

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

3.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories are expensed to relevant operating expenses when used, sold or capitalised to property, plant and equipment when installed, as appropriate, using moving weighted average method. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

3.12 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amounts of the assets are reduced through the use of allowance accounts, and the amount of the provision is recognised in the consolidated statement of comprehensive income. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of comprehensive income.

3.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has contractual or an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.16 Payables

Payables primarily include accounts payable and accrued liabilities, and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.17 Employee benefits***Pension obligations***

The full-time employees of the Group in the PRC are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

The Group also provides supplementary pension subsidies to certain employees in the PRC. Such supplementary pension subsidies are considered to be defined benefit plans as the Group is obligated to provide post-employment benefits to these employees. The liability recognised in the consolidated balance sheets in respect of these defined benefit plans is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities which have maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of 10% of the defined benefit obligation are charged or credited to the consolidated statement of comprehensive income in the year in which they arise. Past-service costs are recognised immediately in the consolidated statement of comprehensive income unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

The Group has various defined contribution plans in accordance with the local conditions and practices in the municipalities and provinces in which they operate. Defined contribution plans are

pension and/or other social benefit plans under which the Group pay fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The contributions are recognised as labor costs when they are due.

Other post-employment obligations

Some of the companies comprising the Group provide post-retirement medical benefits to their retired employees. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of 10% of the defined benefit obligation, are charged or credited to the consolidated statement of comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

Termination and early retirement benefits

Termination and early retirement benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination and early retirement benefits when it is demonstrably committed to either: (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy. The specific terms vary among the terminated and early retired employees depending on various factors including position, length of service and district of the employee concerned. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Housing benefits

The Group contributes to the state-prescribed housing fund. Such costs are charged to the consolidated statement of comprehensive income as incurred. Apart from those described above, the Group does not have other legal or constructive obligations over such benefits.

Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

3.18 Taxation

Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Income tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the income tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business consolidation that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associate, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and deferred income tax liabilities are offset when meeting all the conditions below:

- The Group has the legally enforceable right to settle current income tax assets and current income tax liabilities; and
- The deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Value-added taxation ("VAT")

Sales of goods of the Group are subjected to VAT. VAT payable is determined by applying 17% on the taxable revenue arising from sales of goods after offsetting deductible input VAT of the period.

Business tax

Revenue resulting from providing design and construction services is subject to business tax at 3% or 5% of gross service income.

3.19 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of the obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the Financial Information unless the probability of outflow of resources embodying economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is not recognised in the Financial Information unless virtually certain but disclosed when an inflow of economic benefits is probable.

3.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

3.22 Contract work

Contract costs are recognised as expense in the year in which they are incurred. When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group uses the “percentage of completion method” to determine the appropriate amount of profit to be recognised in a given period. The stage of completion is measured by reference to the

contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with the future activity of a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories or prepayments, depending on their nature.

Contract work-in-progress is valued at the cost of the work done, plus the expected profit upon completion of the project in proportion to the progress made and less progress billings and provisions. Provisions are recognised for expected losses on contract work-in-progress, as soon as they are foreseen, and deducted from the cost. The cost includes direct project costs, consisting of materials, direct payroll costs, costs of subcontracted work, borrowing costs directly attributable to the relevant contracts, rental charges, maintenance costs for the equipment used and other direct costs.

Profits are not recognised unless a reliable estimate can be made of the result on completion of the project. The balance of the value of contract work-in-progress and progress billings is determined on a project to project basis. For projects where the progress billings exceed the value of contract work-in-progress, the balance is recognised under current liabilities instead of under current assets. The respective balance sheet items are “amounts due to customers for contract work” and “amounts due from customers for contract work”.

3.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the construction contracts and sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from construction and service contracts

When the outcome of a contract can be estimated reliably, revenue from construction and service contracts is recognised under the percentage of completion method and is measured mainly by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and such contract costs is recognised as an expense in the year in which they are incurred.

Variation in contract work, claims and incentive payments are included in the contract revenue to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the consolidated statement of comprehensive income in the year in which the circumstances that give rise to the revision become known by management.

Services rendered

Revenue for services rendered mainly includes technique development, design, consultation and supervision is recognised when services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the entity.

Sales of products

Sales of products are recognised when significant risks and rewards of ownership of the goods are transferred to the customers, and the customer has accepted the products and collectability of the related receivables is reasonably assured.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

3.24 Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- (i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (ii) management intends to complete the intangible asset and use or sell it;
- (iii) there is an ability to use or sell the intangible asset;
- (iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;
- (v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- (vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

3.25 Dividend distribution

Dividend distribution to the Group's equity holders is recognised as a liability in the financial information in the year in which the dividends are approved by the Group's equity holders or directors, where appropriate.

3.26 Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because of a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is recognised initially at fair value, and subsequently measured (unless they are designated at fair value through profit or loss) at higher of (i) the amount determined in accordance with IFRS 37, "Provision, contingent liabilities and contingent assets", and (ii) the amount initially recognised less, when appropriate, cumulative amortization recognised over the life of the guarantee on a straight-line basis.

4. Financial and capital risks management

The Group works out general principles for overall risk management, including management of financial risks, as well as management policies covering specific areas. In considering the importance of risks, the Group identifies and evaluates risks at head office and individual subsidiary level, and requires analysis and proper communication for the information collected periodically.

4.1 Financial risk management

The activities of the Group expose them to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The overall risk management program of the Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance of the Group.

(a) Market risk

Foreign exchange risk

The functional currency of the entities within the Group is RMB and most of the transactions are settled in RMB.

The Group carries out operations outside the PRC where transactions are usually denominated in the United States Dollars ("USD") which are translated into RMB at the prevailing exchange rates on the dates of the transactions.

The Group is exposed to currency risk primarily through provision of engineering contracting services which give rise to receivables and payables, borrowings and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency that gives rise to this risk is primarily in USD as at 31 December 2009, 2010 and 2011.

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands.

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than RMB to which they relate.

	At 31 December					
	2009		2010		2011	
	USD	Others	USD	Others	USD	Others
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalent, restricted cash and time deposit	153,654	15,395	86,459	34,824	47,072	44,760
Trade receivables	13,564	—	1,017,969	87,935	236,194	74,646
Trade and other payables	(712,686)	(128,921)	(729,067)	(128,200)	(799,763)	(44,283)
Net exposure in RMB	<u>(545,468)</u>	<u>(113,526)</u>	<u>375,361</u>	<u>(5,441)</u>	<u>(516,497)</u>	<u>75,123</u>

A 5% strengthening of RMB against the USD as at 31 December 2009, 2010 and 2011 would have increased/(decreased) the net profit by the amounts shown below:

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Net profit change	<u>27,273</u>	<u>(18,768)</u>	<u>25,825</u>

A 5% weakening of RMB against the USD as at 31 December 2009, 2010 and 2011 would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

The Group has set up a policy to manage their foreign exchange risk against their functional currency. The Group enters into foreign currency forward contracts in order to reduce the exposure to USD. Taking into consideration of the foreign currency forward contracts, a 5% strengthening of RMB against USD as at 31 December 2009, 2010 and 2011 would have increased/(decreased) the net profit by the amounts shown below:

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Net profit change	<u>27,273</u>	<u>(17,275)</u>	<u>29,628</u>

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for the Relevant Periods.

However, the Group requested an advance payment from the proprietor of the specific Build-Transfer (“BT”) contract to minimise the credit risk involved in a BT contract where the Group would normally undertake the financing of the construction. The Directors consider that the Group does not have a significant concentration of credit risk.

Regarding balances with related parties, the Group assesses the credibility of the related parties by reviewing the operating results and gearing ratios periodically.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors the cash flow forecasts of the Group which comprises the undrawn borrowing facility (Note 34) and cash and cash equivalents available as at each month end in meeting its liabilities.

The table below analyses the Group’s non-derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period from the balance sheet dates to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2009					
Short-term borrowings	400,428	—	—	—	400,428
Trade and other payables	5,180,641	11,646	—	—	5,192,287
Financial guarantee (Note 42(c))	40,000	—	48,340	—	88,340
	<u>5,621,069</u>	<u>11,646</u>	<u>48,340</u>	<u>—</u>	<u>5,681,055</u>
	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2010					
Short-term borrowings	568,628	—	—	—	568,628
Trade and other payables	5,452,636	11,789	—	—	5,464,425
Dividends payable (Note 37)	4,263	—	—	—	4,263
Financial guarantee (Note 42(c))	90,000	48,340	—	—	138,340
	<u>6,115,527</u>	<u>60,129</u>	<u>—</u>	<u>—</u>	<u>6,175,656</u>

	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2011					
Short-term borrowings	1,354,228	—	—	—	1,354,228
Trade and other payables	5,155,812	143,835	—	—	5,299,647
Dividends payable (Note 37)	81,681	—	—	—	81,681
Financial guarantee (Note 42(c))	48,340	—	—	—	48,340
	<u>6,640,061</u>	<u>143,835</u>	<u>—</u>	<u>—</u>	<u>6,783,896</u>

4.2 Capital risk management

The objectives of the Group when managing capital are to safeguard the ability of the Group in continuing as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts.

The Group monitors their capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debts are calculated as the total borrowings and other liabilities (including short-term borrowings, long-term borrowings, trade and other payables, as shown in the consolidated balance sheets) less restricted cash, time deposits and cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheets, plus net debts less non-controlling interest. The Group aims to maintain the gearing ratio to be within 60-90%.

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Total borrowings and other liabilities	9,326,621	8,849,793	9,455,418
Less: Restricted cash, time deposits and cash and cash equivalents	<u>(3,056,626)</u>	<u>(3,788,785)</u>	<u>(2,584,710)</u>
Net debt	6,269,995	5,061,008	6,870,708
Total equity	<u>1,744,884</u>	<u>2,608,851</u>	<u>2,884,419</u>
Total capital	<u>8,014,879</u>	<u>7,669,859</u>	<u>9,755,127</u>
Gearing ratio	<u>78%</u>	<u>66%</u>	<u>70%</u>

4.3 Fair value estimation

Fair value measurements

The Company discloses fair value measurements of financial instruments by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

Fair value disclosures

The carrying amounts of the Group's financial assets and liabilities including restricted cash, time deposits, cash and cash equivalents, trade and other receivables, trade and other payables and short-term borrowings approximate their fair values due to their short maturities. There are no financial liabilities that are measured at fair value as at 31 December 2009, 2010 and 2011.

The following table presents the Group's assets that are measured at fair value as at 31 December 2009, 2010 and 2011.

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Level 1			
Available-for-sale financial assets			
- Listed equity securities	59,610	440,857	220,801
Level 2			
Financial assets at fair value through profit or loss. . .	—	1,493	3,803
	<u>59,610</u>	<u>442,350</u>	<u>224,604</u>

The unlisted equity securities are carried at cost less impairment as these investments do not have a quoted market price and range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

5. Critical accounting estimates and judgement

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes accounting estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Construction contracts

Revenue from individual contracts is recognised under the percentage of completion method which requires estimations by management. Anticipated losses are fully provided on contracts when identified. Because of the nature of the activity undertaken in construction and engineering business, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs (including material costs) in the budget prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the consolidated statement of comprehensive income in the year in which the circumstances that give rise to the revision become known by management.

(b) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on projected wear and tear incurred during the useful life of property, plant and equipment. This could change significantly as a result of technical renovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives or residual values vary with previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Provision for impairment of trade receivables

The Group determines the provision for impairment of trade receivables. This estimate is based on the credit history of the customers and the current market condition. Management reassesses the adequacy of provision on a regular basis by reviewing the individual account based on past credit history and any prior knowledge of debtor insolvency or other credit risk which might not be easily accessible public information and market volatility might bear a significant impact which might not be easily ascertained.

(d) Current taxation and deferred taxation

The Group pays income tax in various regions. There are various uncertainties on the ultimate income tax treatments for many transactions and events arising from normal operating activities, overall assets transfers and corporate restructuring. The Group has to make critical accounting judgments when calculating income tax expense in different regions. In the event that the finalised amounts recognised for such tax events are different from those originally recorded, this could result in material adjustments to income tax expense and deferred income tax.

The estimates of deferred income tax assets require estimates over future taxable profit and corresponding applicable income tax rates of respective years. The change in future income tax rates and timing would affect income tax expense or benefit, as well as deferred income tax balance. The realisation of deferred income tax assets also depends on the realisation of sufficient profitability (taxable profit) of the Group. Deviation of future profitability from the estimate could result in material adjustments to the carrying amount of deferred income tax assets. Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it

is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the years in which such estimates are changed.

(e) Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for provisions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of government securities which have maturity approximating to the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 33.

(f) Tax matters pursuant to the Reorganisation

In connection with the Reorganisation, the Company transferred the Excluded Operations which are unrelated to the Core Business and the Excluded Assets and Liabilities which are related to the Core Business to Chinalco Group. The Group determines that the tax obligation of the above reorganisation transaction remained uncertain and as such the Group did not provide for the tax obligation. In the event that tax obligation arose from the reorganisation transaction which could result in material adjustments to income tax expense, Chinalco has provided a guarantee to the Company that Chinalco will bear all such taxes.

6. Revenue and segment information

(a) Revenue

The Group's revenue is set out below:

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Engineering design and consultancy	1,065,543	1,169,406	1,449,826
Engineering and construction contracting	7,590,050	9,058,221	9,845,781
Equipment manufacturing	897,800	1,005,575	898,838
	<u>9,553,393</u>	<u>11,233,202</u>	<u>12,194,445</u>

(b) Segment information

Management has determined the operating segments based on the reports reviewed by the Senior Management that are used to make strategic decisions.

The Senior Management considers the business from a product and service perspective, which mainly includes three reportable operating segments: (i) engineering design and consultancy; (ii) engineering and construction contracting and (iii) equipment manufacturing.

Inter-segment sales were conducted at prices no less than cost and with terms mutually agreed among those business segments. Operating expenses of a functional unit are allocated to the relevant segment which is the predominant user of the services provided by the unit. Operating expenses of other shared services which cannot be allocated to a specific segment and corporate expenses are included as unallocated costs.

Segment assets consist primarily of property, plant and equipment, land use rights, investment properties, intangible assets, investment in associates, other non-current assets, inventories, amounts due from customers for contract work, notes and trade receivables, prepayments and other receivables, restricted cash, time deposits and cash and cash equivalents. Unallocated assets comprise deferred income tax assets and prepaid income tax.

Segment liabilities comprise operating liabilities and borrowings. Unallocated liabilities comprise items such as current income tax liabilities and deferred income tax liabilities.

Capital expenditure comprises additions to property, plant and equipment (Note 16), land use rights (Note 17), investment properties (Note 18), intangible assets (Note 19) and other non-current assets, including additions resulting from acquisitions through business combinations.

The segment information provided to the Senior Management for the reportable segments is as follow:

(i) As at and for the year ended 31 December 2009:

The segment results for the year ended 31 December 2009 are as follows:

	Engineering design and consultancy	Engineering and construction contracting	Equipment manufacturing	Inter-segment elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue and results					
Segment revenue	1,108,430	7,590,050	931,652	(76,739)	9,553,393
Inter-segment revenue	(42,887)	—	(33,852)	76,739	—
Revenue	<u>1,065,543</u>	<u>7,590,050</u>	<u>897,800</u>	<u>—</u>	<u>9,553,393</u>
Segment result	302,971	146,552	96,391	—	545,914
Finance income	7,220	19,479	3,470	—	30,169
Finance expenses	(22,582)	(42,656)	(176)	—	(65,414)
Share of loss of associates . .	—	(1,842)	—	—	(1,842)
Profit before income tax	287,609	121,533	99,685	—	508,827
Income tax expense					(111,363)
Profit for the year					<u>397,464</u>
Other segment items					
Amortisation	9,255	7,738	1,689	—	18,682
Depreciation	40,186	52,006	11,602	—	103,794
Provision for/(reversal of)					
- foreseeable losses on					
construction contracts	5,473	33,645	(290)	—	38,828
- impairment on trade and					
other receivables	<u>2,779</u>	<u>18,807</u>	<u>4,024</u>	<u>—</u>	<u>25,610</u>

The segment assets and liabilities as at 31 December 2009 and capital expenditure for the year then ended are as follows:

	Engineering design and consultancy	Engineering and construction contracting	Equipment manufacturing	Inter-segment elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Segment assets	2,486,659	10,816,676	1,425,475	(2,265,733)	12,463,077
Unallocated assets					
- Deferred income tax assets.					473,418
- Current income tax prepayments					8,182
Total assets					<u><u>12,944,677</u></u>
Liabilities					
Segment liabilities	1,561,034	10,373,142	1,007,449	(1,964,933)	10,976,692
Unallocated liabilities					
- Deferred income tax liabilities					19,544
- Current income tax liabilities					49,217
Total liabilities					<u><u>11,045,453</u></u>
Capital expenditure	<u>45,806</u>	<u>60,389</u>	<u>21,376</u>	<u>—</u>	<u><u>127,571</u></u>

(ii) As at and for the year ended 31 December 2010:

The segment results for the year ended 31 December 2010 are as follows:

	Engineering design and consultancy	Engineering and construction contracting	Equipment manufacturing	Inter-segment elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue and results					
Segment revenue	1,350,523	9,058,221	1,060,891	(236,433)	11,233,202
Inter-segment revenue	<u>(181,117)</u>	<u>—</u>	<u>(55,316)</u>	<u>236,433</u>	<u>—</u>
Revenue	<u>1,169,406</u>	<u>9,058,221</u>	<u>1,005,575</u>	<u>—</u>	<u>11,233,202</u>
Segment result	340,148	599,092	76,392	—	1,015,632
Finance income	13,553	26,181	3,879	—	43,613
Finance expenses	(25,219)	(49,025)	—	—	(74,244)
Share of loss of associates . .	<u>—</u>	<u>(1,636)</u>	<u>—</u>	<u>—</u>	<u>(1,636)</u>
Profit before income tax . . .	328,482	574,612	80,271	—	983,365
Income tax expense					<u>(228,163)</u>
Profit for the year					<u>755,202</u>
Other segment items					
Amortisation	6,746	9,081	1,509	—	17,336
Depreciation	42,885	62,258	16,359	—	121,502
Provision for/(reversal of)					
- foreseeable losses on					
construction contracts	—	1,060	—	—	1,060
- inventories	—	1,483	11,393	—	12,876
- impairment on trade and					
other receivables	<u>4,242</u>	<u>9,191</u>	<u>6,467</u>	<u>—</u>	<u>19,900</u>

The segment assets and liabilities as at 31 December 2010 and capital expenditure for the year then ended are as follows:

	Engineering design and consultancy	Engineering and construction contracting	Equipment manufacturing	Inter-segment elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Segment assets	2,928,361	11,107,312	1,319,189	(2,400,708)	12,954,154
Unallocated assets					
- Deferred income tax assets.					423,761
- Current income tax prepayments					6,926
Total assets					<u>13,384,841</u>
Liabilities					
Segment liabilities	1,493,976	10,037,559	892,119	(1,993,664)	10,429,990
Unallocated liabilities					
- Deferred income tax liabilities					88,329
- Current income tax liabilities					98,325
Total liabilities					<u>10,616,644</u>
Capital expenditure	<u>76,188</u>	<u>86,656</u>	<u>10,179</u>	<u>—</u>	<u>173,023</u>

(iii) As at and for the year ended 31 December 2011:

The segment results for the year ended 31 December 2011 are as follows:

	Engineering design and consultancy	Engineering and construction contracting	Equipment manufacturing	Inter-segment elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue and results					
Segment revenue	1,595,172	9,863,055	1,002,385	(266,167)	12,194,445
Inter-segment revenue	<u>(145,346)</u>	<u>(17,274)</u>	<u>(103,547)</u>	<u>266,167</u>	<u>—</u>
Revenue	<u>1,449,826</u>	<u>9,845,781</u>	<u>898,838</u>	<u>—</u>	<u>12,194,445</u>
Segment result	308,920	712,163	161,222	(11,288)	1,171,017
Finance income	11,913	28,433	2,984	—	43,330
Finance expenses	(32,031)	(74,891)	(10,765)	1,829	(115,858)
Share of loss of associates . .	<u>—</u>	<u>(2,022)</u>	<u>—</u>	<u>—</u>	<u>(2,022)</u>
Profit before income tax	288,802	663,683	153,441	(9,459)	1,096,467
Income tax expense					<u>(250,741)</u>
Profit for the year					<u>845,726</u>
Other segment items					
Amortisation	25,142	28,708	3,827	—	57,677
Depreciation	35,689	58,652	20,589	—	114,930
Provision for/(reversal of)					
- foreseeable losses on					
construction contracts	—	6,005	—	—	6,005
- impairment on trade and					
other receivables	<u>8,410</u>	<u>(2,260)</u>	<u>4,481</u>	<u>—</u>	<u>10,631</u>

The segment assets and liabilities as at 31 December 2011 and capital expenditure for the year then ended are as follows:

	Engineering design and consultancy	Engineering and construction contracting	Equipment Manufacturing	Inter-segment elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Segment assets	3,345,002	12,083,701	1,385,171	(3,013,109)	13,800,765
Unallocated assets					
- Deferred income tax assets.					330,282
- Current income tax prepayments					3,553
Total assets					<u><u>14,134,600</u></u>
Liabilities					
Segment liabilities	1,717,057	9,303,521	1,025,198	(1,048,433)	10,997,343
Unallocated liabilities					
- Deferred income tax liabilities					40,970
- Current income tax liabilities					132,340
Total liabilities					<u><u>11,170,653</u></u>
Capital expenditure	<u>101,286</u>	<u>378,251</u>	<u>48,492</u>	<u>—</u>	<u><u>528,029</u></u>

(iv) Analysis of information by geographical regions

Revenue

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
The PRC	8,161,371	8,916,574	10,409,877
Other countries	<u>1,392,022</u>	<u>2,316,628</u>	<u>1,784,568</u>
	<u><u>9,553,393</u></u>	<u><u>11,233,202</u></u>	<u><u>12,194,445</u></u>

Non-current assets, other than financial instruments and deferred tax assets

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
The PRC	1,882,055	1,767,130	3,126,956
Other countries	5,136	12,461	12,574
	<u>1,887,191</u>	<u>1,779,591</u>	<u>3,139,530</u>

Total assets

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
The PRC	12,457,941	12,941,693	13,788,191
Other countries	5,136	12,461	12,574
Unallocated assets	481,600	430,687	333,835
	<u>12,944,677</u>	<u>13,384,841</u>	<u>14,134,600</u>

Note: Total assets are allocated based on the location of the assets.

Capital expenditures

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
The PRC	125,810	170,450	526,919
Other countries	1,761	2,573	1,110
	<u>127,571</u>	<u>173,023</u>	<u>528,029</u>

- (v) Revenue of approximately RMB 3,643 million were derived from two single largest related parties for the year ended 31 December 2009 and revenue of approximately RMB 3,941 million and RMB 2,457 million were derived from one single largest related party and one third party customer for the years ended 31 December 2010 and 2011, respectively. These revenues are attributable to the engineering and construction contracting segment.

7. Expenses by nature

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Raw materials and consumables used.....	2,637,143	2,622,049	3,545,636
Purchased equipment	1,374,146	2,669,752	2,181,562
Subcontracting charges.....	2,953,788	2,614,965	2,611,280
Employee benefits.....	938,472	1,169,783	1,174,157
Depreciation and amortisation			
- property, plant and equipment.....	101,809	118,485	113,473
- investment properties.....	1,985	3,017	1,457
- land use rights.....	9,884	9,014	17,885
- intangible assets.....	8,798	8,322	39,792
Fuel and heating expenditure.....	15,273	26,772	20,451
Business tax and other transaction taxes	211,767	221,134	328,565
Travelling expenses.....	94,807	106,630	125,761
Office expenses	16,653	16,631	23,914
Transportation costs.....	48,652	62,779	43,325
Operating lease rentals.....	32,024	33,036	39,659
Provision for impairment of assets			
- notes and trade receivables	15,569	13,874	37,111
- prepayments and other receivables.....	11,847	6,026	944
- foreseeable losses on construction contracts	38,828	2,671	6,005
- inventories	—	12,876	—
Reversal of provision for impairment of assets			
- notes and trade receivables	—	—	(3,438)
- prepayments and other receivables.....	(1,806)	—	(23,986)
- foreseeable losses of construction contracts.....	—	(1,611)	—
Research and development costs.....	48,368	65,872	121,603
Repairs and maintenance	16,614	17,730	27,272
Advertising expenditure	1,105	1,360	198
Insurance expenditure	6,316	6,535	2,712
Professional and technical consulting fees	60,411	56,749	45,964
Auditors' remuneration	1,401	1,448	4,444
Outsourcing charges.....	27,186	20,347	53,762
Bank charges	7,189	10,679	9,105
Business development and entertainment	46,307	59,569	84,946
Property management fees	12,082	11,914	11,872
Others	278,439	344,543	429,956
Total cost of sales, selling and marketing expenses and administrative expenses.....	9,015,057	10,312,951	11,075,387

8. Other income

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Dividend income from available-for-sale			
financial assets	2,284	2,794	3,821
Interest from short-term investment	—	—	12,099
Write-back of long outstanding payables (a)	481	13,832	29,714
Government grants	8,666	13,380	5,464
Others	2,991	13,980	4,839
	<u>14,422</u>	<u>43,986</u>	<u>55,937</u>

Note:

- (a) Write-back of long outstanding payables mainly related to amounts payable to vendors which were no longer in existence or the obligation of settlement had been distinguished by court orders.

9. Other gains/losses - net

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss			
(Note 24)	—	1,493	30,559
Net foreign exchange gains/(losses)	599	1,240	(24,954)
Losses on disposal of associates	(918)	(45)	(52)
(Losses)/gains on disposal of property, plant and			
equipment, intangible assets and land use rights.	(1,878)	57,332	(2,839)
Others	(4,647)	(8,625)	(6,692)
	<u>(6,844)</u>	<u>51,395</u>	<u>(3,978)</u>

10. Finance expenses - net

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Interest income on deposits with banks	23,523	32,776	38,548
Interest income on loans to related parties (Note 42(a)) . . .	6,646	10,837	4,782
Interest expense on bank and other borrowings wholly repayable within five years	(10,672)	(13,252)	(55,416)
Interest expense of retirement and other supplemental benefit obligations (Note 33)	(54,742)	(60,992)	(60,442)
Net finance expenses recognised in the consolidated statement of comprehensive income	<u>(35,245)</u>	<u>(30,631)</u>	<u>(72,528)</u>

11. Income tax expense

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Current tax			
PRC enterprise income tax for the year (i).	107,098	200,365	249,349
Deferred tax			
Origination and reversal of temporary differences	<u>4,265</u>	<u>27,798</u>	<u>1,392</u>
Income tax expense	<u>111,363</u>	<u>228,163</u>	<u>250,741</u>

Note:

(i) PRC enterprise income tax

On 16 March 2007, the National People's Congress issued the "Corporate Income Tax Law of the PRC" which became effective from 1 January 2008, the applicable income tax rate was adjusted to 25% from 33%.

Certain subsidiaries of the Company located in special regions of the PRC were granted tax concessions including preferential tax rates of 15%.

Other certain subsidiaries of the Company obtained the certificates of high and new tech enterprises from the Ministry of Science and Technology, Ministry of Finance and offices of the State Administration of Taxation and local taxation bureaus of certain provinces, which granted tax preferential rate of 15% for three years.

Except above subsidiaries taxed at preferential rate of 15%, most of the companies now comprising the Group are subjected to income tax rate of 25% for the years ended 31 December 2009, 2010 and 2011.

The difference between the actual income tax charge in the consolidated statements of comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Profit before taxation	508,827	983,365	1,096,467
Taxation calculated at the statutory tax rate	127,207	245,841	274,117
Income tax effects of:			
Preferential income tax treatments of certain companies . . .	(45,507)	(41,138)	(36,521)
Non-deductible expenses	33,163	25,933	21,268
Income not subject to tax	(255)	(560)	(3,418)
Tax losses for which no deferred income tax asset was recognised	—	244	—
Tax refund (i)	(3,057)	(1,607)	(4,183)
Others	(188)	(550)	(522)
Income tax expense	111,363	228,163	250,741
Effective income tax rate (ii)	22%	23%	23%

Notes:

- (i) Income tax refunds represented refund of PRC enterprise income tax after the approval of preferential tax rates from the relevant tax authorities after the respective balance sheet dates.
- (ii) The changes of effective income tax rate were primarily attributable to the fluctuation in profitability and different expirations of preferential income tax treatments of certain companies now comprising the Group.

12. Earnings per share**(a) Basic**

The basic earnings per share for each of the years ended 31 December 2009, 2010 and 2011 is calculated based on the profit attributable to the equity holders of the Company and on the assumption that 2,300,000,000 shares issued upon the transformation of the Company from a limited liability company to a joint stock company with limited liability had been in issue since 1 January 2009.

	Year ended 31 December		
	2009	2010	2011
Profit attributable to equity holders of the Company (RMB'000)	360,353	714,113	808,352
Weighted average number of ordinary shares in issue	2,300,000,000	2,300,000,000	2,300,000,000
Basic earnings per shares (RMB)	<u>0.16</u>	<u>0.31</u>	<u>0.35</u>

(b) Diluted

As the Company had no dilutive ordinary shares for the each of the years ended 31 December 2009, 2010 and 2011, dilutive earnings per share for the Relevant Periods is the same as basic earnings per share.

13. Dividends

Dividends represented dividends declared by the Company during each of the years ended 31 December 2009, 2010 and 2011 (Note 31(iv) and Note (37)).

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Dividends attributable to the equity holders	<u>—</u>	<u>80,779</u>	<u>326,457</u>

14. Directors' and supervisors' emoluments and five highest paid individuals' emoluments

(a) Details of directors' and supervisors' emoluments are as follows:

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
<i>Directors and supervisors</i>			
- Salaries, housing allowances, other allowances and benefits-in-kind	612	658	852
- Contributions to pension plans	52	90	111
- Discretionary bonuses	575	1,234	1,574
	<u>1,239</u>	<u>1,982</u>	<u>2,537</u>

The emoluments received by individual directors and supervisors are as follows:

(i) For the year ended 31 December 2009

	Salaries, housing allowances, other allowances and benefits-in-kind	Contribution to pension plans	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Directors</i>				
- Mr. Long Chaosheng (龍朝生)	306	26	294	626
- Mr. He Zhihui (賀志輝)	306	26	281	613
<i>Supervisors</i>				
- Mr. Ou Xiaowu (歐小武) (v)	—	—	—	—
- Mr. Dong Hai (董海) (v)	—	—	—	—
- Ms. Ma Xiaoling (馬曉玲) (v)	—	—	—	—
	<u>612</u>	<u>52</u>	<u>575</u>	<u>1,239</u>

(ii) For the year ended 31 December 2010

	Salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Directors</i>				
- Mr. Long Chaosheng (龍朝生).....	244	29	495	768
- Mr. He Zhihui (賀志輝)	244	29	495	768
- Mr. Wu Yuewu (吳躍武) (i).....	170	32	244	446
<i>Supervisors</i>				
- Mr. Ou Xiaowu (歐小武) (v).....	—	—	—	—
- Mr. Dong Hai (董海) (v).....	—	—	—	—
- Ms. Ma Xiaoling (馬曉玲) (v).....	—	—	—	—
	<u>658</u>	<u>90</u>	<u>1,234</u>	<u>1,982</u>

(iii) For the year ended 31 December 2011

	Salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Directors</i>				
- Mr. Zhang Chengzhong (張程忠) (ii)/(v)	—	—	—	—
- Mr. Long Chaosheng (龍朝生)(iii)	123	15	254	392
- Mr. He Zhihui (賀志輝)	246	30	508	784
- Mr. Wu Yuewu (吳躍武)	251	36	376	663
- Mr. Zhang Zhankui (張占魁) (ii)/(v)	—	—	—	—
- Mr. Wang Jun (王軍) (ii)	97	15	182	294
- Ms. Ma Xiaoling (馬曉玲) (ii)/(v)	—	—	—	—
- Mr. Zhang Hongguang (張鴻光) (iv)	4	—	—	4
- Mr. Cai Jianxiang (蔣建湘) (iv)	4	—	—	4
- Mr. Sun Chuanrao (孫傳堯) (iv)	4	—	—	4
<i>Supervisors</i>				
- Mr. Long Chaosheng (龍朝生)(ii)	123	15	254	392
- Mr. Ou Xiaowu (歐小武) (v)	—	—	—	—
- Mr. Dong Hai (董海) (v)	—	—	—	—
- Ms. Ma Xiaoling (馬曉玲) (iii)/(v)	—	—	—	—
	<u>852</u>	<u>111</u>	<u>1,574</u>	<u>2,537</u>

Notes:

- (i) Appointed on 1 May 2010.
- (ii) Appointed on 30 June 2011.
- (iii) Resigned on 30 June 2011.
- (iv) Appointed on 22 December 2011.
- (v) These directors and supervisors receive no emoluments for their services provided to the Group but they however receive emoluments from Chinalco for their services as directors and/or supervisors of Chinalco and a number of subsidiaries of Chinalco. These directors and supervisors consider the amount of emoluments relating to their services provided to the Group for each of the years ended 31 December 2009, 2010 and 2011 is minimal.

During the years ended 31 December 2009, 2010 and 2011, no emoluments were paid by the Group to the directors/supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Five highest paid individuals

The number of director and supervisor and non-director/supervisor included in the five highest paid individuals for the years ended 31 December 2009, 2010 and 2011 are set forth below:

	Number of individuals		
	Year ended 31 December		
	2009	2010	2011
Director or supervisor	2	3	3
Non-director or supervisor	3	2	2
	<u>5</u>	<u>5</u>	<u>5</u>

The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	730	334	384
Contributions to pension plans	108	61	59
Discretionary bonuses	571	569	635
	<u>1,409</u>	<u>964</u>	<u>1,078</u>

The emoluments of the five highest paid individuals who are not director or supervisor are within the following bands:

	Number of individuals		
	Year ended 31 December		
	2009	2010	2011
Nil to HK\$1,000,000	<u>3</u>	<u>2</u>	<u>2</u>

15. Employment benefits

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Salaries, wages and bonuses	659,419	796,303	821,251
Retirement benefits (a)	100,376	111,161	111,345
Early retirement and supplemental pension benefit (Note 33)			
- interest cost	54,742	60,992	60,442
- actuarial losses	—	—	(58,291)
- past service cost	—	—	65,685
Housing fund(b)	53,889	50,889	71,758
Welfare, medical and other expenses	124,788	211,430	162,409
	<u>993,214</u>	<u>1,230,775</u>	<u>1,234,599</u>

Note:

(a) Retirement benefits

The Group is required to make specific contributions to the state-managed retirement plan at a rate of 20% to 22% of the specified salaries of the PRC employees for the years ended 31 December 2009, 2010 and 2011. The PRC government is responsible for the pension liability to the retired employees. The PRC employees of the Group are entitled to a monthly pension upon their retirements.

In addition, the Group has committed to implement a supplemental defined contribution retirement scheme. Under this scheme, the employees of the Group make a specified contribution based on their service duration. The Group is required to make a contribution equal to 2 to 3 times of the staff's contributions. The Group may, at their discretion, provide additional contributions to the retirement fund depending on the operating results of the year. The employees will receive the total contributions and any returns thereon, upon their retirements.

(b) Housing fund

In accordance with the PRC housing reform regulations, the Group is required to make contributions to the state-managed housing fund at rates 10% to 20% of the specified salaries of the PRC employees. At the same time, the employees are required to make a contribution based on certain percentages. The employees are entitled to claim the entire sum of the fund under certain specified withdrawal circumstances. The Group has no further obligations for housing benefits beyond the contributions made above.

16. Property, plant and equipment

Group

	Buildings and other facilities	Plant and machinery	Transportation equipment	Furniture, office and other equipment	Construction- in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009						
Cost	720,419	421,925	150,845	130,906	294,712	1,718,807
Accumulated depreciation . . .	(140,721)	(153,975)	(66,388)	(64,982)	—	(426,066)
Impairment	(2,291)	(1,198)	—	—	—	(3,489)
Net book amount	<u>577,407</u>	<u>266,752</u>	<u>84,457</u>	<u>65,924</u>	<u>294,712</u>	<u>1,289,252</u>
Year ended 31 December 2009						
Opening net book amount . . .	577,407	266,752	84,457	65,924	294,712	1,289,252
Transfers	248,283	17,704	218	50,096	(324,897)	(8,596)
Additions	7,688	18,586	10,586	24,508	58,029	119,397
Depreciation	(30,694)	(31,668)	(18,147)	(21,300)	—	(101,809)
Disposals	(12,303)	(6,008)	(4,876)	(1,768)	—	(24,955)
Closing net book amount . . .	<u>790,381</u>	<u>265,366</u>	<u>72,238</u>	<u>117,460</u>	<u>27,844</u>	<u>1,273,289</u>
At 31 December 2009						
Cost	949,072	447,409	150,927	193,365	27,844	1,768,617
Accumulated depreciation . . .	(156,400)	(180,845)	(78,689)	(75,905)	—	(491,839)
Impairment	(2,291)	(1,198)	—	—	—	(3,489)
Net book amount	<u>790,381</u>	<u>265,366</u>	<u>72,238</u>	<u>117,460</u>	<u>27,844</u>	<u>1,273,289</u>
Year ended 31 December 2010						
Opening net book amount . . .	790,381	265,366	72,238	117,460	27,844	1,273,289
Transfers	16,785	7,946	—	252	(35,293)	(10,310)
Additions	51,570	32,934	26,294	16,017	32,614	159,429
Depreciation	(39,245)	(39,068)	(17,482)	(22,690)	—	(118,485)
Disposals	(71,247)	(7,854)	(6,243)	(1,373)	—	(86,717)
Closing net book amount . . .	<u>748,244</u>	<u>259,324</u>	<u>74,807</u>	<u>109,666</u>	<u>25,165</u>	<u>1,217,206</u>

	Buildings and other facilities	Plant and machinery	Transportation equipment	Furniture, office and other equipment	Construction- in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2010						
Cost	939,565	474,448	160,332	202,501	25,165	1,802,011
Accumulated depreciation . . .	(189,030)	(213,926)	(85,525)	(92,835)	—	(581,316)
Impairment	(2,291)	(1,198)	—	—	—	(3,489)
Net book amount	748,244	259,324	74,807	109,666	25,165	1,217,206
Year ended 31 December 2011						
Opening net book amount . . .	748,244	259,324	74,807	109,666	25,165	1,217,206
Transfers	70,440	2,384	—	16,949	(89,773)	—
Additions	26,766	72,109	29,397	53,409	114,264	295,945
Event-driven revaluation ((i) and Note 31(ii))	75,210	21,208	(2,605)	5,069	—	98,882
Attributable to acquisition of a subsidiary	—	1,302	54	106	—	1,462
Depreciation	(38,571)	(37,896)	(17,354)	(19,652)	—	(113,473)
Transfer to Chinalco Group upon completion of the Reorganisation (Note 1.2 (c)(ii))	(58,875)	(78)	—	(37,049)	—	(96,002)
Disposals/write-off	(17,813)	(32,104)	(14,162)	(10,612)	—	(74,691)
Closing net book amount . . .	805,401	286,249	70,137	117,886	49,656	1,329,329
At 31 December 2011						
Cost	1,007,013	554,919	152,870	193,885	49,656	1,958,343
Accumulated depreciation . . .	(201,380)	(267,985)	(82,733)	(75,999)	—	(628,097)
Impairment	(232)	(685)	—	—	—	(917)
Net book amount	805,401	286,249	70,137	117,886	49,656	1,329,329

Note: As described in Note 1.2(a) and Note 31(ii), as part of the Reorganisation, certain subsidiaries of the Company were transformed from state-owned enterprises into company with limited liability. In accordance with relevant accounting principles and regulations applicable to PRC enterprises, the assets and liabilities held by these subsidiaries should be re-measured at fair value, being revalued by independent qualified valuer, Beijing Zhongfeng Assets Evaluation Co., Ltd. (北京中鋒資產評估有限責任公司) and approved by relevant government authorities, upon the transformation completed on 31 March 2011. Considering the revaluation took place at periods during the Group's first set of IFRS financial statements, the Group elected to use the fair value of aforementioned assets and liabilities as deemed cost as allowed under IFRS. As at 31 December 2011, the aggregate carrying value of assets carried at deemed cost, including property, plant and equipment, investment properties, land use rights and intangible assets, approximated RMB1,387 million. The revaluation surplus, being the excess of fair value over the then carrying value before the revaluation, net of the deferred tax liability resulted, is recognised in the consolidated balance sheet as "capital reserve".

Depreciation expense recognised is analysed as follows:

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Cost of sales	62,476	80,440	69,067
Selling and marketing expenses	1,303	1,620	5,323
Administrative expenses	38,030	36,425	39,083
	<u>101,809</u>	<u>118,485</u>	<u>113,473</u>

Company

	Buildings and other facilities	Plant and machinery	Transportation equipment	Furniture, office and other equipment	Construction- in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009						
Cost	97,947	2,711	18,663	13,942	10,639	143,902
Accumulated depreciation . . .	(19,365)	(540)	(4,493)	(4,399)	—	(28,797)
Net book amount	<u>78,582</u>	<u>2,171</u>	<u>14,170</u>	<u>9,543</u>	<u>10,639</u>	<u>115,105</u>
Year ended 31 December 2009						
Opening net book amount . . .	78,582	2,171	14,170	9,543	10,639	115,105
Transfers	9,070	—	—	6,408	(28,450)	(12,972)
Additions	17,535	639	2,950	5,160	18,315	44,599
Depreciation	(12,879)	(398)	(3,173)	(3,146)	—	(19,596)
Disposals	(6,557)	(26)	(952)	(78)	—	(7,613)
Closing net book amount . . .	<u>85,751</u>	<u>2,386</u>	<u>12,995</u>	<u>17,887</u>	<u>504</u>	<u>119,523</u>

	Buildings and other facilities	Plant and machinery	Transportation equipment	Furniture, office and other equipment	Construction- in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2009						
Cost	117,995	3,324	19,983	25,144	504	166,950
Accumulated depreciation . . .	<u>(32,244)</u>	<u>(938)</u>	<u>(6,988)</u>	<u>(7,257)</u>	<u>—</u>	<u>(47,427)</u>
Net book amount	<u>85,751</u>	<u>2,386</u>	<u>12,995</u>	<u>17,887</u>	<u>504</u>	<u>119,523</u>
Year ended 31 December 2010						
Opening net book amount . . .	85,751	2,386	12,995	17,887	504	119,523
Additions	8,421	1,082	6,217	2,985	1,325	20,030
Depreciation	(17,363)	(660)	(3,399)	(5,012)	—	(26,434)
Disposals	<u>—</u>	<u>(186)</u>	<u>(1,934)</u>	<u>(340)</u>	<u>—</u>	<u>(2,460)</u>
Closing net book amount . . .	<u>76,809</u>	<u>2,622</u>	<u>13,879</u>	<u>15,520</u>	<u>1,829</u>	<u>110,659</u>
At 31 December 2010						
Cost	126,416	4,073	23,173	27,430	1,829	182,921
Accumulated depreciation . . .	<u>(49,607)</u>	<u>(1,451)</u>	<u>(9,294)</u>	<u>(11,910)</u>	<u>—</u>	<u>(72,262)</u>
Net book amount	<u>76,809</u>	<u>2,622</u>	<u>13,879</u>	<u>15,520</u>	<u>1,829</u>	<u>110,659</u>
Year ended 31 December 2011						
Opening net book amount . . .	76,809	2,622	13,879	15,520	1,829	110,659
Additions	2,932	584	9,987	7,772	—	21,275
Depreciation	(8,498)	(678)	(3,319)	(5,288)	—	(17,783)
Disposals	<u>—</u>	<u>(78)</u>	<u>(7,107)</u>	<u>(1,363)</u>	<u>—</u>	<u>(8,548)</u>
Closing net book amount . . .	<u>71,243</u>	<u>2,450</u>	<u>13,440</u>	<u>16,641</u>	<u>1,829</u>	<u>105,603</u>
At 31 December 2011						
Cost	129,348	4,562	25,184	32,572	1,829	193,495
Accumulated depreciation . . .	<u>(58,105)</u>	<u>(2,112)</u>	<u>(11,744)</u>	<u>(15,931)</u>	<u>—</u>	<u>(87,892)</u>
Net book amount	<u>71,243</u>	<u>2,450</u>	<u>13,440</u>	<u>16,641</u>	<u>1,829</u>	<u>105,603</u>

17. Land use rights

Group

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Beginning of the year	507,973	480,473	451,617
Additions (ii)	615	2,204	178,860
Event-driven revaluation (Note 16(i) and Note 31(ii)).	—	—	209,008
Transfer to investment properties	(18,231)	—	—
Amortisation	(9,884)	(9,014)	(17,885)
Transfer to Chinalco Group upon completion of the Reorganisation (Note 1.2(c)(ii)).	—	—	(90,478)
Disposals.	—	(22,046)	(17,607)
End of the year	<u>480,473</u>	<u>451,617</u>	<u>713,515</u>

- (i) Land use rights represent prepayments made by the Group for the land use rights located in the PRC which are held on leases between 10 years to 50 years.
- (ii) The addition of land use right for the year ended 31 December 2011 amounting to RMB 179 million mainly resulted from the payment to the local land bureau for the transfer of the title of the land use right.

Amortisation of land use rights has been included in administrative expenses in the consolidated statement of comprehensive income as follows:

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Administrative expenses	<u>9,884</u>	<u>9,014</u>	<u>17,885</u>

Company

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Beginning of the year	211,100	204,967	198,833
Amortisation	<u>(6,133)</u>	<u>(6,134)</u>	<u>(6,134)</u>
End of the year	<u>204,967</u>	<u>198,833</u>	<u>192,699</u>

Land use rights represent prepayments made by the Company for the land use rights located in the PRC which are held on leases for 35 years.

Amortisation of land use rights has been included in administrative expenses in the statement of comprehensive income as follows:

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Administrative expenses	<u>6,133</u>	<u>6,134</u>	<u>6,134</u>

18. Investment properties

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Beginning of the year	38,509	63,351	60,334
Additions	—	—	938
Transfer from properties plant and equipment	8,596	—	—
Transfer from land use rights	18,231	—	—
Depreciation	(1,985)	(3,017)	(1,457)
Transfer to Chinalco Group upon completion of the Reorganisation (Note 1.2(c)(ii))	—	—	(25,794)
Event-driven revaluation (Note 16(i) and Note 31(ii))	<u>—</u>	<u>—</u>	<u>(2,831)</u>
End of the year	<u>63,351</u>	<u>60,334</u>	<u>31,190</u>
Fair value at end of the year	<u>165,299</u>	<u>176,443</u>	<u>84,481</u>

Cost method has been adopted as a measurement of investment properties.

An independent professionally qualified valuer and consultant, Jones Lang LaSalle Sallmanns Limited, now known as Jones Lang LaSalle Corporate Appraisal and Advisory Limited, has conducted the valuation of investment properties at the end of each of the financial year.

All of the Group's investment properties are located in the PRC and have lease periods of between 10 to 40 years.

The following amounts have been recognised in the consolidated statements of comprehensive income:

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Rental income	<u>10,777</u>	<u>14,488</u>	<u>5,969</u>
Depreciation recorded as rental costs	<u>1,985</u>	<u>3,017</u>	<u>1,457</u>

19. Intangible assets

Group

	Goodwill	Patent	Computer software	Others	Total
	RMB'000 (Note 40)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009					
Cost	—	11,124	26,342	807	38,273
Accumulated amortisation	—	(2,247)	(14,340)	(70)	(16,657)
Net book amount	<u>—</u>	<u>8,877</u>	<u>12,002</u>	<u>737</u>	<u>21,616</u>
Year ended 31 December 2009					
Opening net book amount	—	8,877	12,002	737	21,616
Additions	—	—	7,559	—	7,559
Amortisation	—	(2,199)	(6,564)	(35)	(8,798)
Disposals	—	—	(29)	—	(29)
Closing net book amount	<u>—</u>	<u>6,678</u>	<u>12,968</u>	<u>702</u>	<u>20,348</u>

	Goodwill	Patent	Computer software	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2009					
Cost.	—	11,124	33,855	806	45,785
Accumulated amortisation.	—	(4,446)	(20,887)	(104)	(25,437)
Net book amount	—	6,678	12,968	702	20,348
Year ended 31 December 2010					
Opening net book amount.	—	6,678	12,968	702	20,348
Additions.	—	501	10,139	750	11,390
Amortisation.	—	(2,203)	(6,084)	(35)	(8,322)
Disposals.	—	—	(27)	—	(27)
Closing net book amount	—	4,976	16,996	1,417	23,389
At 31 December 2010					
Cost.	—	11,626	43,882	1,556	57,064
Accumulated amortisation.	—	(6,650)	(26,886)	(139)	(33,675)
Net book amount	—	4,976	16,996	1,417	23,389
Year ended 31 December 2011					
Opening net book amount.	—	4,976	16,996	1,417	23,389
Additions	—	25,696	17,761	8,829	52,286
Acquisition of a subsidiary (Note 41)	2,586	—	—	—	2,586
Event-driven revaluation (Notes 16 (i) and 31 (ii)).	—	211,710	—	—	211,710
Amortisation.	—	(30,983)	(8,707)	(102)	(39,792)
Closing net book amount	2,586	211,399	26,050	10,144	250,179
At 31 December 2011					
Cost.	2,586	258,360	61,644	10,385	332,975
Accumulated amortisation.	—	(46,961)	(35,594)	(241)	(82,796)
Net book amount	2,586	211,399	26,050	10,144	250,179

Amortisation expense recognised in the consolidated statement of comprehensive income is analysed as follows:

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Administrative expenses	8,798	8,322	39,792

Company

	Computer software	Others	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2009			
Cost.	5,826	560	6,386
Accumulated amortisation.	<u>(1,285)</u>	<u>—</u>	<u>(1,285)</u>
Net book amount	<u>4,541</u>	<u>560</u>	<u>5,101</u>
Opening net book amount.	4,541	560	5,101
Additions.	1,818	—	1,818
Amortisation.	<u>(2,283)</u>	<u>—</u>	<u>(2,283)</u>
Closing net book amount	<u>4,076</u>	<u>560</u>	<u>4,636</u>
At 31 December 2009			
Cost.	7,644	560	8,204
Accumulated amortisation.	<u>(3,568)</u>	<u>—</u>	<u>(3,568)</u>
Net book amount	<u>4,076</u>	<u>560</u>	<u>4,636</u>
Year ended 31 December 2010			
Opening net book amount.	4,076	560	4,636
Additions.	5,395	750	6,145
Amortisation.	<u>(2,257)</u>	<u>—</u>	<u>(2,257)</u>
Closing net book amount	<u>7,214</u>	<u>1,310</u>	<u>8,524</u>
At 31 December 2010			
Cost.	13,039	1,310	14,349
Accumulated amortisation.	<u>(5,825)</u>	<u>—</u>	<u>(5,825)</u>
Net book amount	<u>7,214</u>	<u>1,310</u>	<u>8,524</u>
Year ended 31 December 2011			
Opening net book amount.	7,214	1,310	8,524
Additions.	9,391	—	9,391
Amortisation.	<u>(3,042)</u>	<u>—</u>	<u>(3,042)</u>
Closing net book amount	<u>13,563</u>	<u>1,310</u>	<u>14,873</u>
At 31 December 2011			
Cost.	22,430	1,310	23,740
Accumulated amortisation.	<u>(8,867)</u>	<u>—</u>	<u>(8,867)</u>
Net book amount	<u>13,563</u>	<u>1,310</u>	<u>14,873</u>

20. Investment in subsidiaries and associates

*(a) Investment in subsidiaries**Company*

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Unlisted investments, at cost (ii)	<u>277,685</u>	<u>377,685</u>	<u>1,884,414</u>

(i) Particulars of the Company's principal subsidiaries are set out in Note 43.

(ii) The increase in the year ended 31 December 2011 is mainly due to the subsidiaries transferred from Chinalco Group to the Company as described in Note 1.2 (a).

(b) Investment in associates

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Beginning of year	55,658	53,816	52,721
Transfer from investments in subsidiaries	—	619	—
Share of loss	(1,842)	(1,636)	(2,022)
Dividend distribution	—	(78)	—
Disposals	—	—	(681)
At end of year	<u>53,816</u>	<u>52,721</u>	<u>50,018</u>

The Group's associates, all of which are unlisted, are as follows:

Name	Place and date of incorporation/ establishment	Registered and fully paid capital RMB'000	Effective interest held		Principal activities and place of operations	Statutory auditors		
			Direct held	Indirect held		2008	2009	2010
Shenzhen Hengtong Development Co., Ltd. (深圳恒通實業發展有限公司)	The PRC/26 October 1982	115,737	—	46%	Consulting/The PRC	(i)	(i)	(i)
Shanxi Jinlv Information Technology Co., Ltd. (山西晉鋁信息技術有限公司) (iii)	The PRC/14 June 2002	2,000	—	30%	Engineering and Research/The PRC	(ii)	(ii)	(ii)

Notes:

- (i) Zhonglian Certified Public Accountants Co., Ltd Shenzhen Office (中聯會計師事務所有限公司深圳分所)
- (ii) Shanxi Jinming Certified Public Accountants Co., Ltd (山西晉明會計師事務所有限公司)
- (iii) Tianjin Jinlv Construction Corporation Co., Ltd (天津晉鋁建設有限公司) disposed 70% and 30% of the total equity interest of Shanxi Jinlv Information Technology Co., Ltd in October 2010 and January 2011 respectively.

The Group's share of the results of its associates, its aggregated assets and liabilities, are as follows:

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Assets	64,357	65,140	60,691
Liabilities	(10,541)	(12,419)	(10,673)
Equity	<u>53,816</u>	<u>52,721</u>	<u>50,018</u>
	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Revenue	5,675	6,757	6,503
Loss for the year	<u>1,842</u>	<u>1,636</u>	<u>2,022</u>

There are no material contingent liabilities and commitments relating to the Group's interests in the associates and no material contingent liabilities and commitments of the associates themselves.

21. Available-for-sale financial assets

Group

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Beginning of year	97,239	131,514	486,958
Additions of short-term investment	—	—	2,473,241
Acquisition of equity securities	—	—	9,973
Transfer to Chinalco Group upon completion of the Reorganisation	—	—	(45,890)
Settlement on expiration of short-term investment	—	—	(2,342,877)
Net fair value gains/(losses) transferred to equity	34,275	355,444	(220,056)
End of year	131,514	486,958	361,349
Less: Current portion	—	—	(130,364)
Long-term portion of available-for -sale financial assets	<u>131,514</u>	<u>486,958</u>	<u>230,985</u>

Available-for-sale financial assets includes the following:

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Listed securities:			
Equity securities - PRC	59,610	440,857	220,801
Unlisted securities:			
Equity securities - PRC	71,904	46,101	10,184
Short-term investments (i)	—	—	130,364
	<u>131,514</u>	<u>486,958</u>	<u>361,349</u>
Market value of listed securities	<u>59,610</u>	<u>440,857</u>	<u>220,801</u>

- (i) The short-term investments were all commercial bank products which are designated in investing in low risk financial products such as state bonds, time deposits, etc. All of the short-term investments were fully matured and recovered before 20 March 2012 with annual investment return of 3.9%-7.1%.

As at 31 December 2009, 2010 and 2011, the available-for-sale financial instrument in listed securities are 11.79% of the equity interest in Zhuzhou Tianqiao Crane Co., Ltd. (株洲天橋起重機股份有限公司) and 0.03% of the equity interest in Aluminum Corporation of China Limited.

All available-for-sale financial assets are denominated in RMB.

Company

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Beginning of year	25,802	25,802	399,084
Addition of short-term investment	—	—	89,294
Net fair value gains/(losses) transferred to equity	—	373,282	(204,731)
End of year	25,802	399,084	283,647
Less: Current portion	—	—	(89,294)
Long-term portion of available-for-sale financial assets	<u>25,802</u>	<u>399,084</u>	<u>194,353</u>

Available-for-sale financial assets includes the following:

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Listed securities:			
Equity securities - PRC	—	399,084	194,353
Unlisted securities:			
Equity securities - PRC	25,802	—	—
Short-term investments (i)	—	—	89,294
	<u>25,802</u>	<u>399,084</u>	<u>283,647</u>
Market value of listed securities	<u>N/A</u>	<u>399,084</u>	<u>194,353</u>

(i) The short-term investments were all commercial bank products which are designated in investing in low risk financial products such as state bonds, time deposits, etc. All of the short-term investments were fully matured and recovered before 20 March 2012 with annual investment return of 3.9%-7.1%.

As at 31 December 2009, 2010 and 2011, the available-for-sale financial instrument in listed securities is 11.79% of the equity interest in Zhuzhou Tianqiao Crane Co., Ltd. (株洲天橋起重機股份有限公司).

All available-for-sale financial assets are denominated in RMB.

22. Notes and trade receivables

Group

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Notes and trade receivables			
Trade receivables	2,737,609	3,602,638	3,817,456
Less: Provision for impairment	(153,964)	(167,318)	(194,602)
Trade receivables-net	2,583,645	3,435,320	3,622,854
Notes receivable	284,284	271,370	515,508
Notes and trade receivables — net	2,867,929	3,706,690	4,138,362
Less: Non-current portion (i)	—	—	(376,145)
Current notes and trade receivables	<u>2,867,929</u>	<u>3,706,690</u>	<u>3,762,217</u>

(i) The non-current portion related to the amount of notes and trade receivables that will not be settled within the next twelve months from the end of the financial year in accordance with specific terms and conditions set out in the various contracts as described below:

- On 27 January 2011, the Group entered into a build-transfer contract (“Build-Transfer Contract”) with Duyun Industry Aggregation District Capital Operation Company Ltd. (都匀工業聚集區資本運營有限公司, the “Duyun Company”) to construct a road in Duyun, the PRC (Note 4.1(b) and Note 35(i)). In accordance with the contract terms, the outstanding receivables will be collected over three years upon the completion of the construction. The Group has commenced the construction of the road. As of 31 December 2011, the non-current trade receivable amounted to RMB 275.47 million, representing receivable arising from provision of service pursuant to the contract construction of the road, which would be collected from 2013 to 2015 in accordance with the contract. According to specific terms and conditions as set out in this Build-Transfer Contract, the Group was also obligated and entitled to provide and receive certain financing to and from Duyun Company (see Notes 23(ii) and 35(i)).
- China Nonferrous Metals entered into a settlement plan with China Henan Aluminum Fabrication Co., Ltd (中鋁河南鋁業有限公司, “Henan Aluminum”) to agree on a repayment schedule. This settlement plan was reached between the Group and Henan Aluminum by taking into account Henan Aluminum’s projected cash flows and Henan Aluminum being a related party to the Group. The Group considered this trade receivable to be fully recoverable and had not made any provision. According to the repayment schedule, the outstanding trade receivable balance arising from provision of service pursuant to the contract construction amounting to RMB 34.5 million will be settled in the next few years, with amounts of RMB 10 million, RMB 10 million, RMB 10 million and RMB 4.5 million to be paid in 2012, 2013, 2014 and 2015, respectively.
- On 30 December 2010, the Company and Yunnan Yun Aluminum Zexin Fabrication Co., Ltd (雲南雲鋁澤鑫鋁業有限公司, the “Yunnan Yun”) entered into a construction contract where both parties agreed on some specific repayment terms. 50% of the progress bill will be paid two years subsequent to the date of billing including an interest at the interest rate published by the People’s Bank of China, and the maximum amount of the unpaid receivable would not exceed RMB 500 million. As of 31 December 2011, the non-current trade receivable amounted to RMB 52.52 million, representing receivable from the construction contract, which would be collected in 2013.

- On 8 September 2011, the Group entered into a Build-Transfer Contract with Chongqing Liangjiang New Area Public Rental House Investment and Management Co., Ltd. (重慶兩江新區公共租賃房投資管理有限公司) to build public rental house in Chongqing. In accordance with the contract, the outstanding receivables will be collected over two years upon the completion of the construction. The Group has commenced the construction of the house. As of 31 December 2011, the non-current trade receivable amounted to RMB 23.66 million, representing receivable from the construction of the house, which would be collected from 2013 to 2014 in accordance with the contract.
- (ii) The carrying amounts of the notes and trade receivables approximate their fair value.
- (iii) As at 31 December 2011, the Group had pledged trade receivable amounting to RMB 97.58 million for short-term borrowings amounting to RMB 80 million (Note 34).

Company

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Notes and trade receivable			
Trade receivables	1,436,250	2,138,369	1,970,150
Less: Provision for impairment	(8,028)	(15,144)	(13,456)
Trade receivables-net	1,428,222	2,123,225	1,956,694
Notes receivable	114,302	90,952	189,077
Notes and trade receivables — net	1,542,524	2,214,177	2,145,771
Less: Non-current portion	—	—	(52,518)
Current notes and trade receivables	<u>1,542,524</u>	<u>2,214,177</u>	<u>2,093,253</u>

All notes receivables of the Group and the Company are bank's acceptance bills and usually collected within six months from the date of issue.

Ageing analysis of trade receivables is as follows:

Group

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Within 1 year	1,910,846	2,316,655	3,121,689
Between 1 and 2 years.	513,949	744,117	246,198
Between 2 and 3 years.	125,746	297,404	270,982
Between 3 and 4 years.	81,292	90,123	57,540
Between 4 and 5 years.	12,004	67,852	29,322
Over 5 years	93,772	86,487	91,725
Trade receivables - gross	2,737,609	3,602,638	3,817,456
Less: Provision for impairment	(153,964)	(167,318)	(194,602)
Trade receivables - net	<u>2,583,645</u>	<u>3,435,320</u>	<u>3,622,854</u>

Company

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Within 1 year	1,261,787	1,771,689	1,746,006
Between 1 and 2 years.	124,106	252,760	32,164
Between 2 and 3 years.	4,926	64,489	154,195
Between 3 and 4 years.	45,431	4,000	37,779
Between 4 and 5 years.	—	45,431	6
Trade receivables - gross	1,436,250	2,138,369	1,970,150
Less: Provision for impairment	(8,028)	(15,144)	(13,456)
Trade receivables - net	<u>1,428,222</u>	<u>2,123,225</u>	<u>1,956,694</u>

The contracts governing provision of the Group's services would not include specific credit terms. For the settlement of trade receivables from provision of services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account of factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management. Trade receivables from sales of goods are with credit terms of 30 to 90 days in accordance with sales contracts. The Group and the Company do not hold any collateral as security.

The trade receivables, that were past due but not impaired relate to a number of independent customers with no recent history of default. The ageing analysis of these trade receivables is as follows:

Group

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Within 1 year	1,900,701	2,296,236	3,116,218
Between 1 and 2 years.	417,463	614,148	119,151
Between 2 and 3 years.	73,192	257,643	187,905
Between 3 and 4 years.	54,822	60,226	12,319
Between 4 and 5 years.	918	22,343	6,862
Over 5 years	936	15,654	57
Total	<u>2,448,032</u>	<u>3,266,250</u>	<u>3,442,512</u>

Company

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Within 1 year	1,261,787	1,771,689	1,746,006
Between 1 and 2 years.	64,359	231,979	31,564
Between 2 and 3 years.	4,926	61,149	139,839
Between 3 and 4 years.	45,431	4,000	37,779
Between 4 and 5 years.	—	45,431	6
Total	<u>1,376,503</u>	<u>2,114,248</u>	<u>1,955,194</u>

Trade receivables wholly or partially impaired are as follows:

Group

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Trade receivables.	289,577	336,388	374,944
Provision for impairment.	<u>(153,964)</u>	<u>(167,318)</u>	<u>(194,602)</u>
Trade receivables - net.	<u>135,613</u>	<u>169,070</u>	<u>180,342</u>

Company

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Trade receivables.	59,747	24,121	14,956
Provision for impairment.	<u>(8,028)</u>	<u>(15,144)</u>	<u>(13,456)</u>
Trade receivables-net.	<u>51,719</u>	<u>8,977</u>	<u>1,500</u>

The ageing analysis of these impaired trade receivables are as follows:

Group

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Within 1 year	10,145	20,419	5,471
Between 1 and 2 years.	96,486	129,969	127,047
Between 2 and 3 years.	52,554	39,761	83,077
Between 3 and 4 years.	26,470	29,897	45,221
Between 4 and 5 years.	11,086	45,509	22,460
Over 5 years	92,836	70,833	91,668
	<u>289,577</u>	<u>336,388</u>	<u>374,944</u>

Company

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Between 1 and 2 years.	59,747	20,781	600
Between 2 and 3 years.	—	3,340	14,356
	<u>59,747</u>	<u>24,121</u>	<u>14,956</u>

Group

The movements of provision for impairment of notes and trade receivables are as follow:

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
At the beginning of year	138,415	153,964	167,318
Provisions	15,569	13,874	37,111
Receivables written off as uncollectible.	(20)	(520)	(6,389)
Reversal.	—	—	(3,438)
At the end of year.	<u>153,964</u>	<u>167,318</u>	<u>194,602</u>

Company

The movements of provision for impairment of notes and trade receivables are as follow:

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
At the beginning of year	20,582	8,028	15,144
Provisions	1,623	14,760	69
Reversal.	(14,177)	(7,644)	(1,757)
At the end of year	<u>8,028</u>	<u>15,144</u>	<u>13,456</u>

The carrying amounts of the Group and the Company's notes and trade receivables are denominated in the following currencies:

Group

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
RMB	3,008,329	2,768,104	4,022,124
US dollar	13,564	1,017,969	236,194
Others	—	87,935	74,646
	<u>3,021,893</u>	<u>3,874,008</u>	<u>4,332,964</u>

Company

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
RMB	1,536,988	1,219,463	1,848,387
US dollar	13,564	1,009,858	236,194
Other.	—	—	74,646
	<u>1,550,552</u>	<u>2,229,321</u>	<u>2,159,227</u>

23. Prepayments and other receivables

Group

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Prepayments			
Prepayments to suppliers	989,045	585,544	712,853
Prepayments to property developers (i)	—	—	250,434
	<u>989,045</u>	<u>585,544</u>	<u>963,287</u>
Other receivables			
Interest receivable	1,252	8,662	2,283
Dividend receivable	—	78	—
Financing provided to Duyun Company (ii)	—	—	157,000
Amounts due from related parties (iii)	239,385	189,066	32,507
Loans receivable from related parties (iv)	184,951	233,466	—
Retention fund	82,051	46,456	32,472
Prepayment for front-end engineering	83,300	31,879	154
Receivables of export tax refund	22,559	41,302	18,159
Staff advance	68,102	54,254	64,435
Bid security	92,030	105,274	106,382
Deposits	10,061	15,096	13,304
Payments on behalf of third parties	18,826	66,589	33,022
Litigation claims	8,357	8,256	—
Deductible value-added tax	32,146	27,397	16,262
Others	34,201	48,973	85,399
	<u>877,221</u>	<u>876,748</u>	<u>561,379</u>
Total prepayments and other receivables	1,866,266	1,462,292	1,524,666
Less: Provision for impairment	(83,083)	(88,772)	(65,480)
Prepayments and other receivables — net	1,783,183	1,373,520	1,459,186
Less : Non-current portion (v)	(48,650)	(18,701)	(432,747)
Current portion	<u>1,734,533</u>	<u>1,354,819</u>	<u>1,026,439</u>

- (i) On 20 June 2011, Twelfth Construction entered into a sales and purchase contract with Taiyuan China Nonferrous Metal Industry and 12th Metallurgical Real Estate Development Co., Ltd. (太原中色十二冶房地產開發有限公司) to acquire certain units within an office building to be used for business operations and prepaid an amount of RMB 150 million (Note 38 (a)(i) and 42(a)) according to specific terms and conditions set out in this contract. On 22 September 2011, Changsha Institute entered into a sales and purchase contract with Hunan Runhe Real Estate Development Co., Ltd. (湖南潤和房地產開發有限公司) to acquire an office building to be used for business operations and prepaid an amount of RMB 100.434 million according to the specific terms conditions set out in this contract.

- (ii) In connection with the Build-Transfer Contract (Note 22(i)), the Group is required to provide financing to Duyun Company not exceeding 30% of the Duyun Company's total investment in this project, which is estimated to approximately RMB345 million, before completion of the construction of the road. As at 31 December 2011, RMB 157 million has been provided. This receivable is secured by a guarantee granted by Qian Nan Bu Yi Miao Zu Zi Zhi Zhou local government (黔南布依族苗族自治州政府), repayable in full upon completion of the road and bear interest at bank lending rate plus 2% per annum (see also Notes 22(i) and 35(i)).
- (iii) The amounts due from related parties are unsecured, interest free and repayable on demand.
- (iv) The effective interest rate of loans receivable from related parties, with maturities within one year, approximate the interest rate published by the People's Bank of China.
- (v) Other than the (i) prepayments to property developers and (ii) financing provided to Duyun Company, the remaining non-current prepayments and other receivables mainly relate to retention fund and are due within five years from the end of the reporting period.

The carrying amounts of the prepayments and other receivables approximate their fair value.

Company

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Prepayments			
Prepayments to suppliers	734,967	244,436	470,999
Other receivables			
Interest receivable	1,252	7,683	1,345
Dividend receivable	177,000	220,284	220,284
Advance due from related parties	120,652	3,731	254,908
Payments paid on behalf of third party	8,036	4,891	708
Receivables of export tax refund	22,559	41,302	17,941
Staff advance	6,765	5,067	6,422
Deposits	2,863	7,127	2,612
Deductible value-added tax	26,339	21,748	—
Loans to subsidiaries	—	—	178,003
Others	760	1,686	21,594
	<u>366,226</u>	<u>313,519</u>	<u>703,817</u>
Total prepayments and other receivables	1,101,193	557,955	1,174,816
Less: Provision for impairment	(1,081)	(826)	(932)
Prepayments and other receivables — net	<u>1,100,112</u>	<u>557,129</u>	<u>1,173,884</u>

Ageing analysis of other receivables is as follows:

Group

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Within 1 year	287,480	470,280	439,982
Between 1 and 2 years.	282,183	181,257	27,724
Between 2 and 3 years.	135,513	138,063	13,686
Between 3 and 4 years.	113,750	42,189	19,095
Between 4 and 5 years.	5,293	12,177	6,303
Over 5 years	<u>53,002</u>	<u>32,782</u>	<u>54,589</u>
Other receivables — gross.	877,221	876,748	561,379
Less: Provision for impairment	<u>(83,083)</u>	<u>(88,772)</u>	<u>(65,480)</u>
Other receivables — net	<u><u>794,138</u></u>	<u><u>787,976</u></u>	<u><u>495,899</u></u>

Company

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Within 1 year	259,540	307,821	695,831
Between 1 and 2 years.	4,115	2,012	4,880
Between 2 and 3 years.	2,211	3,404	324
Between 3 and 4 years.	100,100	82	2,749
Between 4 and 5 years.	100	100	33
Over 5 years	<u>160</u>	<u>100</u>	<u>—</u>
Other receivables — gross.	366,226	313,519	703,817
Less: Provision for impairment	<u>(1,081)</u>	<u>(826)</u>	<u>(932)</u>
Other receivables — net	<u><u>365,145</u></u>	<u><u>312,693</u></u>	<u><u>702,885</u></u>

The Group and the Company do not hold any collateral as security.

As at 31 December 2009, 2010 and 2011, other receivables that were past due but not impaired relate to a number of independent customers with no recent history of default. The ageing analysis of these other receivables is as follows:

Group

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Within 1 year	287,480	470,280	439,982
Between 1 and 2 years.	3,145	12,237	1,718
Between 2 and 3 years.	1,465	2,417	2,594
Between 3 and 4 years.	291	453	8,731
Between 4 and 5 years.	—	—	—
Over 5 years	—	—	2,201
	<u>292,381</u>	<u>485,387</u>	<u>455,226</u>

Company

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Within 1 year	<u>259,540</u>	<u>307,821</u>	<u>695,831</u>

Other receivables wholly or partially impaired are as follows:

Group

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Impaired other receivables - gross	584,840	391,361	106,153
Provision for impairment.	<u>(83,083)</u>	<u>(88,772)</u>	<u>(65,480)</u>
Impaired other receivables - net	<u>501,757</u>	<u>302,589</u>	<u>40,673</u>

Company

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Impaired other receivables - gross	106,686	5,698	7,986
Provision for impairment.	<u>(1,081)</u>	<u>(826)</u>	<u>(932)</u>
Impaired other receivables - net	<u>105,605</u>	<u>4,872</u>	<u>7,054</u>

The ageing analysis of these impaired other receivables are as follows:

Group

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Between 1 and 2 years.	279,038	169,020	26,006
Between 2 and 3 years.	134,048	135,646	11,092
Between 3 and 4 years.	113,459	41,736	10,364
Between 4 and 5 years.	5,293	12,177	6,303
Over 5 years	<u>53,002</u>	<u>32,782</u>	<u>52,388</u>
	<u>584,840</u>	<u>391,361</u>	<u>106,153</u>

Company

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Between 1 and 2 years.	4,115	2,012	4,880
Between 2 and 3 years.	2,211	3,404	324
Between 3 and 4 years.	100,100	82	2,749
Between 4 and 5 years.	100	100	33
Over 5 years	<u>160</u>	<u>100</u>	<u>—</u>
	<u>106,686</u>	<u>5,698</u>	<u>7,986</u>

The movements of provision for impairment of other receivables are as follow:

Group

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
At the beginning of year	73,042	83,083	88,772
Additions	11,847	6,026	944
Write-off	—	(337)	(250)
Write-back	(1,806)	—	(23,986)
At the end of year	<u>83,083</u>	<u>88,772</u>	<u>65,480</u>

Company

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
At the beginning of year	1,022	1,081	826
Additions	543	488	289
Write-off	(36)	—	(183)
Write-back	(448)	(743)	—
At the end of year	<u>1,081</u>	<u>826</u>	<u>932</u>

24. Financial assets at fair value through profit or loss

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
At the beginning of year	—	—	1,493
Increase in fair value through profit or loss	—	1,493	30,559
Expired	—	—	(28,249)
At the end of year	<u>—</u>	<u>1,493</u>	<u>3,803</u>

Company

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Contract cost incurred plus recognised profit less recognised losses	7,814,349	12,199,339	14,449,660
Less: Progress billings	(7,595,306)	(11,999,774)	(13,937,518)
Contract work-in-progress.	<u>219,043</u>	<u>199,565</u>	<u>512,142</u>
Representing:			
Amounts due from customers for contract work	641,604	401,334	716,439
Less: Provision	(107,284)	(29,012)	(17,821)
Net amounts due from customers for contract work.	534,320	372,322	698,618
Amounts due from customers for contract work	(315,277)	(172,757)	(186,476)
	<u>219,043</u>	<u>199,565</u>	<u>512,142</u>
	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Contract revenue recognised as revenue in the year	<u>4,599,565</u>	<u>6,010,753</u>	<u>3,218,925</u>

26. Inventories**Group**

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Raw materials	537,547	351,641	374,520
Work-in-process	93,922	38,918	236,979
Finished goods	573,992	68,676	4,774
Turnover materials and spare parts	<u>4,473</u>	<u>3,925</u>	<u>1,635</u>
	<u>1,209,934</u>	<u>463,160</u>	<u>617,908</u>

The movement of provision for impairment of inventories is as follows:

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
At beginning of year	4,385	4,385	16,935
Additions	—	12,876	—
Write-off	—	(326)	(2,020)
At end of year	<u>4,385</u>	<u>16,935</u>	<u>14,915</u>

The cost of inventories recognised as expense and included in “cost of sales” amounted to RMB4,011,289,000, RMB5,291,801,000 and RMB5,727,198,000 for the years ended 31 December 2009, 2010 and 2011, respectively.

Company

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Raw materials	413,599	170,163	132,111
Work-in-process	13,881	—	—
Finished goods	<u>516,189</u>	<u>45,467</u>	<u>1,626</u>
	<u>943,669</u>	<u>215,630</u>	<u>133,737</u>

No provision of inventory impairment has been made as at 31 December 2009, 2010 and 2011 by the Company.

27. Restricted cash**Group**

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Restricted cash			
- RMB.....	206,086	174,309	202,485
- EUR.....	1,339	—	—
- USD.....	183	177	168
	<u>207,608</u>	<u>174,486</u>	<u>202,653</u>

Restricted cash mainly represented bank deposits secured for issue of letters of credit and notes payable (Note 35).

The weighted average effective interest rates per annum on restricted cash, with maturities ranging from one to twelve months, approximately 0.36%, 0.36% and 0.50% as at 31 December 2009, 2010 and 2011, respectively.

The maximum exposure to credit risk approximates the carrying amounts of the Group's restricted cash at the respective balance sheet dates.

Company

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Restricted cash			
- RMB.....	<u>35,355</u>	<u>6,476</u>	<u>298</u>

Restricted cash mainly represented bank deposits secured for issued letters of credit and notes payable (Note 35).

The weighted average effective interest rates per annum on restricted cash, with maturities ranging from one to twelve months, approximately 0.36%, 0.36% and 0.50% as at 31 December 2009, 2010 and 2011, respectively.

The maximum exposure to credit risk approximates the carrying amounts of the Company's restricted cash at the respective balance sheet dates.

28. Time deposits

Group

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Time deposits with initial term of over three months			
- RMB.....	<u>432,962</u>	<u>1,002,843</u>	<u>227,592</u>

The effective interest rates per annum on time deposits, with maturities ranging from three months to two years, approximately 1.71%-3.33%, 2.25%-3.89% and 2.85%-3.55% as at 31 December 2009, 2010 and 2011, respectively.

The maximum exposure to credit risk approximates the carrying amounts of the Group's time deposits at the respective balance sheet dates.

Company

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Time deposits with initial term of over three months			
- RMB.....	<u>232,739</u>	<u>735,332</u>	<u>131,993</u>

The weighted average effective interest rates per annum on time deposits, with maturities ranging from three to twelve months, approximately 1.71%-3.33%, 2.25%-3.89% and 2.85%-3.50% as at 31 December 2009, 2010 and 2011, respectively.

The maximum exposure to credit risk approximates the carrying amounts of the Company's time deposits at the respective balance sheet dates.

29. Cash and cash equivalents

Group

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Cash at bank and in hand.....	2,013,834	2,003,073	1,771,558
Short-term bank deposits.....	<u>402,222</u>	<u>608,383</u>	<u>382,907</u>
	<u>2,416,056</u>	<u>2,611,456</u>	<u>2,154,465</u>
	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Denominated in:			
- RMB.....	2,248,529	2,490,350	2,062,749
- EUR.....	584	20,145	22,466
- VND.....	8,252	14,679	22,294
- AUD.....	5,220	—	—
- USD.....	153,471	86,282	46,904
- HKD.....	—	—	52
	<u>2,416,056</u>	<u>2,611,456</u>	<u>2,154,465</u>

Company

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Cash at bank and in hand	1,158,027	984,513	607,761
Short-term bank deposits	<u>225,220</u>	<u>431,198</u>	<u>98,000</u>
	<u>1,383,247</u>	<u>1,415,711</u>	<u>705,761</u>

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Denominated in:			
- RMB	1,227,026	1,322,646	651,099
- HKD	—	—	52
- VND	4,409	12,258	14,482
- AUD	5,220	—	—
- USD	<u>146,592</u>	<u>80,807</u>	<u>40,128</u>
	<u>1,383,247</u>	<u>1,415,711</u>	<u>705,761</u>

30. Paid in capital/Share capital

On 30 June 2011, the Company was transformed from a limited liability company into a joint stock company with limited liability by converting total equity as at 30 June 2011 into 2,300,000,000 ordinary shares of RMB 1.00 each.

	At 31 December		
	2009	2010	2011
Number of shares	<u>—</u>	<u>—</u>	<u>2,300,000,000</u>
Paid in capital/Share capital (RMB'000)	<u>200,000</u>	<u>200,000</u>	<u>2,300,000</u>

31. Reserves

Group

	Attributable to equity holders of the Company					Total
	Capital reserve	Statutory surplus reserve	Available- for-sale financial assets	Special reserve	Retained earnings	
	RMB'000	RMB'000 (i)	RMB'000	RMB'000 (iii)	RMB'000	
At 1 January 2009	631,520	114,653	17,285	13,432	305,406	1,082,296
Profit of the year	—	—	—	—	360,353	360,353
Fair value gains on available-for-sale financial assets, net of tax	—	—	29,134	—	—	29,134
Distributions to Chinalco Group by subsidiaries described in Note 1.2(a)	—	—	—	—	(28,350)	(28,350)
Transaction with non-controlling interests	651	—	—	—	—	651
Capital contributions by Chinalco Group to subsidiaries described in Note 1.2(a)	100,800	—	—	—	—	100,800
Appropriation of statutory surplus reserve	—	8,239	—	—	(8,239)	—
Appropriation of special reserve	—	—	—	11,143	(11,143)	—
At 31 December 2009 . . .	<u>732,971</u>	<u>122,892</u>	<u>46,419</u>	<u>24,575</u>	<u>618,027</u>	<u>1,544,884</u>

	Attributable to equity holders of the Company					Total
	Capital reserve	Statutory surplus reserve	Available for-sale financial assets	Special reserve	Retained earnings	
	RMB'000	RMB'000 (i)	RMB'000	RMB'000 (iii)	RMB'000	
At 1 January 2010	732,971	122,892	46,419	24,575	618,027	1,544,884
Profit of the year	—	—	—	—	714,113	714,113
Fair value gains on available-for-sale financial assets, net of tax	—	—	264,800	—	—	264,800
Dividends to equity holders of the Company.	—	—	—	—	(80,779)	(80,779)
Distributions to Chinalco Group by subsidiaries described in Note 1.2(a)	—	—	—	—	(48,049)	(48,049)
Transaction with non-controlling interests	(1,094)	—	—	—	—	(1,094)
Capital contributions by Chinalco Group to subsidiaries described in Note 1.2(a)	14,976	—	—	—	—	14,976
Appropriation of statutory surplus reserve	—	47,917	—	—	(47,917)	—
Appropriation of special reserve	—	—	—	11,210	(11,210)	—
At 31 December 2010 . . .	<u>746,853</u>	<u>170,809</u>	<u>311,219</u>	<u>35,785</u>	<u>1,144,185</u>	<u>2,408,851</u>

	Attributable to equity holders of the Group					Total
	Capital reserve	Statutory surplus reserve	Available- for-sale financial assets	Special reserve	Retained earnings	
	RMB'000	RMB'000 (i)	RMB'000	RMB'000 (iii)	RMB'000	
At 1 January 2011	746,853	170,809	311,219	35,785	1,144,185	2,408,851
Profit of the year	—	—	—	—	808,352	808,352
Fair value gains on available-for-sale financial assets, net of tax	—	—	(166,575)	—	—	(166,575)
Distributions to Chinalco Group by subsidiaries described in Note 1.2(a)	—	—	—	—	(137,211)	(137,211)
Special Dividends (iv (a))	—	—	—	—	(276,403)	(276,403)
Special Dividends (iv (b))	—	—	—	—	(50,054)	(50,054)
Transaction with non-controlling interests	(1,606)	—	—	—	—	(1,606)
Capital contributions by Chinalco Group to subsidiaries described in Note 1.2(a)	6,421	—	—	—	—	6,421
Acquisition of subsidiaries under common control	(3,301)	—	—	—	—	(3,301)
Event-driven revaluation (ii) and Notes 16(i))	405,368	—	—	—	—	405,368
Transfer of Excluded Assets and Liabilities to Chinalco Group (Note 2.3)	(309,423)	—	—	—	—	(309,423)
Appropriation of special reserve	—	—	—	14,181	(14,181)	—
Transform into joint stock company with limited liability (Note 1.2)	(842,932)	(170,809)	—	—	(1,086,259)	(2,100,000)
Appropriation of statutory surplus reserve	—	7,084	—	—	(7,084)	—
At 31 December 2011	<u>1,380</u>	<u>7,084</u>	<u>144,644</u>	<u>49,966</u>	<u>381,345</u>	<u>584,419</u>

Company

	Capital reserve	Statutory surplus reserve	Available- for-sale financial assets	Special reserve	Retained earnings	Total
	RMB'000	RMB'000 (i)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009	—	114,653	—	—	629,397	744,050
Profit of the year	—	—	—	—	83,802	83,802
Appropriation of statutory surplus reserve	—	8,239	—	—	(8,239)	—
At 31 December 2009	—	122,892	—	—	704,960	827,852
Profit of the year	—	—	—	—	480,595	480,595
Fair value gains on available-for-sale financial assets, net of tax	—	—	279,962	—	—	279,962
Dividends to Chinalco Group . . .	—	—	—	—	(80,779)	(80,779)
Appropriation of statutory surplus reserve	—	47,917	—	—	(47,917)	—
At 31 December 2010	—	170,809	279,962	—	1,056,859	1,507,630
Profit of the year	—	—	—	—	405,138	405,138
Fair value losses on available-for-sale financial assets, net of tax	—	—	(153,548)	—	—	(153,548)
Special Dividends (iv (a))	—	—	—	—	(276,403)	(276,403)
Special Dividends (iv (b))	—	—	—	—	(50,054)	(50,054)
Transfer of subsidiaries from Chinalco Group (Note 1.2(a)) . . .	853,847	—	—	—	—	853,847
Event-driven revaluation (ii)	74,963	—	—	—	—	74,963
Transform into joint stock company with limited liability (Note 1.2)	(842,932)	(170,809)	—	—	(1,086,259)	(2,100,000)
Transfer of Excluded Assets and Liabilities to Chinalco Group	843	—	—	—	—	843
Appropriation of statutory surplus reserve	—	7,084	—	—	(7,084)	—
At 31 December 2011	<u>86,721</u>	<u>7,084</u>	<u>126,414</u>	<u>—</u>	<u>42,197</u>	<u>262,416</u>

Note:

(i) Statutory surplus reserve

In accordance with the relevant laws and regulations of the PRC and the articles of association of the Company, it is required to appropriate 10% of its net profit determined in accordance with China Accounting Standards for Enterprises issued by the Ministry of Finance of PRC, after offsetting any prior years' losses, to the statutory surplus reserve. When the balance of such a reserve reaches 50% of the respective companies registered capital, any further appropriation is optional.

The statutory surplus reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of registered capital. The statutory surplus reserve is non-distributable.

(ii) Capital reserve

Capital reserve arising from event-driven revaluation represents reserve recognised due to the revaluation arising from the Reorganisation as described in Note 16(i), being the excess of fair value over carrying value net of the deferred tax liabilities resulted as follows:

	Note	At 31 March 2011
		RMB'000
Excess of fair value over carrying value		
Property, plant and equipment	16	98,882
Land use rights	17	209,008
Intangible assets	19	211,710
Investment properties	18	(2,831)
Inventories		<u>(14,887)</u>
Subtotal		501,882
Less: Deferred tax liabilities of event-driven evaluation which results in excess of carrying value of assets over their tax base	36	<u>(96,514)</u>
Event-driven revaluation		<u>405,368</u>

(iii) Special reserve

Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC, the Group is required to set aside an amount to a safety fund for its engineering and construction contracting business. The fund can be used for improvements of safety at the worksite, and is not available for distribution to shareholders. Upon incurring qualifying safety expenditures, an equivalent amount is transferred from safety fund to retained earnings.

(iv) Special Dividends

- (a) According to the interim regulation about the management of state-owned capital and the accounting treatment during the enterprise corporate restructuring published by Ministry of Finance of PRC on 27 February 2002 (<企業公司制改建有關國有資本管理與財務管理的暫行規定>(財企[2002]313號)) and the notice forwarded by the General Office of the State Council about the suggestion of further regulating the reorganisation of the state-owned enterprise published by State-owned Assets Supervision and Administration Commission of the State Council (<國務院辦公廳轉發國資委關於進一步規範國有企業改制工作實施意見的通知>(國辦發[2005]60號)), an increase of net assets coming from profit should be distributed to its state-owned shareholder or transfer to state-owned equity after the approval of its state-owned shareholder. A special distribution has been approved to distribute the increase of net assets between 31 March 2011 to 30 June 2011 to the original state-owned shareholder. A special distribution has been approved to distribute the increase of net assets between 31 March to 30 June 2011 to Chinalco and Luoyang Institute.
- (b) The shareholder's meeting on 26 July 2011 resolved distribute the profits of the Company generated during the three-month period from 1 July 2011 to 30 September 2011 to Chinalco and Luoyang Institute.

32. Deferred income

Government grants mainly relate to purchase of plant, property and equipment conducted by the Group.

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
At beginning of year	10,480	12,816	20,014
Additions	5,207	15,984	3,174
Charged to consolidated statements of comprehensive income	(2,871)	(8,786)	(2,338)
At end of year	<u>12,816</u>	<u>20,014</u>	<u>20,850</u>

33. Retirement and other supplemental benefit obligations**Group****(a) State-managed retirement plan**

The Chinese employees of the Group participate in employee social security plans organized and administrated by the PRC government authority. The PRC companies are required to contribute from 20% - 22%, depending on the applicable local regulations, of salaries, wages and bonuses to the state-managed retirement plans. The obligation of these PRC companies with respect to the state-managed retirement plans is to make the specified contributions (Note 15(a)).

The total cost charged to the consolidated statements of comprehensive income during the Relevant Periods are as follows:

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Contributions to state-managed retirement plans	<u>100,376</u>	<u>111,161</u>	<u>111,345</u>

At each balance sheet date, the following amounts due in respect of the reporting year had not been paid to the state-managed retirement plans:

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Amounts due to state-managed retirement plans included in trade and other payables	<u>11,618</u>	<u>16,113</u>	<u>4,868</u>

(b) Early retirement and supplemental benefit obligations

The Group has implemented a supplemental defined benefit retirement scheme to certain employees who were retired on or before 31 December 2012, in the PRC. Such supplementary pension subsidies are considered to be defined benefit plans as the Group is obligated to provide post-employment benefits to these employees.

The amount of early retirement and supplemental benefit obligations recognised in the consolidated balance sheets are determined as follows:

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Present value of defined benefits obligations	1,691,883	1,582,188	1,552,846
Unrecognised actuarial losses	(41,812)	(1,991)	(10,921)
Liability arising from defined benefit obligation	1,650,071	1,580,197	1,541,925
Less: current portion	(130,866)	(142,296)	(120,499)
Non-current portion	<u>1,519,205</u>	<u>1,437,901</u>	<u>1,421,426</u>

The movements of the Group's early retirement and supplemental benefit obligations for each of the years ended 31 December 2009, 2010 and 2011 are as follows:

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
At beginning of year	1,690,218	1,650,071	1,580,197
For the year			
- interest cost (Note 15)	54,742	60,992	60,442
- payment	(94,889)	(130,866)	(106,108)
- actuarial losses (Note 15)	—	—	(58,291)
- past service cost (Note 15)	—	—	65,685
At end of year	<u>1,650,071</u>	<u>1,580,197</u>	<u>1,541,925</u>

The above obligations were determined based on actuarial valuations performed by an independent qualified actuarial firm, Towers Watson Consulting Company Limited (韜睿惠悅諮詢公司), incorporated in Shanghai, the PRC, using the projected unit credit actuarial cost method.

The material actuarial assumptions used in valuing these obligations are as follows:

(i) Discount rates adopted (per annum):

	At 31 December		
	2009	2010	2011
Discount rate.....	<u>3.75%</u>	<u>4.00%</u>	<u>3.50%</u>

(ii) Mortality: Average life expectancy of residents in the PRC;

(iii) Average medical expense increase rate: 8%;

(iv) Cost of living adjustment (COLA) for beneficiaries: 4.5%;

(v) Medical costs paid to early retirees are assumed to continue until the death of the retirees.

Company

(a) State-managed retirement plan

The total cost charged to statements of comprehensive income during the years ended 31 December 2009, 2010 and 2011 are as follows:

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Contributions to state-managed retirement plans	<u>19,524</u>	<u>18,453</u>	<u>23,552</u>

At each balance sheet date, the following amounts due in respect of the reporting year had not been paid to the state-managed retirement plans:

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Amounts due to state-managed retirement plans included in trade and other payables	<u>1,137</u>	<u>66</u>	<u>97</u>

(b) Early retirement and supplemental benefit obligations

The amount of early retirement and supplemental benefit obligations recognised in the balance sheets are determined as follows:

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Present value of defined benefits obligations	—	—	15,090
Unrecognised actuarial losses	—	—	—
Liability arising from defined benefit obligation	—	—	15,090
Less: current portion	—	—	(230)
Non-current portion	—	—	14,860

The movements of the Company's early retirement and supplemental benefit obligations for each of the years ended 31 December 2009, 2010 and 2011 are as follows:

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
At beginning of year	—	—	—
For the year			
— interest cost	—	—	—
— payment	—	—	—
— actuarial losses	—	—	—
— past service cost	—	—	15,090
At end of year	—	—	15,090

The material actuarial assumptions used in valuing these obligations are as follows:

(i) Discount rates adopted (per annum):

	At 31 December		
	2009	2010	2011
Discount rate	N/A	N/A	3.50%

(ii) Mortality: Average life expectancy of residents in the PRC;

(iii) Average medical expense increase rate: 8%;

(iv) Cost of living adjustment (COLA) for beneficiaries: 4.5%;

(v) Medical costs paid to early retirees are assumed to continue until the death of the retirees.

34. Short-term borrowings**Group**

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Bank borrowings			
- guaranteed by the Company to its subsidiaries . . .	—	315,000	630,000
- guaranteed by ultimate holding company (Note 42(c))	315,000	—	—
- guaranteed by fellow subsidiaries (Note 42(c)) . . .	70,000	100,000	20,000
- secured by trade receivables	—	—	80,000
- unsecured	—	140,000	573,045
Other borrowings			
- guaranteed by fellow subsidiary (Note 42(c))	1,800	—	—
	<u>386,800</u>	<u>555,000</u>	<u>1,303,045</u>

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
RMB	386,800	555,000	1,250,363
USD (RMB equivalent)	—	—	52,682
	<u>386,800</u>	<u>555,000</u>	<u>1,303,045</u>

The estimated fair values of short-term borrowings approximate their carrying amounts.

The effective interest rate of short-term borrowings are 3.98%-7.47%, 3.98%-7.47% and 4.78%-8.00% as at 31 December 2009, 2010 and 2011, respectively.

As at 31 December 2011, the Group had pledged trade receivable amounting to RMB 97.58 million for its short-term borrowings amounting to RMB 80 million (Note 22(iii)).

Company

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Bank borrowings			
- unsecured	—	—	491,045

The carrying amounts of the Company's borrowings are denominated in the following currencies:

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
RMB	—	—	438,363
USD	—	—	52,682
	—	—	491,045

The estimated fair values of short-term borrowings approximate their carrying amounts.

The effective interest rate of short-term borrowings is 6.10%-6.88% as at 31 December 2011.

The Group has the following undrawn borrowing facilities:

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Expiring within one year	2,594,000	6,364,000	1,670,680
Expiring beyond one year	—	1,827,000	11,140,985
	2,594,000	8,191,000	12,811,665

The facilities expiring within one year are annual facilities subject to review at various dates during the respective following years.

35. Trade and other payables

Group

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Trade and notes payable			
Trade payables	3,837,914	4,179,495	4,278,393
Notes payable.	130,221	155,689	110,087
	<u>3,968,135</u>	<u>4,335,184</u>	<u>4,388,480</u>
Other payables			
Advance payment from Duyun Company (i)	—	—	123,525
Provision for litigation (Note 40).	10,840	10,840	20,279
Advances from customers.	2,505,345	1,666,182	1,823,885
Staff welfare payable	230,409	248,485	202,922
Tax payable	130,009	135,305	211,213
Deposit payable	419,972	376,272	120,332
Housing funds raised by employees	23,204	74,134	42,650
Amounts paid by other parties on behalf of the Group	210,691	184,935	161,043
Equipment payables	125,677	62,305	1,732
Amounts due to related parties	56,044	64,844	161,683
Loans and borrowings received from related party (ii).	—	—	52,345
Others	377,724	355,911	351,103
	<u>4,089,915</u>	<u>3,179,213</u>	<u>3,272,712</u>
Total trade and other payables.	8,058,050	7,514,397	7,661,192
Less: Non-current portion	(11,646)	(11,789)	(143,835)
Current portion	<u>8,046,404</u>	<u>7,502,608</u>	<u>7,517,357</u>

Note

- (i) According to specific terms and conditions as set out in the Build-Transfer Contract (Note 22(i)), the Group was entitled to receive financing from Duyun Company. As at 31 December 2011, an advance payment from Duyun Company including interest payable amounted to RMB123.5 million. The Group requested for advance repayment in accordance with its financial risk management policy to better manage the credit risk (Note 4.1(b)). The effective interest rate of this advance repayment approximates 4.12% and will be repaid after the completion of the construction of the road, between 2013 to 2015.
- (ii) On 13 September 2011, China Nonferrous Metals entered into a loan contract with Luoyang Institute, where Luoyang Institute provided working capital amounting to RMB 35 million to China Nonferrous Metals with an annual interest rate of 6%, to be repaid by 12 September 2012. On 18 September 2011, China Nonferrous Metals entered into another loan contract with Luoyang Institute, where Luoyang Institute provided working capital amounting to RMB 17.3 million to China Nonferrous Metals with an annual interest rate of 5.9%, to be repaid by 17 September 2012. These loans and borrowings received from related party have been repaid as of the date of this report.

The carrying amounts of the Group's trade and other payables at 31 December 2009, 2010 and 2011 approximate their fair values.

Company

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Trade payables			
Trade payables	<u>2,716,319</u>	<u>3,145,574</u>	<u>2,529,817</u>
Other payables			
Advances from customers	1,645,953	903,183	1,015,858
Staff welfare payable	75,285	72,727	56,056
Tax payable	38,438	38,631	23,297
Others	<u>617,079</u>	<u>446,991</u>	<u>465,348</u>
	<u>2,376,755</u>	<u>1,461,532</u>	<u>1,560,559</u>
Total trade and other payables	5,093,074	4,607,106	4,090,376
Less: Non-current portion	—	—	—
Current portion	<u>5,093,074</u>	<u>4,607,106</u>	<u>4,090,376</u>

The carrying amounts of the Company's trade and other payables at 31 December 2009, 2010 and 2011 approximate their fair values.

Ageing analysis of trade payables is as follows:

Group

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Within 1 year	2,518,970	2,744,523	3,218,778
Between 1 and 2 years	855,722	783,116	492,440
Between 2 and 3 years	325,782	344,875	341,009
Over 3 years	<u>137,440</u>	<u>306,981</u>	<u>226,166</u>
	<u>3,837,914</u>	<u>4,179,495</u>	<u>4,278,393</u>

Company

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Within 1 year	2,139,696	2,345,578	1,936,441
Between 1 and 2 years.....	425,233	474,615	193,769
Between 2 and 3 years.....	138,948	186,579	270,559
Over 3 years	12,442	138,802	129,048
	<u>2,716,319</u>	<u>3,145,574</u>	<u>2,529,817</u>

The carrying amounts of the Group and the Company's notes and trade payables are denominated in the following currencies:

Group

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
RMB	7,216,443	6,657,130	6,817,146
USD.....	712,686	729,067	799,763
Others.....	128,921	128,200	44,283
	<u>8,058,050</u>	<u>7,514,397</u>	<u>7,661,192</u>

Company

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
RMB	5,088,789	4,565,810	3,103,078
USD.....	—	5,285	799,763
Others.....	4,285	36,011	187,535
	<u>5,093,074</u>	<u>4,607,106</u>	<u>4,090,376</u>

36. Current and deferred taxation

Group

Deferred income tax assets and liabilities recognised:

The analysis of deferred income tax assets and liabilities is as follows:

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Deferred income tax assets:			
- Deferred income tax assets to be recovered after more than 12 months	328,421	301,639	307,647
- Deferred income tax assets to be recovered within 12 months	<u>144,997</u>	<u>122,122</u>	<u>22,635</u>
	<u>473,418</u>	<u>423,761</u>	<u>330,282</u>
Deferred income tax liabilities:			
- Deferred income tax liabilities to be settled after more than 12 months	(19,544)	(69,465)	(23,102)
- Deferred income tax liabilities to be settled within 12 months	<u>—</u>	<u>(18,864)</u>	<u>(17,868)</u>
	<u>(19,544)</u>	<u>(88,329)</u>	<u>(40,970)</u>
Deferred income tax assets, net.	<u>453,874</u>	<u>335,432</u>	<u>289,312</u>

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
At the beginning of year	463,280	453,874	335,432
Charged to equity for fair-value change of available-for-sale financial assets	(5,141)	(90,644)	53,481
Charged to equity for excess of carrying value of assets over their tax bases (Note 16(i) and Note 31 (ii)).	—	—	(96,514)
Tax charged to the consolidated statements of comprehensive income (Note 11).	(4,265)	(27,798)	(1,392)
Acquisition of a subsidiary (Note 41).	—	—	(1,193)
Others charged to equity.	<u>—</u>	<u>—</u>	<u>(502)</u>
At the end of year	<u>453,874</u>	<u>335,432</u>	<u>289,312</u>

The movement in deferred income tax assets/(liabilities) during the Relevant Periods, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Tax losses	Provision for retirement and other supplemental benefit obligation	Provision for impairment of assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009	1,184	380,269	87,668	14,277	483,398
Credited/(charged) to the consolidated statements of comprehensive income	<u>4,883</u>	<u>(7,951)</u>	<u>(2,163)</u>	<u>3,442</u>	<u>(1,789)</u>
At 31 December 2009	6,067	372,318	85,505	17,719	481,609
(Charged)/Credited to the consolidated statements of comprehensive income	<u>(1,307)</u>	<u>(13,668)</u>	<u>(15,319)</u>	<u>5,362</u>	<u>(24,932)</u>
At 31 December 2010	4,760	358,650	70,186	23,081	456,677
(Charged)/credited to the consolidated statements of comprehensive income	<u>(2,598)</u>	<u>(13,474)</u>	<u>(3,364)</u>	<u>11,905</u>	<u>(7,531)</u>
Others charged to equity	<u>—</u>	<u>—</u>	<u>(288)</u>	<u>(214)</u>	<u>(502)</u>
At 31 December 2011	<u>2,162</u>	<u>345,176</u>	<u>66,534</u>	<u>34,772</u>	<u>448,644</u>

Deferred income tax liabilities

	Excess of carrying value of assets over tax bases arising from business combination	Change in fair value of available -for-sale financial assets	Special reserve	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009	13,711	3,049	3,358	—	20,118
Charged to equity	—	5,141	—	—	5,141
Credited to the consolidated statements of comprehensive income	(311)	—	2,787	—	2,476
At 31 December 2009	13,400	8,190	6,145	—	27,735
Charged to equity	—	90,644	—	—	90,644
Credited to the consolidated statements of comprehensive income	(311)	—	2,804	373	2,866
At 31 December 2010	13,089	98,834	8,949	373	121,245
Charged to equity (Note 16(i) and Note 31 (ii))	96,514	(53,481)	—	—	43,033
Acquisition of a subsidiary (Note 41)	1,193	—	—	—	1,193
Credited to the consolidated statements of comprehensive income	(4,743)	—	(1,975)	579	(6,139)
At 31 December 2011	<u>106,053</u>	<u>45,353</u>	<u>6,974</u>	<u>952</u>	<u>159,332</u>

Deferred income tax assets not recognised

Deferred income tax assets are recognised for tax losses carried-forward to the extent that the realisation of the related income tax benefits through the future taxable profits is probable. In accordance with the PRC tax law applicable to those companies in their respective jurisdictions, tax losses may be carried forward against future taxable income. The Group did not recognise deferred income tax assets of RMB 116,912 and RMB 244,027 in respect of tax losses amounting to RMB 467,648 and RMB 2,997,552 as at 31 December 2011 and 2010, respectively, as management believes it is more likely than not that such tax losses would not be realised before they expire. The tax loss for which no deferred income tax assets recognised mentioned would be expired respectively on 2016 and 2015.

Company

Deferred income tax assets and liabilities recognised:

The analysis of deferred income tax assets and liabilities is as follows:

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Deferred income tax assets:			
- Deferred income tax assets to be recovered after more than 12 months	15,131	—	—
- Deferred income tax assets to be recovered within 12 months	<u>30,650</u>	<u>—</u>	<u>—</u>
	<u>45,781</u>	<u>—</u>	<u>—</u>
Deferred income tax liabilities:			
- Deferred income tax liabilities to be settled after more than 12 months	—	(58,977)	—
- Deferred income tax liabilities to be settled within 12 months	<u>—</u>	<u>(7,316)</u>	<u>(17,869)</u>
	<u>—</u>	<u>(66,293)</u>	<u>(17,869)</u>
Deferred income tax assets, net	<u>45,781</u>	<u>(66,293)</u>	<u>(17,869)</u>

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
At the beginning of year	55,306	45,781	(66,293)
Charged to equity for fair-value change of available-for-sale financial assets	—	(93,321)	51,183
Tax credited to the statements of comprehensive income	<u>(9,525)</u>	<u>(18,753)</u>	<u>(2,759)</u>
At the end of year	<u>45,781</u>	<u>(66,293)</u>	<u>(17,869)</u>

The movement in deferred income tax assets/(liabilities) during the Relevant Periods, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Provision for retirement and other supplemental benefit obligation	Provision for impairment of assets	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2009	15,853	39,453	55,306
Credited to the statements of comprehensive income	—	(9,525)	(9,525)
At 31 December 2009	15,853	29,928	45,781
Credited to the statements of comprehensive income	—	(18,381)	(18,381)
At 31 December 2010	15,853	11,547	27,400
Credited to the statements of comprehensive income	1,012	(3,193)	(2,181)
At 31 December 2011	<u>16,865</u>	<u>8,354</u>	<u>25,219</u>

Deferred income tax liabilities

	Change in fair value of financial assets
	RMB'000
At 1 January and 31 December 2009	—
Charged to equity	93,321
Credited to the statements of comprehensive income	372
At 31 December 2010	93,693
Charged to equity	(51,183)
Credited to the statements of comprehensive income	578
At 31 December 2011	<u>43,088</u>

37. Dividends payable

Group

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Dividends payable			
- Chinalco (i)	—	—	5,922
- Luoyang Institute (ii)	—	—	20,954
- Then equity owners of subsidiaries prior to the transfer to the Group pursuant to the Reorganisation (Note 1.2(a) and Note (iii))	—	4,263	54,805
	<u>—</u>	<u>4,263</u>	<u>81,681</u>

Company

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Dividends payable			
- Chinalco (i)	—	—	5,922
- Luoyang institute (ii)	—	—	12,535
	<u>—</u>	<u>—</u>	<u>18,457</u>

Note

- (i) The dividends payable to Chinalco are related to special dividends (Note 31 (iv)). The dividends payable to Chinalco have been paid as of the date of this report.
- (ii) The dividends payable to Luoyang Institute are related to special dividends (Note 31 (iv)) amounting to RMB 12,535,000 and dividends payable to Luoyang Institute in its capacity as the equity owner of China Nonferrous Metals before it was transferred to the Group amounting to RMB 8,418,000. All dividends payable to Luoyang Institute amounting to RMB20,954,000 have been paid as of the date of this report.
- (iii) Other than an amount of RMB1,725,000 that had been paid as of the date of this report, the payment plan in relation to the remaining dividends payable to the then equity owners of subsidiaries prior to the transfer to the Group pursuant to the Reorganisation (Note 1.2 (a)), has not yet to be agreed between the Group and the then equity owners.

38. Commitments**(a) Capital commitments**

Capital commitments for the purchase of property, plant and equipment outstanding at each year end not provided for in the Financial Information were as follows:

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Contracted but not provided for			
- Property, plant and equipment (i)	3,072	15,402	307,875
Authorised but not contracted for			
- Property, plant and equipment	<u>—</u>	<u>43,540</u>	<u>20,000</u>
	<u>3,072</u>	<u>58,942</u>	<u>327,875</u>

Note

- (i) According to the contract signed between Twelfth Construction, a wholly owned subsidiary of the Company, and Taiyuan China National Nonferrous Metals Industry And Twelfth Metallurgy Real Estate Development Co., Ltd. (太原中色十二冶房地產開發有限公司), a related party, (the "Developer") whereby the Group has agreed to acquire certain units within an office building to be used for business operations, the Group paid RMB 150 million to the Developer and the final purchase price will depend on the prevailing market price at the point of sale (Note 23 (i) and 42(a)). As the final price cannot be ascertained, hence the amount is not reflected in the above capital commitments.

(b) Operating leasing commitments

The Group leases various offices, warehouses, residential properties and machinery under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as following:

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Less than 1 year	307	985	6,382
1 year to 5 years	<u>72</u>	<u>—</u>	<u>7,631</u>
Total	<u>379</u>	<u>985</u>	<u>14,013</u>

(c) Loan commitments

In connection with the Build-Transfer Contract (Note 22(i)), the Company is required to provide financing to Duyun Company not exceeding RMB345 million. As at 31 December 2011, RMB 157 million has been provided.

39. Cash generated from operations

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Profit before taxation	508,827	983,365	1,096,467
Adjustment for:			
Provision for impairment of trade and other receivables . . .	25,610	19,900	10,631
Provision for contract work-in-progress and inventories . . .	38,828	13,936	6,005
Depreciation of property, plant and equipment	101,809	118,485	113,473
Depreciation of investment properties	1,985	3,017	1,457
Amortisation of intangible assets	8,798	8,322	39,792
Amortisation of land use rights	9,884	9,014	17,885
Amortisation of other non-current asset	301	474	1,918
Net loss/(gain) on disposal of property, plant and equipment	1,878	(57,332)	2,839
Interest income	(30,169)	(43,613)	(43,330)
Interest expense	65,414	74,244	115,858
Net foreign exchange (gains)/losses	(4)	308	3,350
Share of loss of associates	1,842	1,636	2,022
Dividend income from available-for-sale financial assets . . .	(2,284)	(2,794)	(3,821)
Income from write-back to long outstanding payables	(481)	(13,380)	(29,714)
Losses/(gains) on disposal of subsidiaries and available- for-sale financial assets	918	45	(1,529)
Increase in fair value in financial assets at fair value through profit or loss	—	(1,493)	(30,559)
Interest received from short-term investment	—	—	(12,099)
Government grant	(2,871)	(8,786)	(2,338)
Cash flows from operating activities before changes in working capital	730,285	1,105,348	1,288,307
Changes in working capital			
- Inventories	661,395	652,064	(164,786)
- Contract work-in-progress	(428,101)	282,372	(918,953)
- Trade and other receivables	847,435	(335,358)	(382,451)
- Early retirement and other supplemental benefit obligations	(96,120)	(124,990)	(76,917)
- Trade and other payables	(1,498,688)	(651,224)	(424,274)
- Restricted cash	(44,853)	33,122	(28,167)
Cash generated from/(used in) operations	<u>171,353</u>	<u>961,334</u>	<u>(707,241)</u>

40. Contingencies

The Group has been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. Provision have been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits based on management's judgments and the legal advice. No provision has been made for pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable.

It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for (Note 35).

41. Business combination

In March 2011, Shenyang Institute acquired a 58% equity share capital in Shenyang Gina Advanced Materials Co., Ltd. (瀋陽金納新材料股份有限公司, formerly known as “瀋陽金納新材料有限公司”) at a total cash consideration of approximately RMB 45 million. Details of net identifiable assets purchased and goodwill recognised on the acquisition date on 23 March 2011 are as follows:

	RMB'000	
Cash consideration		<u>45,239</u>
Recognised amounts of identifiable assets acquired and liabilities assumed		
	Fair value	Acquiree's carrying amount
	RMB'000	RMB'000
Cash and cash equivalents	52,031	52,031
Property, plant and equipment	1,462	1,230
Land use rights	7,659	—
Trade and other receivables	10,931	10,931
Inventories	12,132	12,071
Trade and other payables	(9,481)	(9,481)
Deferred tax liabilities	<u>(1,193)</u>	<u>—</u>
Total identifiable net assets	73,541	<u>66,782</u>
Non-controlling interests	(30,888)	
Goodwill	<u>2,586</u>	
	45,239	
Less: Cash inflow from the acquire	<u>(52,031)</u>	
Net cash inflow on acquisition	<u>(6,792)</u>	

The operations acquired from Shenyang Gina Advanced Materials Co., Ltd. contributed RMB52 million and results from operating activities amounted to RMB 2 million for the period from 23 March 2011 to 31 December 2011. Had the acquisition occurred on 1 January 2011, pro-forma revenue and pro-forma results from operating activities for the year ended 31 December 2011 would have amounted to RMB 65 million and RMB 4 million respectively.

The goodwill of RMB 2.586 million is attributable to the profitability of some acquired business and the synergies expected to arise after the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

42. Significant related party transactions and balances

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC government which also controls a significant portion of the productive assets and entities in the PRC (collectively known as the “state-owned enterprises”).

In accordance with IAS 24 “Related Party Disclosures”, other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government are regarded as related parties of the Group (“other state-owned enterprises”). For the purpose of related party disclosures, the Group has in place procedures to identify the immediate ownership structure of its customers and suppliers to determine whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that meaningful information relating to related party transactions has been adequately disclosed.

In addition to the related party information shown elsewhere in this report, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, during the years ended 31 December 2009, 2010 and 2011, and balances as at 31 December 2009, 2010 and 2011 arising from related party transactions.

The transactions with related parties are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

(a) Significant related party transactions arising with Chinalco and its subsidiaries and jointly controlled entity

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Sales of goods or provision of service to:			
- Ultimate holding company (Note 44)	1,893	10,883	60
- A jointly controlled entity of ultimate holding company	—	328,727	40,629
- Fellow subsidiaries	4,773,877	3,808,136	3,612,600
	<u>4,775,770</u>	<u>4,147,746</u>	<u>3,653,289</u>
Purchases of goods and service from fellow subsidiaries . . .	<u>197,918</u>	<u>118,141</u>	<u>326,848</u>
Purchase of property from a fellow subsidiary (Note 23(i) and 38(a)(i))	<u>—</u>	<u>—</u>	<u>150,000</u>
Rental expense	<u>6,682</u>	<u>8,735</u>	<u>6,567</u>
Loans and borrowings provided to fellow subsidiaries	<u>99,831</u>	<u>47,394</u>	<u>—</u>
Loans and borrowings received from fellow subsidiaries (Note 35(ii))	<u>—</u>	<u>—</u>	<u>52,345</u>
Interest income from fellow subsidiaries	<u>6,646</u>	<u>10,837</u>	<u>4,782</u>

All loans and borrowings provided to and received from related parties have been settled as of the date of this report.

Apart from transactions with Chinalco and its fellow subsidiaries and jointly controlled entity of ultimate holding company, the Group has transactions with other state-owned enterprises including but not limited to the following:

- Sales and purchases of goods and services;
- Purchases of assets;
- Lease of assets; and
- Bank deposits and borrowings.

In the ordinary course of business, the Group sells goods and services to, and purchase goods and services from other state-owned enterprises based on terms as set out in the underlying agreements, market price or actual cost incurred, or as mutually agreed.

The Group places deposits with and receives loans mainly from state-owned financial institutions in the ordinary course of business. The deposit and loans are in accordance with terms as set out in the respective agreement, and the interest rates are set at prevailing market rates.

(b) Year-end balances arising from Chinalco and its subsidiaries and jointly controlled entity

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Trade receivables			
- Fellow subsidiaries	1,591,818	1,491,823	1,588,858
- A jointly controlled entity of ultimate holding company . .	143,628	69,414	46,579
	<u>1,735,446</u>	<u>1,561,237</u>	<u>1,635,437</u>
Prepayments to suppliers			
- Fellow subsidiaries	48,958	15,746	17,730
	<u>48,958</u>	<u>15,746</u>	<u>17,730</u>
Other receivables			
- Ultimate holding company	100,005	142	—
- Fellow subsidiaries	369,090	480,736	50,966
- A jointly controlled entity of ultimate holding company . .	581	—	—
	<u>469,676</u>	<u>480,878</u>	<u>50,966</u>
Trade payables			
- Fellow subsidiaries	156,728	112,117	234,221
	<u>156,728</u>	<u>112,117</u>	<u>234,221</u>
Advances from customers			
- Ultimate holding company	1,480	1,480	3,985
- Fellow subsidiaries	870,158	463,134	192,171
- A jointly controlled entity of ultimate holding company . .	290,304	15,755	17,393
	<u>1,161,942</u>	<u>480,369</u>	<u>213,549</u>
Other payables			
- Ultimate holding company	86,023	82,122	82,002
- Fellow subsidiaries	184,812	207,571	183,383
	<u>270,835</u>	<u>289,693</u>	<u>265,385</u>

Note:

- (i) Other than those loans receivable from related parties as disclosed in Note 23(iv), trade receivables, prepayments and other receivables are unsecured, interest free and repayable on demand.
- (ii) Except the borrowings from related party (Note 35(ii)), trade and other payables due to ultimate holding company, subsidiaries and a jointly controlled entity of ultimate holding company are unsecured, interest free and have no fixed term of repayment.
- (iii) All non-trade receivables and payables have been settled as of the date of this report.
- (iv) All trade receivables and payables will be settled according to the terms agreed with the parties involved.

(c) Financial guarantees

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Short-term borrowings			
guaranteed by:			
- Ultimate holding company	315,000	—	—
- Fellow subsidiaries (i)	71,800	100,000	20,000
	<u>386,800</u>	<u>100,000</u>	<u>20,000</u>

	At 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Guarantee provided to:			
- Chinalco Henan Aluminum Fabrication Co., Ltd. (中鋁河南鋁業有限公司) (ii)	48,340	48,340	48,340
- Other fellow subsidiaries	40,000	90,000	—
	<u>88,340</u>	<u>138,340</u>	<u>48,340</u>

The Group has acted as the guarantor mainly for various external borrowings made by certain fellow subsidiaries.

The Group considers that the fair value of these contracts at the date of inception was not material, the repayment was on schedule and risk of default in payment is remote. Therefore no provision has been made for the guarantees.

- (i) These guarantees provided by fellow subsidiaries as at 31 December 2011 have been released as of the date of this report.
- (ii) The Directors expect that the guarantee provided to Chinalco Henan Aluminum Fabrication Co., Ltd. as at 31 December 2011 will be released prior to the Listing.

(d) Key management personnel remuneration

Key management includes directors (executive and non-executive), supervisors, president, vice presidents, secretary to the Board of Directors and chief accountant of the Company. The compensation paid or payable to key management from employee services is shown below:

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Salaries, housing allowances, other allowances and benefits-in-kind	1,105	1,056	1,310
Discretionary bonus	1,015	1,920	2,361
Contributions to pension plans	134	164	189
	<u>2,254</u>	<u>3,140</u>	<u>3,860</u>

43. Particulars of principal subsidiaries

As at the date of this report and during the Relevant Periods, the Company has direct and indirect interests in the following subsidiaries:

Name	Place and date of incorporation/ establishment and type of legal entity	Registered and fully paid capital RMB'000	Effective interest held		Principal activities and place of operation	Statutory auditors		
			Direct held	Indirect held		2009	2010	2011
China Aluminum International Technology Development Co., Ltd. (中鋁國際技術發展有限公司) (vii)	The PRC/ 16 August 2006/ Limited liability company	60,000	100%	—	Construction/The PRC	(i)	(i)	(i)
China Aluminum International Engineering Equipment (Beijing) Co., Ltd. (中鋁國際工程設備(北京)有限公司) (vii)	The PRC/ 2 November 2010/ Limited liability company	100,000	100%	—	Engineering and equipment/The PRC	N/A	(i)	(i)
Duyun Development Zone Tongda Construction Co., Ltd. (都勻開發區通達建設有限公司) (vii)	The PRC/ 27 January 2011/ Limited liability company	Paid Capital: 172,000 Registered: 230,000	50%	50%	Construction/The PRC	N/A	N/A	(i)

APPENDIX I
ACCOUNTANT'S REPORT

Name	Place and date of incorporation/ establishment and type of legal entity	Registered and fully paid capital RMB'000	Effective interest held		Principal activities and place of operation	Statutory auditors		
			Direct held	Indirect held		2009	2010	2011
Shenyang Aluminum & Magnesium Engineering & Research Institute Co., Ltd.(瀋陽鋁鎂設計研究院有限公司) (vii)	The PRC/ 17 January 1991/ Limited liability company	403,743	100%	—	Engineering and research/The PRC	(ii)	(ii)	(i)
Shenyang Aluminum & Magnesium Engineering and Research Contracting Company (瀋陽鋁鎂設計研究院工程承包公司) (vii)	The PRC/ 17 December 1987/ Limited liability company	8,500	—	100%	Engineering and research/The PRC	(ii)	(ii)	(i)
Shenyang Aluminum & Magnesium Engineering and Research Kang Jialu Construction and Design Limited Company (瀋陽鋁鎂設計研究院康加陸建築設計事務所) (iv)	The PRC/ 5 May1998/ Limited liability company	226	—	44.25%	Engineering and research/The PRC	(ii)	(iv)	N/A
Shenyang Aluminum & Magnesium Printing Co., Ltd. (瀋陽鋁鎂文印有限責任公司) (vii)	The PRC/ 29 November 2000/ Limited liability company	100	—	100 %	Printing/The PRC	(ii)	(ii)	(i)
Shenyang Boyu Science and Technology Co., Ltd. (瀋陽博宇科技有限責任公司) (vii)	The PRC/ 19 May 2003/ Limited liability company	9,700	—	100%	Consulting and engineering/The PRC	(ii)	(ii)	(i)
Shenyang Beiding Estate Management Co., Ltd. (瀋陽北鼎物業管理有限責任公司) (vii)	The PRC/ 14 June 1999/ Limited liability company	500	84.00%	16.00%	Property management/ The PRC	(ii)	(ii)	(i)

APPENDIX I
ACCOUNTANT'S REPORT

Name	Place and date of incorporation/ establishment and type of legal entity	Registered and fully paid capital RMB'000	Effective interest held		Principal activities and place of operation	Statutory auditors		
			Direct held	Indirect held		2009	2010	2011
Shenyang Aluminum & Magnesium Technology Co., Ltd. (瀋陽鋁鎂科技 有限公司) (vii)	The PRC/ 14 December 2006/ Limited liability company	10,500	99.52%	0.48%	Consulting and engineering/The PRC	(ii)	(ii)	(i)
Shenyang Aluminum & Magnesium Engineering & Research Institute Construction Supervision Co., Ltd. (瀋陽鋁鎂設計 研究院建設監理有限 公司) (vii)	The PRC/ 4 March 1994/ Limited liability company	4,118	—	100%	Project supervision/The PRC	(ii)	(ii)	(i)
Shenyang Gina Advanced Materials Co., Ltd. (瀋陽金納 新材料股份有限公 司) (vii)	The PRC/ 6 December 2001/ Limited liability company	40,000	—	58%	Manufacturing/ The PRC	N/A	N/A	(i)
Guiyang Aluminum and Magnesium Design Institute Co., Ltd. (貴陽鋁鎂 設計研究院有限公 司) (vii)	The PRC/ 23 April 2010/ Limited liability company	616,208	100%	—	Engineering and research/The PRC	(ii)	(ii)	(i)
Sixth Construction (Now known as Sixth Metallurgical Construction Company of China Nonferrous Metals Industry) (中國有色 金屬工業第六冶金建 設有限公司) (vi)	The PRC/ 1 March 1984/ Limited liability company	167,725	100%	—	Construction/The PRC	(ii)	(ii)	(i)
Twelfth Construction (Now known as China Nonferrous Metals Industry's 12th Metallurgical Construction Co., Ltd.) (中色十二冶金 建設有限公司) (vi)	The PRC/ 31 May 1989/ Limited liability company	213,419	100%	—	Construction/The PRC	(iii)	(ii)	(i)

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ACCOUNTANT'S REPORT

Name	Place and date of incorporation/ establishment and type of legal entity	Registered and fully paid capital RMB'000	Effective interest held		Principal activities and place of operation	Statutory auditors		
			Direct held	Indirect held		2009	2010	2011
Shandong Aluminum Engineering Co., Ltd. (山東鋁業工程 有限公司) (vi)	The PRC/ 13 October 2001/ Limited liability company	50,900	100%	—	Construction/The PRC	(ii)	(ii)	(i)
Changkan Institute (Now known as China Nonferrous Metals Changsha Investigation and Design Research Institute Co., Ltd.) (中國有色金屬工業 長沙勘察設計研究院 有限公司) (vi)	The PRC/ 17 October 1992/ Limited liability company	50,730	100%	—	Engineering and research/The PRC	(i)	(i)	(i)
Changsha Hui Ke Automation Engineering & Equipment Co., Ltd. (長沙匯科自控 設備工程有限公司) (iv)	The PRC/ 28 July 2006/ Limited liability company	300	—	33%	Engineering and equipment/The PRC	(i)	(iv)	N/A
China Nonferrous Metals Processing Technology Co., Ltd. (中色科技股份 有限公司) (vi)	The PRC/ 15 January 2002/ Limited liability company	50,000	73.50%	—	Engineering and equipment/The PRC	(ii)	(ii)	(i)
China Aluminum Great wall Construction Co., Ltd. (中鋁長城建設 有限公司) (vi)	The PRC/ 25 October 1979/ Limited liability company	123,536	100%	—	Construction/The PRC	(ii)	(ii)	(i)
Tianjin Jinlv Construction Co., Ltd. (天津晉鋁建建 設有限公司) (vi)	The PRC/ 25 December 2006/ Limited liability company	50,000	100%	—	Construction/The PRC	(iii)	(iii)	(i)

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Name	Place and date of incorporation/ establishment and type of legal entity	Registered and fully paid capital RMB'000	Effective interest held		Principal activities and place of operation	Statutory auditors		
			Direct held	Indirect held		2009	2010	2011
Guiyang Aluminum & Magnesium Engineering and Research Contracting Co., Ltd. (貴陽鋁鎂設計研究院工程承包有限公司) (vii)	The PRC/ 8 April 2010/ Limited liability company	2,882	—	100%	Engineering and research/The PRC	(ii)	(ii)	(i)
Guiyang Zhenxing Aluminum & Magnesium Technological Development Co., Ltd. (貴陽振興鋁鎂科技產業發展有限公司) (vii)	The PRC/ 30 April 1998/ Limited liability company	6,000	—	100%	Engineering and research/The PRC	(ii)	(ii)	(i)
Guizhou Light Metal Innovation Research and Equipment Process Co., Ltd. (貴州創新輕金屬工藝裝備工程技術研究中心有限公司) (vii)	The PRC/ 30 April 2010/ Limited liability company	5,000	—	100%	Research and equipment/The PRC	N/A	(ii)	(i)
Guiyang Xinyu Construction Supervision Co., Ltd. (貴陽新宇建設監理有限公司) (vii)	The PRC/ 25 June 1994/ Limited liability company	13,420	—	100%	Project supervision/The PRC	(ii)	(ii)	(i)
Suzhou Engineering & Research Institute for Nonferrous Metal Co., Ltd. (蘇州有色金屬研究院有限公司) (vi)	The PRC/ 2 December 2002/ Limited liability company	41,550	—	100%	Engineering and research/The PRC	(ii)	(ii)	(i)
Luoyang Jincheng Construction Supervision Co., Ltd. (洛陽金誠建設監理有限公司) (vi)	The PRC/ 5 March 2002/ Limited liability company	5,000	—	100%	Project supervision/The PRC	(ii)	(ii)	(i)

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ACCOUNTANT'S REPORT

Name	Place and date of incorporation/ establishment and type of legal entity	Registered and fully paid capital RMB'000	Effective interest held		Principal activities and place of operation	Statutory auditors		
			Direct held	Indirect held		2009	2010	2011
Sixth Metallurgical Construction Company of China Nonferrous (中國有 色金屬工業六冶洛陽 有限公司) (vi)	The PRC/ 1 March 1989/ Limited liability company	16,598	—	100%	Construction/The PRC	(ii)	(ii)	(i)
Shenzhen Changkan Investigation and Design Co., Ltd. (深 圳市長勘察設計有 限公司) (vi)	The PRC/ 10 June 2001/ Limited liability company	15,020	—	100%	Engineering and research/The PRC	(i)	(i)	(i)
Hainan Changkan Investigation and Design Co., Ltd. (海 南長勘察設計有限 公司) (vi)	The PRC/ 8 November 2001/ Limited liability company	9,062	—	100%	Engineering and research/The PRC	(i)	(i)	(i)
Changsha Institute (長 沙有色冶金設計研究 院有限公司) (vii)	The PRC/ 18 November 1991/ Limited liability company	359,938	100%	—	Design and engineering/The PRC	(i)	(ii)	(i)
Hunan Huachu Machinery Co., Ltd. (湖南華楚機械 有限公司) (vii)	The PRC/ 17 October 2007/ Limited liability company	4,500	—	100%	Engineering and equipment/The PRC	(i)	(ii)	(i)
Hunan Huachu Engineering Construction, Consultancy and Supervision Co., Ltd. (湖南華楚工程 建設諮詢監理有限公 司) (vii)	The PRC/ 29 March 1993/ Limited liability company	6,000	—	100%	Project supervision/The PRC	(i)	(ii)	(i)
Hunan Changye Construction Drawing Examination Co., Ltd. (湖南長冶建設 工程施工圖審查有限 公司) (vii)	The PRC/ 18 January 2005/ Limited liability company	3,300	—	100%	Construction drawing examination/The PRC	(i)	(ii)	(i)

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ACCOUNTANT'S REPORT

Name	Place and date of incorporation/ establishment and type of legal entity	Registered and fully paid capital RMB'000	Effective interest held		Principal activities and place of operation	Statutory auditors		
			Direct held	Indirect held		2009	2010	2011
Luoyang Jinyan Nonferrous Metal Processing Equipment Co., Ltd. (洛陽金延有色 金屬加工設備有限責 任公司) (vi)	The PRC/ 24 April 2001/ Limited liability company	34,300	—	63%	Engineering and equipment/The PRC	(ii)	(ii)	(i)
Mechanical and Electrical Installation Engineering Co., Ltd. of Sixth Metallurgical Construction Company of China Nonferrous Metals Industry (中國有色 金屬工業六冶機電安 裝有限公司) (vi)	The PRC/ 16 August 1984/ Limited liability company	11,173	—	100%	Construction/The PRC	(ii)	(ii)	(i)
Liaoning Sixth Metallurgical Construction Co., Ltd. (遼寧六冶建設 有限公司) (vii)	The PRC/ 23 September 2011/ Limited liability company	20,000	—	100%	Construction/The PRC	N/A	N/A	(i)
Suzhou Nonferrous Metal Material Science and Technology Co., Ltd (蘇州中色金屬材 料科技有限公司) (vii)	The PRC/ 21 September 2011/ Limited liability company	40,000	—	100%	Engineering and equipment /The PRC	N/A	N/A	(i)
Chongqing Tongye Construction Co., Ltd (重慶通冶建設有限 公司) (vii)	The PRC/ 2 November 2011/ Limited liability company	Paid Capital: 5,000 Registered Capital: 10,000	65%	35%	Construction/ The PRC	N/A	N/A	(i)
Huachu High-Tech (Hunan) Co., Ltd (華楚高新科技 (湖南)有限公司) (vii)	The PRC/ 17 October 2011/ Limited liability company	15,000	—	100%	Engineering and research/ The PRC	N/A	N/A	(i)

Name	Place and date of incorporation/ establishment and type of legal entity	Registered and fully paid capital RMB'000	Effective interest held		Principal activities and place of operation	Statutory auditors		
			Direct held	Indirect held		2009	2010	2011
China Huada High-Tech Co., Ltd. (中鋁華大科技股份 有限公司) (vii)	The PRC/ 9 December 2011/ Limited liability company	Paid Capital: 15,900 Registered Capital: 53,000	—	51%	Engineering and research/ The PRC	N/A	N/A	(i)
China Nonferrous Metals Industry's 12th Metallurgical Construction (Liaoning) Co., Ltd. (中色十二冶金建設 (遼寧)有限公司) (vii)	The PRC/ 23 September 2011/ Limited liability company	20,000	—	100%	Construction/ The PRC	N/A	N/A	(i)
Beijing Huayu Aerospace Control High-Tech Co., Ltd. (北京華宇天控 科技有限公司) (vii)	The PRC/ 26 October 2011/ Limited liability company	17,500	—	60%	Engineering and research/ The PRC	N/A	N/A	(i)

Notes:

- (i) Zhonglei Certified Public Accountants Co., Ltd. (中磊會計師事務所有限責任公司)
- (ii) China Audit Asia Pacific Certified Public Accountants Co., Ltd. (中審亞太會計師事務所有限公司)
- (iii) BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所)
- (iv) These entities were terminated in the year ended 31 December 2011.
- (v) The above entities are consolidated due to management control as the Company has the power to cast the majority of votes at meetings of the board of directors. These entities would normally be accounted for as associates but are now consolidated.
- (vi) These entities became subsidiaries of the Group subsequent to the completion of the Reorganization which was completed on 31 March 2011 and there has been no change in effective interest held by the Group since then.
- (vii) These entities are subsidiaries of the Group throughout the Relevant Periods, or since respective dates of incorporation. There has been no change in effective interest held by the Group.

All English names represent the best effort by the Directors in translating the Chinese names as they do not have any official English names, and are for reference only.

44. Ultimate holding company

The Directors regard Chinalco as being the ultimate holding company of the Company, which is owned and controlled by State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

45. Subsequent events

Other than the subsequent event disclosed below, no other significant subsequent events took place subsequent to 31 December 2011:

- On 22 February 2012, the Company obtained a written approval document from the China Securities Regulatory Commission (the “CSRC”) for the issuance of not more than 1,424,230,769 share of RMB 1.00 each to be listed on the Main Board of The Stock Exchange of Hong Kong Limited.
- On 8 March 2012, China Nonferrous Metals entered into an arrangement with 1,174 employees where China Nonferrous Metals borrowed an amount of RMB 101,182,500 from these employees, at an interest rate of 7.2% to be repayable by 7 March 2013. This loan had been fully repaid by 23 May 2012.
- The Group contracted with an Iranian company in 2005 and 2008, on certain construction contracts (the “Iran Contracts”) in the amounts of RMB7,179.2 million and Euro 199 million, respectively. As of the date of this report, the conditions precedent to commencement of work have not been fulfilled. Consequently, no work has started yet. On 8 May 2012, the Group has served a written notice to the Iranian company to terminate these two contracts. This termination may constitute a breach of the contracts and the Group may be liable to compensate the Iranian company for any actual damages it sustains as a result up to 15% of the total contract price of each of the Iran Contracts. The Directors are of the view that the conditions precedent in the contracts have not been satisfied and that actual damages are minimal. Chinalco has agreed to indemnify the Group for all liabilities, losses, damages, costs and expenses (if any) that are incurred by the Group in connection with the termination of the Iran Contracts. The potential compensation, even if any, would not be material to the Group, and would be reflected in the consolidated statement of comprehensive income for the financial year ending 31 December 2012.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2011. Except as disclosed in this report, no dividends have been declared or paid by the Company or any of the companies now comprising of the Group in respect of any period subsequent to 31 December 2011.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The information sets out in this Appendix does not form part of the Accountant's Report prepared by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I to this Prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the Accountant's Report set out in Appendix I to this Prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2011 as if the Global Offering had taken place on 31 December 2011. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as of 31 December 2011 or at any future dates. It is based on the consolidated net assets attributable to equity holders of the Company as of 31 December 2011 as shown in the Accountant's Report, the text of which is set out in Appendix I to this Prospectus, and adjusted as described below.

	Consolidated net tangible assets attributable to equity holders of the Company as at 31 December 2011 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company ⁽³⁾	Unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company per Share ⁽⁴⁾	
	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on an Offer Price of HK\$3.93 per Share	<u>2,638,508</u>	<u>1,082,024</u>	<u>3,720,532</u>	<u>1.40</u>	<u>1.72</u>
Based on an Offer Price of HK\$4.73 per Share.	<u>2,638,508</u>	<u>1,312,656</u>	<u>3,951,164</u>	<u>1.48</u>	<u>1.82</u>

Notes:

- (1) The consolidated net tangible assets attributable to equity holders of the Company as at 31 December 2011 was calculated based on the consolidated net assets attributable to equity holders of the Company as at 31 December 2011 of approximately RMB2,884,419,000 as extracted from the Accountant's Report set out in Appendix I to this Prospectus, with adjustments for the intangible assets of approximately RMB250,179,000 and the relevant share of the intangible assets by non-controlling interests of approximately RMB4,268,000.
- (2) The estimated net proceeds from the Global Offering are based on an indicative Offer Price of HK\$3.93 per Share and HK\$4.73 per Share, respectively, after deduction of the underwriting fees and other related expenses estimated by the Company in connection with the Global Offering and do not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are translated at the exchange rate of HK\$1.00 to RMB0.81419.

- (3) Pursuant to a resolution of the shareholders' meeting held on 26 July 2011, the Company's existing shareholders, Chinalco and Luoyang Institute are entitled to special dividends totalling approximately RMB 326.5 million, representing the increase in net assets between 1 April 2011 and 30 June 2011 and the distributable profit from 1 July 2011 to 30 September 2011. The distributable profit from 1 October 2011 to the date prior to the completion of the Global Offering is available for distribution to Domestic Shareholders and investors of H Shares (please refer to the sub-section headed "Dividend distribution prior to Listing" under the "Financial Information" section for details). The unaudited pro forma adjusted net tangible assets has accounted for the special dividends, which have been recorded as dividend distribution in the consolidated financial information of the Group for the year ended 31 December 2011. The unaudited pro forma adjusted net tangible assets however has not taken into account the effect of any potential dividend distribution relating to the distributable profit from 1 October 2011 to the date prior to the completion of the Global Offering.
- (4) The unaudited pro forma adjusted net tangible assets per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by 2,663,160,000 Shares, being the number of shares in issue assuming the Global Offering has been completed on 31 December 2011 and do not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The unaudited pro forma adjusted net tangible assets per Share is translated at the exchange rate of HK\$1.00 to RMB0.81419.
- (5) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading result or other transaction of the Group entered into subsequent to 31 December 2011.

B. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.



羅兵咸永道

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA ALUMINUM INTERNATIONAL ENGINEERING CORPORATION LIMITED

We report on the unaudited pro forma financial information of China Aluminum International Engineering Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages II-1 to II-2 under the heading of "Unaudited Pro Forma Statement of Adjusted Net Tangible Assets" (the "Unaudited Pro Forma Financial Information") in Appendix II of the Company's prospectus dated 22 June 2012 (the "Prospectus"), in connection with the proposed initial public offering of the shares of the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed initial public offering might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages II-1 to II-2 of the Prospectus.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited consolidated net assets attributable to equity holders of the Company as at 31 December 2011 with the accountant’s report as set out in Appendix I of the Prospectus, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the adjusted net tangible assets of the Group as at 31 December 2011 or any future date.

Opinion

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 22 June 2012

This appendix sets out summaries of certain aspects of PRC laws and regulations, which are relevant to our operations and business. This appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between PRC and Hong Kong company law, certain requirements of the Listing Rules and additional provisions required by the Stock Exchange for inclusion in the articles of association of PRC issuers.

1. PRC LAWS AND REGULATIONS

(a) The PRC legal system

According to the PRC Constitutional Law (《中華人民共和國憲法》), the Law of Organization of the People's Courts of the PRC (《中華人民共和國人民法院組織法》) and the Law of Organization of the People's Procuratorates of the PRC (《中華人民共和國人民檢察院組織法》), the People's Courts consist of the Supreme People's Court, the local people's courts, the military courts and other special people's courts. The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts are further divided into civil, criminal and administrative divisions. The intermediate people's courts have divisions similar to those of the basic people's courts, and other special divisions, such as the intellectual property division, where necessary. The people's courts at lower levels are subject to supervision of the people's courts at higher levels. The Supreme People's Court is the highest judicial organ of the PRC and it has the power to supervise the administration of justice by the local people's courts at all levels and all special people's courts. The people's procuratorates also have the power to exercise legal supervision over the litigation activities of people's courts at the same level or below.

The people's courts have adopted a "second instance as final" appellate system. A party may appeal against a judgment or ruling by the people's court of first instance to the people's court at the next higher level in accordance with the procedures provided by laws. The judgment or the ruling of the second instance by the intermediate people's courts, the higher people's courts and the Supreme People's Court is final and legally binding, first judgments or rulings by the Supreme People's Court are final as well. However, in the case that the Supreme People's Court or the people's court at a higher level finds definite error(s) in the legally effective judgment or ruling by the people's court at a lower level, it has the authority to review the case itself or order the lower-level people court to conduct a retrial.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (hereinafter referred to as the "Civil Procedure Law" sets forth provisions for the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. A civil case is generally heard by a local court in the defendant's place of domicile. An action involving a contractual dispute shall come under the jurisdiction of the people's court in the defendant's place of domicile or where the contract is performed. The parties to a contract may agree in the written contract to choose the people's court of the place where the defendant is

domiciled, where the contract is performed, where the contract is signed, where the plaintiff is domiciled or where the subject matter of the contract is located to be the competent court, provided that the provisions of the Civil Procedure Law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign individual or enterprise generally has the same litigation rights and liabilities as a citizen or legal person of the PRC. Should the courts of a foreign country limit the litigation rights of PRC citizens or enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country.

If any party to a civil action refuses to comply with a legally effective judgment or ruling by a people's court in the PRC, the other party may apply to the people's court for the compulsory enforcement of the judgment or ruling. For an effective award made by an arbitration tribunal and a people's court has not issued a ruling prohibiting the enforcement of such an award, if a party fails to comply with the award, the other party may apply to the people's court for the compulsory enforcement of the award. However, specific time limits are imposed on the right to apply for such compulsory enforcement. The time limit for the submission of an application for enforcement shall be two years. The suspension or termination of the time limit for the submission of an application for enforcement shall be governed by the provisions on the suspension or termination of the statute of limitation.

When a party applies to a people's court for enforcing an effective judgment or ruling by a people's court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country on the mutual recognition and enforcement of judgments and rulings, or if the judgment or ruling satisfies the court's examination based on the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in the violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons related to the public interests.

(b) The PRC Company Law, Special Regulations and Mandatory Provisions

On December 29, 1993, the Company Law of the PRC (《中華人民共和國公司法》) was adopted by the standing committee of the Eighth National People's Congress, (hereinafter referred to as the "NPC") which came into effect on July 1, 1994 and was amended for the first time on December 25, 1999, the second time on August 28, 2004 and the third time on October 27, 2005. The newly amended Company Law of the PRC (hereinafter referred to as the new "company Law") came into effect on January 1, 2006.

The Special Provisions of the State Council Concerning the Flotation and Listing Abroad of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (hereinafter referred to as the "Special Provisions") were adopted by the State Council on July 4, 1994 and took effect on August 4 1994. The Special Provisions applies to the overseas share subscription and listing of joint stock limited companies.

The Mandatory Provisions in Articles of Association of Joint Stock Limited Companies to be Listed Overseas (《到境外上市章程必備條款》) (hereinafter referred to as the “Mandatory Provisions” were promulgated by the former Securities Commission of the State Council and the former State Economic System Restructuring Commission on August 27, 1994, prescribing provisions which must be incorporated into the articles of association of joint stock limited companies to be listed overseas. Therefore, the Mandatory Provisions have been incorporated into the Articles of Association (which are summarized in Appendix IV).

Set out below is a brief summary of the new Company Law and the major provisions of the Special Regulations and the Mandatory Provisions. Copies of the Chinese text of the Company Law, Special Regulations and the Mandatory Provisions together with copies of their unofficial English translations thereof are available for inspection as mentioned in “Appendix VI — Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection”.

(i) General Provisions

A “joint stock limited company”(hereinafter referred to as the “company”)is a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares they hold, and the liability of the company is limited to the full amount of all the assets it owns.

A State-owned enterprise that is restructured into a company must comply with the conditions and requirements specified by laws and administrative regulations for the modification of its operation mechanisms, the handling and evaluation of the company’s assets and liabilities and the establishment of its internal management organs.

A company may invest in other limited liability companies and joint stock limited companies. The liabilities of the company to such invested companies are limited to the amount subscribed. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint and several liabilities associated with the debts of the invested enterprises.

(ii) Incorporation

A company may be incorporated by promotion or public subscription. A company may be incorporated by two to 200 promoters, and at least half of the promoters have their domicile in the PRC. According to the Special Regulations, in the event that state-owned enterprises or enterprises with the majority of their assets owned by the PRC government are restructured, in accordance with the relevant regulations, to joint stock limited companies which issue shares to overseas investors and become overseas listed companies, such companies, if incorporated by promotion, may have fewer than five promoters and can issue new shares once incorporated.

A company incorporated by promotion is one with registered capital entirely subscribed for by the promoters. Where a company is incorporated by public subscription, the promoters are required to subscribe for a portion of the total shares of the company, generally not less than 35%, and the remaining shares can be offered to the public or specific persons.

The registered capital of a company should be RMB5 million at a minimum. The Company Law provides that for companies incorporated by way of promotion, the registered capital shall be the total capital subscribed for by all promoters as registered with the relevant administrative bureau for industry and commerce; the initial capital contribution by all promoters of a company shall not be less than 20% of the registered capital, and the remaining shall be paid up within two years by the promoters from the date of incorporation of the company. For investment companies, the remaining shall be paid up within five years from the date of incorporation of the company; for companies incorporated by way of public subscription, the registered capital is the amount of total paid-up capital as registered with the relevant administrative bureau for industry and commerce. Pursuant to the Securities Law of the PRC (《中華人民共和國證券法》) adopted on December 29, 1998 by the standing committee of the NPC and amended for the first time on August 28, 2004, and the second time on October 27, 2005 (hereinafter referred to as the “Securities Law”), the total capital of a company which proposes to apply for its shares to be listed on a stock exchange shall not be less than RMB30 million.

The promoters shall convene an inaugural meeting within 30 days after the issued shares have been completely paid up and capital verification institutions have issued certificates to prove full payment of the subscription money, and shall give notice to all subscribers or make a public announcement of the date of the inaugural meeting 15 days prior to the meeting. The inaugural meeting may be convened only with the presence of the promoters and subscribers holding shares representing more than 50% of the total issued shares of the company (in case there are directors or supervisors appointed from representatives of staff and workers, such directors and supervisors shall be elected by the staff and workers of the company or the representatives of the staff and workers by democratic means). The inaugural meeting shall exercise certain functions and powers including adopting the draft articles of association and electing the board of directors and the supervisory committee of the company. Any resolution of the meeting shall be approved by subscribers with more than half of the voting rights of those present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the company. A company is formally established once the registration has been approved by the relevant administrative bureau for industry and commerce and a business license has been issued.

The promoters of a company shall individually and jointly be liable for: (i) the payment of all expenses and liabilities incurred in the incorporation process if the company cannot be incorporated; (ii) the repayment of subscription monies to the subscribers together with interest at bank rates for a deposit of the same term if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

(iii) Share capital

The promoters may make capital contribution in currency or in non-currency property that may be valued in currency and transferable such as physical objects, intellectual property and land use rights, non-currency property contributed as capital shall be valued and verified. The amount of capital contribution in currency by all shareholders shall not be less than 30% of the company's registered capital.

A company may issue registered or bearer shares. However, Shares issued by a company to a promoter or a legal person shall be registered shares and shall bear the name of such promoter or legal person. No separate account with a different name may be opened for such shares, nor may such shares be registered in the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in RMB and subscribed for in foreign currency. Pursuant to the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from Hong Kong, Macau and Taiwan and listed overseas are defined as overseas-listed-foreign-invested shares, and those issued to investors within the PRC other than the aforementioned areas are defined as domestic shares. Qualified Foreign Institutional Investors approved by China Securities Regulatory Commission (hereinafter referred to as the "CSRC") may hold domestic listed shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. According to the Special Regulations, upon approval of the CSRC, a company may agree, in the underwriting agreement on issuing overseas-listed-foreign-invested shares, to retain not more than 15% of the aggregate amount of overseas-listed-foreign-invested shares proposed to be issued (after accounting for the number of underwritten shares).

The share offering price may be equal to or greater than par value, but may not be Less than par value.

The transfer of shares by shareholders shall be conducted in legally established stock exchanges or via other methods as stipulated by the State Council. The transfer of registered shares by a shareholder must be conducted by means of an endorsement or by other means stipulated by Chinese laws or by administrative regulations. Bearer shares are transferred by delivery of the share certificates to the transferee.

No modification registration shall be made to the registrar of shareholders within twenty (20) days prior to the shareholders' assembly being held or within five (5) days prior to the benchmark date set for the purpose of distribution of dividends.

Shares held by a promoter of a company may not be transferred within one year after the date of the company's incorporation. Shares issued by a company prior to the public offering may not be transferred within one year from the date of listing of the shares of the company on a stock exchange. During their term of office, directors, supervisors and senior management of a company

shall not transfer over 25% of the total shares held by each of them in the company each year. They shall, within one year, not transfer any share of the company held by each of them after the listing date, and may not transfer the shares in the company they holds within six months after they leave office.

(iv) Increase in capital

An increase in the capital of a company by means of an issue of new shares must be approved by shareholders in general meeting. Except for abovementioned conditions of obtaining approval at the general meeting, the Securities Law requires the following conditions for a company to offer new shares to the public: (i) a complete and well-operated organization; (ii) capability of making profits continuously and a healthy financial status; (iii) no false records or significant irregularities in its financial and accounting documents over the last three years; (iv) fulfill any other requirements as prescribed by the securities administration authority of the State Council as approved by the State Council.

The public offer of new requires the approval of the securities administration authority of the State Council. After payment in full for the new shares issued, a company must modify its registration with the relevant administrative bureau for industry and commerce and issue a public notice accordingly.

(v) Reduction of share capital

Subject to the minimum registered capital requirements, a company may reduce its registered capital in accordance with the following procedures stipulated by the Company Law:

- the company shall prepare a balance sheet and an inventory of assets;
- the reduction of general meeting registered capital must be approved by shareholders in the general meeting;
- the company shall inform its creditors of the reduction in capital within ten days and publish an announcement of the reduction in newspapers within 30 days once the resolution approving the reduction in capital being passed;
- creditors of the company may require the company to clear its debts or provide guarantees covering the debts within the statutory time limit; and
- the company must apply to the relevant administrative bureau for industry and commerce for registration of the reduction in registered capital.

(vi) Repurchase of shares

A company shall not purchase its own shares other than for the following purposes:

- to reduce the registered capital;
- to merge with another company (companies) holding its shares;
- to grant shares as a reward to the staff of the company;
- to purchase the company's own shares upon request of its shareholders who object to a resolution of the shareholders' general meeting regarding the merger or division of the company.

The shares repurchased by the company as a reward to its staff shall not exceed 5% of the total number of its issued shares. Any fund for the repurchase shall be paid out of after-tax profits of the

company, and the shares repurchased shall be transferred to the staff of the company within one year. The Mandatory Provisions stipulate that upon the adoption of a resolution in accordance with procedures provided in the articles of association of the company and obtainment of approvals from relevant supervisory authorities, a company may, for the aforementioned purposes, repurchase its issued shares by following means: a) making a general offer in the same proportion to all shareholders; b) purchase through open transactions on a stock exchange; c) repurchase by an agreement outside a stock exchange.

A company may not accept its own shares as the subject matter of a pledge.

(vii) Transfer of shares

A shareholder shall transfer his/her shares in stock changes established pursuant to laws or by other means as stipulated by the State Council. Registered shares may be transferred by endorsement or in any other manner specified in applicable laws and regulations. Bearer shares are transferred by delivery of the share certificates to the transferee.

Shares held by the promoter(s) of a company shall not be transferred within one (1) year from the date of incorporation of the company. Shares issued by a company prior to the public offer of its shares shall not be transferred within one (1) year from the date of its shares being listed on a stock exchange.

(viii) Shareholders

The articles of association of a company set forth the shareholders' rights and liabilities and are binding on all the shareholders. Pursuant to the Company Law and the Mandatory Provisions, a shareholder' rights include:

- the right to receive dividends and other profit distributions based on the number of shares held;
- the right to attend in person or appoint a representative to attend the shareholders' general meeting and to vote in respect of the amount of shares held;
- the right to supervise and manage the company's business operation, and to put forward proposals or raise questions;
- the right to transfer his/her shares in accordance with applicable laws and regulations as well as the articles of association;
- the right to obtain surplus assets of the company upon its termination or liquidation based on the number of shares held;
- the right to claim against other shareholders who abuse their rights of shareholders for the damages;
- if the procedure for convening the shareholders' meeting or shareholders' general meeting or the meeting of the board of directors, or the method of voting violates laws, administrative regulations or the articles of association of the company, or if the contents of a resolution violate the articles of association of the company, a shareholder may present a petition to a people's court for cancellation of resolution;
- any other shareholders' rights specified in laws, regulation and the articles of association.

The liabilities of shareholders include: abide by the articles of association of the company; pay the subscription monies in respect of shares subscribed for; be liable for debts and liabilities of the

company to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up; no abuse of shareholders' rights to damage the interests of the company or other shareholders of the company; no abuse of the independent status of the company as a legal person and the limited liability of shareholders to damage the interests of the creditors of the company; and any other liability specified in the articles of association of the company.

(ix) Shareholders' general meeting

The shareholders' general meeting shall be the organ of authority of the company and shall exercise the following functions and powers in accordance with the Company Law:

- to decide on the business policies and investment plans of the company;
- to elect and replace directors and supervisors that is not appointed from representatives of staff and workers, and to decide on matters concerning the remuneration of directors and supervisors;
- to consider and approve reports of the board of directors;
- to consider and approve reports of the supervisory board or supervisors;
- to consider and approve the company's proposed annual financial budgets and final accounts;
- to consider and approve the company's profit distribution plans and plans for making up losses;
- to pass resolutions on the increase or reduction of the company's registered capital;
- to pass resolutions on the issuance of corporate bonds;
- to pass resolutions on matters such as the merger, division, dissolution, liquidation or change of the corporate form of the company;
- to amend the articles of association of the company; and
- other functions and powers specified in the articles of association of the company.

The shareholders' annual general meeting shall be held once every year. An extraordinary shareholders' general meeting shall be convened within two months of the occurrence of any of the following circumstances:

- the number of directors is less than the number stipulated in the Company Law or less than two-thirds of the number specified in the articles of association of the company;
- the losses of the company that have not been made up reach one-third of the total paid-up share capital;
- it is requested by a shareholder that independently holds, or by the shareholders that hold in aggregate, 10% or more of the company shares;
- it is considered necessary by the board of directors;
- it is proposed by the supervisory board; or
- other circumstances specified by the articles of association of the company.

The shareholders' general meeting shall be convened by the board of directors and shall be presided over by the chairman of the board of directors.

The notice to convene the shareholders' general meeting shall be dispatched to all the shareholders 20 days before the general meeting pursuant to the Company Law, and 45 days pursuant to the Special Regulations and the Mandatory Provisions, stating the matters to be reviewed at the general meeting as well as the date and place of the meeting, shareholders intending to attend are required to send written confirmations of their attendance to the company 20 days before the general meeting. There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting, although the Special Regulations and the Mandatory Provisions provide that a company's annual general meeting may be convened when replies to the notice of that meeting from shareholders holding shares representing 50% of the voting rights in the company have been received 20 days before the proposed date, or if that 50% level is not achieved, the company shall within five days of the last day for receipt of the replies notify shareholders again by public announcement of the matters to be considered at the meeting and the date and place of the meeting, and the annual general meeting may be held thereafter.

The Mandatory Provisions require class meetings to be held in the event of a variation or derogation of the class rights of a class. Holders of domestic invested shares and holders of overseas listed foreign invested shares are deemed to be different classes of shareholders for this purpose.

According to the Company Law, a shareholder that independently holds, or the shareholders that hold in aggregate, 3% or more of the shares of the company may submit an extraordinary resolution in writing to the board of directors at least 10 days before a shareholders' general meeting is held. According to the Special Regulations, at the annual shareholders' general meeting of the company, shareholders with 5% or more of the voting rights in the company are entitled to propose to the company in writing new resolutions to be reviewed at the general meeting, which if within the functions and powers of the shareholders' general meeting, are required to be added to the agenda of the general meeting.

Shareholders present at the shareholders' general meeting possess one vote for each share they hold. However, the company shall have no vote for any of its own shares the company holds. A shareholder may entrust a proxy to attend a shareholders' general meeting. The proxy shall present a power of attorney issued by the shareholder to the company and shall exercise his voting rights within the authorization scope. Resolutions proposed at the shareholders' general meeting shall be approved by more than half of the voting rights cast by shareholders present (including in person and by proxy) at the general meeting, except that such resolutions as the amendment to the articles of association, increase or reduction of registered capital, merger, division or the change in the form of the company shall be approved by shareholders with more than two-thirds of the voting rights cast by shareholders present at the general meeting.

(x) Directors

A company limited by shares shall have a board of directors of 5 to 19 members. The members of the board of directors may include representatives of the staff and workers of the company. The representatives of the staff and workers among the members of the board of directors shall be

democratically elected by the staff and workers of the company through the staff and workers' congress, the staff and workers' general meeting or other means. The term of office of the directors shall be provided for by the articles of association, but each term of office shall not exceed three years. The directors may hold consecutive terms upon re-election.

Under the Company Law, the board of directors exercises the following functions and powers:

- to convene the shareholders' meeting and to report on its work to the shareholders' meeting;
- to implement the resolutions of the shareholders' meeting;
- to decide on the business plans and investment plans of the company;
- to formulate the company's proposed annual financial budgets and final accounts;
- to formulate the company's profit distribution plans and plans for making up losses;
- to formulate plans for the company's increase or reduction of the registered capital
- to formulate plans for the merger, division, dissolution or change of corporate form of the company;
- to decide on the establishment of the company's internal management organization;
- to decide on the employment or dismissal of the manager of the company and his remuneration, and to decide on the employment or dismissal of the deputy manager(s) and person(s) in charge of financial affairs of the company according to the recommendations of the manager and on their remuneration;
- to formulate the basic management system of the company; and
- other functions and powers specified in the articles of association of the company.

In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendment of the articles of association of a company.

Meetings of the board of directors shall be convened at least twice a year. A notice of meeting shall be given to all directors and supervisors at least ten days before the meeting. The board of directors may provide for a different method of giving notice and notice period for convening an extraordinary meeting of the board of directors.

Meetings of the board of directors may be held only if attended by more than half of the directors. Resolutions of the board of directors must be adopted by more than half of all directors. If a director for any reason is unable to attend the meeting, he may appoint another director in writing to attend the meeting on his behalf, and the power of attorney shall specify the scope of authorization.

The directors shall bear liability for the resolutions of the board of directors. If a resolution of the board of directors violates any law or administrative regulation, or the company's articles of association or a resolution of the shareholders' general meeting, thereby causing the company to incur serious losses, the directors that took part in such resolution shall be liable to the company for compensation. However, if a director is proved to have expressed his objection to the resolution at the time of voting and the objection is recorded in the minutes of the meeting, such director may be released from such liability.

The board of directors shall have one chairman of the board and may have a vice chairman (or vice-chairmen) of the board. The chairman and vice-chairman (or vice-chairmen) of the board shall be elected by more than half of all directors. The chairman of the board shall convene and preside over the meetings of the board of directors and inspect the implementation of the resolutions of the board of directors.

The office of legal representative of a company shall be served by the chairman of the board, the executive director or the manager of the company as stipulated in the articles of association of the company.

(xi) Supervisors

A company shall have a supervisory board of no fewer than three members. The supervisory board shall include representatives of the shareholders and an appropriate ratio of the representatives of the company's staff and workers, where the ratio of the staff and workers' representatives shall not be less than one-third. Directors and senior management personnel may not concurrently serve as supervisors. The term of office of a supervisor shall be three years. If re-elected upon expiration of his term of office, a supervisor may serve consecutive terms.

The supervisory board shall exercise the following functions and powers:

- to examine the company's financial affairs;
- to supervise the execution of company duties by the directors and the senior management personnel and to recommend the removal of directors and senior management personnel that violate laws, administrative regulations, the articles of association of the company or the resolutions of the shareholders' meeting;
- when an act of a director or senior management personnel is harmful to the company's interests, to require the director or senior management personnel to rectify such act;
- to propose the convening of extraordinary shareholders' meetings and to convene and preside over the shareholders' meeting when the board of directors fails to perform the duties of convening and presiding over the shareholders' meeting;
- to give proposals to the shareholders' meeting;
- to institute proceedings against the directors and senior management personnel upon shareholders' request if a director or senior management personnel violates the provisions of laws, administrative regulations or the articles of association of the company in the execution of company duties, thereby causing losses to the company;
- other functions and powers specified in the articles of association of the company.

(xii) Manager and other senior management personnel

A company shall have a manager, who shall be engaged or dismissed by the board of directors. The board of directors of a company may decide that a member of the board of directors shall serve concurrently as the manager.

According to the Company Law, the manager shall be accountable to the board of directors and shall exercise the following functions and powers:

- to be in charge of the production, operation and management of the company, and to organize the implementation of the resolutions of the board of directors;

- to organize the implementation of the annual business plans and investment plans of the company;
- to draft the plan for the establishment of the company's internal management organization;
- to draft the basic management system of the company;
- to formulate the specific rules and regulations of the company;
- to request the employment or dismissal of the deputy manager(s) and person(s) in charge of financial affairs of the company;
- to decide on the employment or dismissal of management personnel other than those to be employed or dismissed by the board of directors; and
- other functions and powers delegated by the board of directors.

Where the articles of association of the company have other provisions on the functions and powers of the manager, such provisions shall prevail.

Pursuant to the Company law, besides manager, the other senior management personnel include deputy manager and person in charge of financial affairs of a company, the secretary to the board of directors and other personnel specified in the articles of association.

(xiii) Qualifications and obligations of directors, supervisors and senior management Personnel

According to the Company Law, a person may not serve as a company's director, supervisor or senior management personnel if he is:

- a person with no or limited capacity for civil acts;
- a person that was sentenced to criminal punishment for the crime of corruption, bribery, encroachment of property, misappropriation of property or disruption of the order of the socialist market economy, and not more than five years has elapsed since the expiration of the enforcement period; or a person that was deprived of his political rights for committing a crime, and not more than five years has elapsed since the expiration of the enforcement period;
- a director, factory director or manager of a company or enterprise liquidated upon bankruptcy that was personally responsible for the bankruptcy of the company or enterprise, and not more than three years has elapsed since the date of completion of the bankruptcy liquidation;
- legal representative of a company or enterprise that had its business license revoked and had been closed down by order for violation of law, for which such representative bears individual liability, and not more than three years has elapsed since the date on which the business license of the company or enterprise was revoked; and
- a person with a comparatively large amount of personal debts due and unsettled.

A director, supervisor, manager and other senior officers of a company are required under the Company Law to comply with the relevant laws, regulations and the company's articles of association, carry out their duties honestly and protect the interests of the company. The Company Law, the Special Regulations and the Mandatory Provisions also provide that a director, supervisor, manager and other senior officers of a company owe fiduciary duties and diligence duties to the company, in the exercise of their rights or discharge of their obligations, they shall perform their due acts with care, diligence and skill as a reasonable and prudent person should do under similar circumstances, and shall not place themselves in a position where there is a conflict between their

personal interests and their duties. The obligation and credibility of the Company's directors, supervisors, manager and other senior management personnel does not necessarily cease with the termination of their office. Their confidentiality obligation in relation to the company's trade secrets shall remain upon termination of their office.

A director, supervisor, manager and other senior management personnel who violates any law, regulation or the company's articles of association in the performance of his duties which results in any loss to the company shall be personally liable to the company.

(xiv) Financial affairs and accounting

Companies shall establish their own financial and accounting systems in accordance with laws, administrative regulations, and regulations of the finance department of the State Council. Companies shall prepare financial and accounting reports at the end of each fiscal year. Such reports shall be audited by an accounting firm according to law.

The financial and accounting reports of the company shall be made available at the company for the perusal of shareholders 20 days before the annual shareholders' general meeting is held. Companies that issue shares to the public must announce their financial and accounting reports.

When a company distributes its after-tax profits for a given year, it shall allocate 10% of profits to its statutory common reserve. A company shall no longer be required to make allocations to its statutory common reserve once the aggregate amount of such reserve exceeds 50% of its registered capital. If a company's statutory common reserve is insufficient to make up its losses of the previous years, such losses shall be made up from the profit for the current year prior to making allocations to the statutory common reserve. A company may, if so resolved by the shareholders' general meeting, make allocations to the discretionary common reserve from its after-tax profits after making allocations to the statutory common reserve from the after-tax profits.

A company's after-tax profits remaining after it has made up its losses and made allocations to its common reserve shall be distributed in proportion to the shareholdings of its shareholders, unless the articles of association of the company stipulate that the profits shall not be distributed in proportion to the shareholdings.

A company shall enter under its capital common reserve the premiums earned from the issue of shares above par and such other revenue as the finance department of the State Council requires to be entered under the capital common reserve.

A company may apply its common reserve to making up their losses, increasing their production and business operations, or increasing their capital by means of conversion. However, the capital common reserve may not be used to make up the losses of the company. When funds from the statutory common reserve are converted to capital, the funds remaining in such reserve shall amount to not less than 25% of the increased registered capital.

(xv) Appointment and retirement of auditors

The Special Regulations require a company to employ an independent PRC qualified accounting firm to audit the company's annual report and review and check other financial reports. The auditors are to be appointed for a term commencing from the close of an annual general meeting and ending at the close of the next annual general meeting.

If a company removes or ceases to continue to appoint the auditors, it is required by the Special Regulations to give prior notice to the auditors and the auditors are entitled to make representations before the shareholders in general meeting. The appointment, removal or non re-appointment of auditors shall be decided by the shareholders at shareholders' general meetings and shall be filed with the CSRC for record.

(xvi) Distribution of profits

The Special Regulations and the Mandatory Provisions provide that the dividends and other distributions to be paid to holders of overseas listed foreign invested shares shall be declared and calculated in Renminbi and paid in foreign currency, the payment of foreign currency to shareholders shall be made through a receiving agent.

(xvii) Amendments to articles of association

Any amendments to the company's articles of association must be made in accordance with the procedures set forth in the company's articles of association. Any amendment of provisions incorporated in the articles of association in connection with the matters provided for in the Mandatory Provisions will only be effective after approval by the companies' approval department authorized by the State Council and the CSRC. In relation to matters involving the company's registration, the company shall modify its registration with the companies' registration authority.

(xviii) Dissolution and liquidation

Under the Company Law, a company shall be dissolved as a result of the following:

- when the term of operation as specified in the company's articles of association expires or another reason for dissolution as specified in the company's articles of association arises;
- if the shareholders' meeting or shareholders' general meeting resolves to dissolve the company;
- if dissolution is necessary as a result of the merger or division of the company;
- its business license has been revoked, or it is ordered to close down or is banned according to law; or
- it is ordered to be dissolved by the people's court where there are serious difficulties in the operation and management of the company and the continual existence would cause major losses to the rights and interests of the shareholders, and the matter cannot be resolved through other means, shareholders representing 10% or more of the voting rights of all shareholders of the company present a petition to the people's court for dissolution of the company.

When a company is to be dissolved pursuant to the above Item a), b), d) or e), it shall establish a liquidation committee and commence liquidation within 15 days of the date of occurrence of the

grounds for dissolution, such liquidation committee shall be composed of persons decided upon by the shareholders' general meeting. If no liquidation committee is established within the time limit, creditors may request the people's court to designate relevant persons to form a liquidation committee and carry out liquidation.

A liquidation committee shall notify creditors within a period of 10 days commencing from the date of its establishment and, within 60 days, make newspaper announcement of the liquidation. Creditors shall, within a period of 30 days commencing from the date of receipt of the written notification, or within a period of 45 days commencing from the date of the announcement for those who do not receive written notification, declare their claims to the liquidation committee.

A liquidation committee shall exercise the following functions and powers during liquidation:

- to thoroughly examine the property of the company and prepare a balance sheet and a schedule of property, respectively;
- to notify creditors by notice or announcement;
- to dispose of and liquidate relevant unfinished business of the company;
- to pay all outstanding taxes in full as well as taxes arising in the course of liquidation;
- to clear the claims and debts;
- to dispose of the property remained after full payment of the company's debts; and
- to participate in civil litigation activities on behalf of the company.

If the liquidation committee, having thoroughly examined the company's property and prepared a balance sheet and a schedule of property, discovers that the company's property is insufficient to pay its debts in full, it shall apply to the people's court for declaration of insolvency according to law. If the company's property is sufficient to pay its debts, the liquidation committee shall formulate a liquidation plan and submit the same to the shareholders' general meeting or the people's court for confirmation. The property of a company remained after the property is respectively applied to payment of the liquidation expenses, the wages, social insurance premiums and statutory compensation of staff and workers and the outstanding taxes, and to full payment of the debts of the company shall be distributed in proportion to the shareholdings of its shareholders.

Following the completion of liquidation, the liquidation committee shall compile a liquidation report and submit the same to the shareholders' general meeting or the people's court for confirmation, as well as to the company registry for applying for cancellation of the company's registration, and announce the company's termination.

(xix) Overseas listing

A company may issue shares to overseas investors after obtaining approval from the securities regulatory authority of the State Council and its shares may be listed overseas.

According to the Special Regulations, a company's plan to issue overseas listed foreign invested shares and domestic invested shares which has been approved by the securities regulatory authority of the State Council may be implemented by the board of directors of a company by way of separate issues, within 15 months after approval is obtained.

(xx) Loss of H share certificates

The Special Regulations and the Mandatory Provisions provide that in the case of loss of share certificates by the shareholders of foreign capital shares listed overseas, an application for re-issue may be handled in accordance with the law or rules of the securities exchanges or other relevant regulations of the place where the original copy of the register of shareholders of foreign capital shares listed overseas is kept.

(xxi) Suspension and termination of listing

The Securities Law provides that where a listed company is in one of the following circumstances, the stock exchange shall decide to suspend the listing and trading of its shares:

- there is a change in the total share capital, equity distribution, etc., of the company and the listing conditions are no longer fulfilled;
- the company fails to disclose its financial status as required, or there are falsehoods in the financial and accounting reports that may mislead investors;
- the company has committed a major illegal act;
- the company has suffered continuous losses for the most recent three years; or
- other circumstances stipulated in the listing rules of the stock exchange.

Under the Securities Law, the relevant stock exchange shall have the right to terminate the listing of the shares of the company in the following cases: in the event that the conditions for listing are not satisfied within the period stipulated by the relevant stock exchange as described in a) above, or the company has refused to rectify the situation in the case described in b) above, or the company fails to become profitable in the next subsequent year in the case described in d) above, or the company is dissolved or declared bankrupt, the relevant stock exchange shall have the right to terminate the listing of the shares of the company.

(xxii) Merger and demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the Company that is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

(c) Securities law and other relevant regulations

The PRC has promulgated a number of laws and regulations that relate to the issue and trading of the Shares. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee was the competent authority in charge of macro administration of national securities market, its major responsibilities include co-ordinating the drafting of securities laws and regulations, researching into and formulating securities-related policies, planning the development of securities markets, directing, coordinating, supervising and inspecting all securities-related work in the PRC and administering the CSRC. The CSRC was the regulatory body of the Securities Committee and responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating the offering and trading of securities, regulating public offers of securities by PRC companies in the PRC or overseas.

On April 22, 1993, the State Council promulgated the Interim Provisions on the Administration of Issuing and Trading Securities (《股票發行與交易管理暫行條例》). These provisions set forth the relevant rules to be complied with for conducting issuing, trading and other related activities in the PRC, including the conditions and procedures for issuing and trading stocks, acquisition of listed companies, information disclosure by listed companies, investigation and penalties and dispute settlement. These provisions also provided expressly that a company must obtain the approval of the Securities committee to offer its shares outside the PRC directly and indirectly and carry out offshore trading of its stock, the specific measures would be formulated separately.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Liability Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations mainly deal with the issuance, subscription, trading and declaration of dividends and information disclosure related to joint stock limited liability companies with domestically listed foreign shares.

On July 14, 1999, the CSRC issued the Circular on Problems Relating to Applying for Overseas Listing of Enterprises (《關於企業申請境外上市有關問題的通知》), mainly dealing with the conditions, application documents and approval procedures for companies that applied for overseas listing.

The Securities Law, revised on October 27, 2005 for the second time and coming into effect on January 1, 2006, comprehensively regulates activities in the PRC securities market. This law regulates, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law provides that a PRC company must obtain prior approval from the State Council's regulatory authorities to offer securities to overseas investors directly or indirectly and list its shares outside the PRC. The Securities Law also provides that specific measures in respect of shares of companies in the PRC which are to be subscribed and traded in foreign currencies shall be separately formulated by the State Council.

(d) Arbitration and enforcement of arbitral awards

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (hereinafter referred to as the "Arbitration Law") was passed by the Standing Committee of the NPC on August 31, 1994 and became effective on September 1, 1995. It is applicable to contract disputes and other property disputes between equal natural person, legal person and other organizations where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case unless the arbitration agreement is null and void.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the

people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration body against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認和執行外國仲裁裁決公約》) (hereinafter referred to as the "New York Convention") on December 2, 1986, the New York Convention has taken effect in China since April 22, 1987. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the State to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations. In June 1999, the Arrangement Concerning Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong SAR (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) was made between Hong Kong and the Supreme People's Court for the mutual enforcement of arbitral awards. This new arrangement was approved by the Supreme People's Court and the Hong Kong Legislative Council, and became effective on February 1, 2000. Under the arrangement, awards made by PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards are also enforceable in the PRC.

(e) Judicial judgment and its enforcement

Under the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of the Mainland and Hong Kong SAR Pursuant to Agreed Jurisdiction by Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) issued by the Supreme People's court on July 3, 2008 and taking effect since August 1, 2008, in the case of final judgment, defined with payment amount and enforcement power, made between mainland court and Hong Kong SAR court in civil and commercial case with written jurisdiction agreement, the parties concerned shall apply to mainland people's court or Hong Kong SAR court for recognition and enforcement based on this arrangement. "Choice of court agreement in written" in this arrangement refers to a written agreement defining the exclusive jurisdiction of either the mainland people's court or Hong Kong SAR in order to resolve dispute with particular legal relation occurred or likely to occur by the parties concerned since effective date of this arrangement. According to this arrangement, the parties concerned may apply to the courts in the mainland or Hong Kong to recognize and enforce the final judgment made by the courts in Hong Kong or the Mainland that meet certain conditions under this arrangement.

2. HONG KONG LAWS AND REGULATIONS**(a) Company Law**

The Hong Kong law applicable to a company having share capital incorporated in Hong Kong is based on the Companies Ordinance and is supplemented by common law. The Company, which is a joint stock limited company established in the PRC, is governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law applicable to a joint stock limited company established in the PRC issuing overseas listed foreign shares to be listed on the Hong Kong Stock Exchange.

Set out below is a summary of the material differences between the Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison:

(i) Corporate existence

Under Hong Kong company law, a company having share capital is incorporated by the Registrar of Companies in Hong Kong issuing a certificate of incorporation and upon its incorporation, a company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company.

Under the PRC Company Law, a joint stock limited company may be incorporated by either the promotion method or the subscription method. A joint stock limited company must have a minimum registered capital of RMB5 million, or higher as may otherwise be required by the laws and regulations. Hong Kong law does not prescribe any minimum capital requirements for a Hong Kong company. Under the PRC Company Law, the monetary contributions by all the shareholders must not be less than 30% of the registered capital. There is no such restriction on a Hong Kong company under Hong Kong law.

(ii) Share capital

Under Hong Kong law, the authorized share capital of a Hong Kong company is the amount of share capital which the company is authorized to issue and a company is not bound to issue the entire amount of its authorized share capital. For a Hong Kong company, the authorized share capital may be larger than the issued share capital. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The PRC Company Law does not recognize the concept of authorized share capital. The registered capital of a joint stock limited company is the amount of the issued share capital. Any increase in registered capital must be approved by the shareholders in general meeting and by the relevant PRC governmental and regulatory authorities.

Under the PRC Law, a company which is authorised by the relevant securities administration authority to list its shares on a stock exchange must have a registered capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or under-valuation of the assets. The monetary contribution shall not be less than 30% of a joint stock limited company's registered capital. There is no such restriction on a Hong Kong company under Hong Kong law.

(iii) Restrictions on shareholding and transfer of shares

Under PRC law, the domestic shares ("domestic shares") in the share capital of a joint stock limited company which are denominated and subscribed for in Renminbi may only be subscribed or traded by the State, PRC legal and natural persons. The overseas listed foreign shares ("foreign shares") issued by a joint stock limited company which are denominated in Renminbi and subscribed for in a currency other than Renminbi may only be subscribed and traded by investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC.

Under the PRC Company Law, shares in a joint stock limited company held by its promoters cannot be transferred within one year after the date of establishment of the company. Shares in issue prior to the company's public offering cannot be transferred within one year from the listing date of the shares on the Hong Kong Stock Exchange. Shares in a joint stock limited company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six month lock up on the Company's issue of shares and the 12 month lock up on controlling shareholders' disposal of shares, as illustrated by the undertakings given by the Company and the Parent to the Hong Kong Stock Exchange as described in the section of this prospectus "Underwriting."

(iv) Financial assistance for acquisition of shares

The PRC Company Law does not contain any provision prohibiting or restricting a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. The Mandatory Provisions contain certain restrictions on a company and its subsidiaries providing such financial assistance similar to those under Hong Kong company law.

(v) Variation of class rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variation of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the articles of association, which are summarised in "Appendix IV — Summary of the Articles of Association" to this prospectus. Under the Companies Ordinance, no rights attached to any class of shares can be

varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of the company or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions. The Company (as required by the Hong Kong Listing Rules and the Mandatory Provisions) have adopted in the articles of association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed shares and domestic listed shares are defined in the articles of association as different classes, except in the case of (i) where the Company issues, upon the approval by special resolution of its shareholders in general meeting, either separately or concurrently once every twelve (12) months, not more than 20% of each of its existing issued domestic shares or overseas listed foreign-invested shares; (ii) where the Company completes, with fifteen (15) months from the date on which approval is given by the securities regulatory authorities of the State Council, its plan (made at the time of its establishment) to issue domestic shares and overseas-listed foreign-invested shares; and (iii) where shares of our Company registered on our domestic share register may be transferred to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange, subject to the approval of the securities regulatory authorities of the State Council.

(vi) Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of interests in material contracts, restrictions on interested directors being counted towards the quorum of and voting at a meeting of the board of directors at which a transaction in which a director is interested is being considered, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits such as loans to directors and guarantees in respect of directors' liability and prohibition against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain requirements and restrictions in relation to the foregoing matters similar to those applicable under Hong Kong law.

(vii) Supervisory committee

Under the PRC Company Law, the board of directors and managers of a joint stock limited company is subject to the supervision and inspection of a supervisory committee but there is no mandatory requirement for the establishment of a supervisory committee for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise under comparable circumstances.

(viii) Derivative action by minority shareholders

Hong Kong law permits minority shareholders to start a derivative action on behalf of a company against directors who have been guilty of a breach of their fiduciary duties to the company, if such directors control a majority of votes at a general meeting thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law gives shareholders of a joint stock limited company the right that in the event that the directors and senior managers violate their fiduciary obligations to a company, shareholders individually or jointly

holding over 1% of the shares in the company for more than 180 days consecutively may request in writing the supervisory committee to initiate proceedings in the People's Court. In the event that the supervisory committee violates their fiduciary obligations to a company, the above said shareholders may request in writing the board of directors to initiate proceedings in the People's Court. Upon receipt of such request in writing from the shareholders, if the supervisory committee or the board of directors refuse to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall for the benefit of the company's interests, have the right to initiate proceedings directly to the court in its own name. The Mandatory Provisions further provide remedies to the company against directors, supervisors and officers in breach of their duties to the company. In addition, every director and supervisor of a joint stock limited company applying for a listing of its foreign shares on the Hong Kong Stock Exchange is required to give an undertaking in favor of the company to comply with the company's articles of association. This allows minority shareholders to act against directors and supervisors in default.

(ix) Protection of minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards. The Mandatory Provisions, however, contain provisions to the effect that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of some part of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

(x) Notice of shareholders' meetings

Under the PRC Company Law, notice of a shareholders' general meeting must be given 20 days before the meeting, while notice of an extraordinary meeting must be given 15 days before the meeting or, in the case of a company having bearer shares, a public announcement of a shareholders' general meeting must be made 30 days prior to it being held. Under the Special Regulations and the Mandatory Provisions, 45 days' written notice must be given to all shareholders and shareholders who wish to attend the meeting must reply in writing 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum notice periods of a general meeting convened for passing an ordinary resolution and a special resolution are 14 days and 21 days, respectively; and the notice period for an annual general meeting is 21 days.

(xi) Quorum for shareholders' meetings

Under Hong Kong law, the quorum for a general meeting is two members unless the articles of association of the company otherwise provide. For one member companies, one member will be a quorum. The PRC Company Law does not specify any quorum requirement for shareholders' general meeting but the Special Regulations and the Mandatory Provisions provide that a company's general meeting can be convened when replies to the notice of that meeting have been received from

shareholders whose shares represent 50% of the voting rights in the company at least 20 days before the proposed date of the meeting. If that 50% level is not achieved, the company shall within five days notify shareholders by public announcement and the shareholders' general meeting may be held thereafter.

(xii) Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires more than one half of the votes cast by shareholders present in person or by proxy at a shareholders' general meeting except in cases of proposed amendment to the articles of association, increase or reduction of share capital, and merger, demerger or dissolution of a joint stock limited company or changes to the company status, which require two-thirds or more of votes cast by shareholders present at a shareholders' general meeting.

(xiii) Financial disclosure

A joint stock limited company is required under the PRC Company Law to make available at its office for inspection by shareholders its annual balance sheet, profit and loss account, changes in financial position and other relevant annexures 20 days before the annual general meeting of shareholders. In addition, a company established by the public subscription method under the PRC Company Law must publish its financial situation. The annual balance sheet has to be verified by registered accountants. The Companies Ordinance requires a company to send to every shareholder a copy of its balance sheet, auditors' report and directors' report which are to be laid before the company in its annual general meeting not less than 21 days before such meeting.

A joint stock limited company is required under the PRC law to prepare its financial statements in accordance with the PRC accounting standards. The Mandatory Provisions require that the company must, in addition to preparing accounts according to the PRC standards, have its accounts prepared and audited in accordance with International Accounting Standards or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC accounting standards.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

(xiv) Information on directors and shareholders

The PRC Company Law gives shareholders the right to inspect the articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the Articles of Association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

(xv) Receiving agent

Under both the PRC and Hong Kong law, dividends once declared become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years while that under the PRC law is two years. The Mandatory Provisions require the appointment of a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of foreign shares dividends declared and all other monies owed by a joint stock limited company in respect of such foreign shares.

(xvi) Corporate reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of being wound up voluntarily to another company pursuant to section 237 of the Companies Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to section 166 of the Companies Ordinance which requires the sanction of the court. Under PRC law, the merger, demerger, dissolution or change to the status of a joint stock limited company has to be approved by shareholders in general meeting.

(xvii) Arbitration of disputes

In Hong Kong, disputes between shareholders and a company incorporated in Hong Kong or its directors may be resolved through the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice.

(xviii) Mandatory transfers

Under the PRC Company Law, a joint stock limited company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no such requirements under Hong Kong law.

(xix) Remedies of a company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, in compliance with the Mandatory Provisions, our Articles of Association set out remedies to our Company similar to those available under Hong Kong law (including recovery of profits made by a director, supervisor or officer).

(xx) Dividends

The articles of association of a company empower the company to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. A company shall not exercise its powers to forfeit any unclaimed dividend in respect of its listed foreign shares until after the expiry of the applicable limitation period.

(xxi) Fiduciary duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law and the Special Regulations, directors, supervisors, officers, and managers owe a fiduciary duty towards a company and are not permitted to engage in any activities which compete with or damage the interests of the company.

(xxii) Closure of register of shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas the articles of association of a company provide, as required by the PRC Company Law and the Mandatory Provisions, that share transfers may not be registered within 30 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

(b) Hong Kong Listing Rules

The Hong Kong Listing Rules provide additional requirements which apply to an issuer which is incorporated in the PRC as a joint stock limited company and seeks a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of such principal additional requirements which apply to the Company:

(i) Compliance Adviser

A company seeking listing on the Hong Kong Stock Exchange is required to appoint a compliance adviser acceptable to the Hong Kong Stock Exchange for the period from its listing date up to the date of the publication of its first full year's financial results, to provide the company with professional advice on continuous compliance with the Hong Kong Listing Rules and all other applicable laws, regulations, rules, codes and guidelines, and to act at all times, in addition to the company's two authorised representatives, as the principal channel of communication with the Hong Kong Stock Exchange. The appointment of the compliance advisor may not be terminated until a replacement acceptable to the Hong Kong Stock Exchange has been appointed.

If the Hong Kong Stock Exchange is not satisfied that the compliance adviser is fulfilling its responsibilities adequately, it may require the company to terminate the compliance adviser's appointment and appoint a replacement.

The compliance adviser must keep the company informed on a timely basis of changes in the Hong Kong Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company. It must act as the company's principal channel of communication with the Hong Kong Stock Exchange if the authorised representatives of the company are expected to be frequently outside Hong Kong.

(ii) Accountant's report

An accountant's report for a PRC issuer will not normally be regarded as acceptable by the Hong Kong Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong. Such report will normally be required to conform to either Hong Kong or international accounting standards.

(iii) Process agent

The Company is required to appoint and maintain a person authorized to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of his appointment, the termination of his appointment and his contact particulars.

(iv) Public shareholdings

If at any time there are existing issued securities of a PRC issuer other than foreign shares (“H shares”) which are listed on the Hong Kong Stock Exchange, the Hong Kong Listing Rules require that the aggregate amount of Hshares and other securities held by the public must constitute not less than 25% of the PRC issuer’s issued share capital and that the class of securities for which listing is sought must not be less than 15% of the issuer’s total issued share capital, having an expected market capitalisation at the time of listing of not less than HK\$50,000,000.

The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% in the case of issuers with an expected market capitalisation at the time of listing of over HK\$10,000,000,000.

(v) Independent non-executive directors and supervisors

The independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the general body of shareholders will be adequately represented. The supervisors of a PRC issuer must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as supervisors.

(vi) Restrictions on purchase and subscription of its own securities

Subject to governmental approvals and the provisions of the Articles of Association, the Company may repurchase its own H shares on the Hong Kong Stock Exchange in accordance with the provisions of the Hong Kong Listing Rules. Approval by way of special resolution of the holders of domestic shares and the holders of H shares at separate class meetings conducted in accordance with the Articles of Association is required for share repurchases. In seeking approvals, the Company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. The Directors must also state the consequences of any purchases which will arise under either or both of the Code on Takeovers and Mergers and any similar PRC law of which the directors are aware, if any. Any general mandate given to the directors to repurchase H shares must not exceed 10% of the total amount of existing issued H shares of the Company.

(vii) Mandatory Provisions

With a view to increasing the level of protection afforded to investors, the Hong Kong Stock Exchange requires the incorporation, in the articles of association of a PRC company whose primary listing is on the Hong Kong Stock Exchange, of the Mandatory Provisions and provisions relating to the change, removal and resignation of auditors, class meetings and the conduct of the supervisory committee of the Company. Such provisions have been incorporated into the Articles of Association, a summary of which is set out in “Appendix IV — Summary of the Articles of Association” to this prospectus.

(viii) Redeemable Shares

The Company must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of the H shares are adequately protected.

(ix) Pre-emptive rights

Except in the circumstances mentioned below, the Directors are required to obtain the approval by a special resolution of shareholders in general meeting, and the approvals by special resolutions of the holders of domestic shares and H shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with the Articles of Association, prior to authorizing, allotting, issuing or granting shares or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares or such convertible securities.

No such approval will be required under the Hong Kong Listing Rules, but only to the extent that, the existing shareholders of the Company have by special resolution in general meeting given a mandate to the Directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of the existing Domestic Shares and H Shares as at the date of the passing of the relevant special resolution or of such shares that are part of the Company's plan at the time of its establishment to issue Domestic Shares and H Shares and which plan is implemented within 15 months from the date of approval by the CSRC.

(x) Supervisors

The Company is required to adopt rules governing dealings by its Supervisors in securities of the Company in terms no less exacting than those of the model code (set out in Appendix 10 to the Hong Kong Listing Rules) issued by the Hong Kong Stock Exchange.

The Company is required to obtain the approval of its shareholders in a general meeting (at which the relevant Supervisor and his associates shall not vote on the matter) prior to the Company or any of its subsidiaries entering into a service contract of the following nature with a Supervisor or proposed Supervisor of the Company or its subsidiary: (i) the contract is for a duration that may exceed three years; or (ii) the contract expressly requires the Company to give more than one year's notice or to pay compensation or make other payments equivalent to more than one year's emoluments.

The remuneration committee of the Company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the Company and its shareholders as a whole and advise shareholders on how to vote.

(xi) Amendment to the Articles of Association

The Company is required not to permit or cause any amendment to be made to its Articles of Association which would cause the same to cease to comply with the mandatory provisions of the Hong Kong Listing Rules relating to such Articles of Association.

(xii) Documents for inspection

The Company is required to make available at a place in Hong Kong for inspection by the public and shareholders free of charge, and for copying by shareholders at reasonable charges the following:

- a complete duplicate register of shareholders;
- a report showing the state of the issued share capital of the Company;
- the Company's latest audited financial statements and the reports of the Directors, auditors and Supervisors (if any) thereon;
- special resolutions of the Company;
- reports showing the number and nominal value of securities repurchased by the Company since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between Domestic Shares and H Shares);
- a copy of the latest annual return filed with the State Administration of Industry and Commerce of the PRC; and
- for shareholders only, copies of minutes of meetings of shareholders.

(xiii) Receiving agents

The Company is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owing in respect of the H Shares to be held, pending payment, in trust for the holders of such H Shares.

(xiv) Statements in share certificates

The Company is required to ensure that all its listing documents and share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to such share registrar a signed form in respect of such shares bearing statements to the following effect that the acquirer of shares:

- agrees with the Company and each shareholder of the Company, and the Company agrees with each shareholder of the Company, to observe and comply with the PRC Company Law, the Special Regulations, the Articles of Association and other relevant laws and administrative regulations;
- agrees with the Company, each shareholder, Director, Supervisor, manager and officer of the Company, and the Company acting for itself and for each Director, Supervisor, manager and officer of the Company agrees with each shareholder, to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;
- agrees with the Company and each shareholder of the Company that the H Shares are freely transferable by the holder thereof; and
- authorises the Company to enter into a contract on his behalf with each Director and officer of the Company whereby each such Director and officer undertakes to observe and comply with his obligation to shareholders as stipulated in the Articles of Association.

(xv) Compliance with the PRC Company Law, the Special Regulations and the Articles of Association

The Company is required to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association.

(xvi) Contract between the Company and its Directors, officers and Supervisors

The Company is required to enter into a contract in writing with every Director and officer containing at least the following provisions:

- an undertaking by the Director or officer to the Company to observe and comply with the PRC Company law, the Special Regulations, the Articles of Association, the Takeovers Code and Mergers and Share Repurchases and an agreement that the Company shall have the remedies provided in the Articles of Association and that neither the contract nor his office is capable of assignment;
- an undertaking by the Director or officer to the Company acting as agent for each shareholder to observe and comply with his obligations to shareholders as stipulated in the Articles of Association;
- an arbitration clause which provides that whenever any differences or claims arise from that contract, the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations concerning the affairs of the Company between the Company and its Directors or officers and between a holder of H Shares and a Director or officer of the Company, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive;
- if the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen according to the Securities Arbitration Rules of HKIAC;
- PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations;
- the award of the arbitral body is final and shall be binding on the parties thereto;
- the agreement to arbitrate is made by the Director or officer with the Company on its own behalf and on behalf of each shareholder; and
- any reference to arbitration shall be deemed to authorize the arbitral tribunal to conduct hearings in open session and to publish its award.

The Company is also required to enter into a contract in writing with every Supervisor containing statements in substantially the same terms.

(xvii) Subsequent listing

The Company must not apply for the listing of any of its H shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of foreign shares are adequately protected.

(xviii) English translation

All notices or other documents required under the Hong Kong Listing Rules to be sent by the Company to the Hong Kong Stock Exchange or to holders of H Shares are required to be in the English language, or accompanied by a certified English translation.

(xix) General

If any change in the PRC law or market practices materially alters the validity or accuracy of any of the basis upon which the additional requirements have been prepared, then the Hong Kong Stock Exchange may impose additional requirements or make listing of the equity securities of a PRC issuer, including the Company, subject to special conditions as the Hong Kong Stock Exchange considers appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Hong Kong Listing Rules to impose additional requirements and make special conditions in respect of the Listing.

(c) Other Legal and Regulatory Provisions

Upon the Listing, the provisions of the Securities and Futures Ordinance, the Takeovers Code and Mergers and Share Repurchases and such other relevant ordinances and regulations as may be applicable to companies listed on the Hong Kong Stock Exchange will apply to the Company.

(d) Securities Arbitration Rules

The Articles of Association provide that certain claims arising from the Articles of Association or the PRC Company Law shall be arbitrated at either the CIETAC or the HKIAC in accordance with their respective rules. The Securities Arbitration Rules of the HKIAC contain provisions allowing an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties including witnesses and the arbitrators being permitted to enter Shenzhen for the purpose of the hearing. Where a party (other than a PRC party) or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the People's Republic of China other than the territories of Hong Kong, Macau and Taiwan.

PRC LEGAL MATTERS

Jia Yuan Law Firm, our legal advisors on PRC law, has sent to us a legal opinion dated June 14, 2012 which includes a statement to the effect that the description of PRC laws and regulations as contained in this prospectus is true and correct in all material respects. This legal opinion is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VI to this prospectus.

Any person wishing to have detailed advice on PRC law and the laws of any jurisdiction is recommended to seek independent legal advice.

Set out below is a summary of certain provisions of the Articles of Association of the Company.

The Company was incorporated in the PRC as a joint stock limited company on June 30, 2011 under the Companies law of the PRC (the “Companies law”). The Articles of Association comprises its constitution.

This Appendix contains a summary of the principal provisions of the Articles of Association, which was adopted on July 26, 2011 and will become effective on the date that our H shares are listed on the Stock Exchange. The principal objective of this Appendix is to provide potential investors with an overview of the Articles of Association. As the information contained below is a summary form, it does not contain all the information that may be important to potential investors. A copy of the full Chinese text of the Articles of Association is available for inspection as mentioned in the section headed “Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection” in Appendix VI.

1 DIRECTORS AND BOARD OF DIRECTORS

(a) Power to allot and issue shares

There is no provision in the Articles of Association empowering the Board to allot or issue shares. In order to allot or issue shares, the Board shall prepare a proposal for approval by shareholders in general meeting by way of special resolution. Any such allotment or issue must be conducted in accordance with the procedures stipulated by relevant laws and administrative regulations.

(b) Power to dispose of the Company’s or any of its subsidiaries’ assets

The Board shall not, without the approval of shareholders in general meeting, dispose or agree to dispose of any fixed assets of the Company where the aggregate of: (i) the value of the consideration for the proposed disposition; and (ii) where any fixed assets of the Company have been disposed of in the period of four months immediately preceding the proposed disposition, the amount or value of the consideration for any such disposition, exceeds 33% of the value of the Company’s fixed assets as shown in the last audited balance sheet placed before the shareholders in general meeting. For the purposes of this provision, disposition includes an act involving a transfer of an interest in property other than by way of security.

The validity of a transaction for the disposition of fixed assets by the Company shall not be affected by a breach of the above-mentioned restriction contained in the Articles of Association.

(c) Compensation or payments for loss of office

In the contract for emoluments entered into by the Company with a Director or Supervisor: when the Company is acquired, provisions shall be made for the right of the Director or Supervisor to receive, after obtaining the prior consent of shareholders in general meeting, payments by way of compensation for loss of office or for his retirement from office. A takeover of the Company means:

- (i) an offer made to all shareholders of the Company; or
- (ii) an offer is made such that the offeror will become the controlling shareholder of the Company (as defined in the Articles of Association).

If the relevant Director or Supervisor does not comply with above provisions, any sum received by the Director or Supervisor on account of the payment shall belong to those persons who have sold their shares as a result of the offer, and the expenses incurred by the Director or Supervisor in distributing that sum pro rata among those persons shall be borne by him and not deducted from the sum distributed.

(d) Loans to Directors, Supervisors and other officers

The Company is prohibited from directly or indirectly making any loan or guarantee to its Directors, Supervisors, the President, or other senior officers or the Directors, Supervisors, the President, or other senior officers of its holding company. The Company is also prohibited from, providing any loan or guarantee in connection with a loan made by any connected person to such a Director, Supervisor, the President, or other senior officer.

A loan made by the Company in breach of the prohibition described above shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan. A guarantee for a loan provided by the Company in breach of the prohibition referred to above shall be unenforceable against the Company unless:

- (i) the guarantee was provided in connection with a loan to a person connected with a Director, Supervisor, the President, or other senior officer of the Company or its holding company and at the time the loan was advanced the lender did not know of the relevant circumstances, or
- (ii) the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.

The following transactions are not subject to the foregoing prohibition:

- (i) the provision of a loan or a guarantee for a loan by the Company to a company which is a subsidiary of the Company;
- (ii) the provision of a loan or a guarantee for a loan or any other funds by the Company to any of its Directors, Supervisors, the President, or other senior officer to meet expenditure incurred or to be incurred by him for the purposes of the Company or for the purpose of enabling him to perform properly, in accordance with the terms of an employment contract approved by the shareholders' general meeting his duties; and
- (iii) the Company may make a loan to or provide a guarantee in connection with a loan by another person to any of its Directors, Supervisors, the President, or other senior officers or other connected persons where the ordinary course of its business includes the making of loans or the giving of guarantees and provided that the making of such loans or the giving of such guarantees is on normal commercial terms.

For these purposes, guarantee includes an undertaking or property provided to secure the performance of obligations by the obligor.

(e) Giving of financial assistance to purchase the shares of the Company or any of its subsidiaries

Giving of financial assistance to purchase the shares of the Company or any of its subsidiaries
Subject to the Articles of Association:

- (i) neither the Company nor any of its subsidiaries shall at any time or in any manner provide financial assistance to a person who acquires or is proposing to acquire shares in the Company. The said person includes any person who has directly or indirectly incurred a liability as a result of the acquisition of shares in the Company; and
- (ii) neither the Company nor any of its subsidiaries shall at any time or in any manner provide financial assistance to the person mentioned in the foregoing paragraph for the purposes of reducing or discharging his liabilities.

For these purposes, “financial assistance” includes, without limitation to:

- (i) assistance given by way of gift;
- (ii) assistance given by way of guarantee (including the provision of any undertaking or property to secure the performance of obligations by the obligor) or indemnity, (other than an indemnity in respect of the Company’s own default) or by way of release or waiver;
- (iii) assistance given by way of a loan; or entering into an agreement under which the Company needs to perform its obligations ahead of the other contracting parties; or entering into an agreement for the change of the loan, the contracting parties or the assignment of rights arising under such loan or such agreement; or
- (iv) assistance given by the Company in any other manner when the Company is insolvent or has no net assets or where its net assets would thereby be reduced to a material extent; and

“incurring a liability” includes incurring a liability by making an agreement or arrangement (whether enforceable or unenforceable, and whether made on one’s own account or on the account of any other person) or by changing one’s financial position by any other means.

The following transactions are not prohibited:

- (i) the provision of financial assistance where the Company’s principal purpose for giving that assistance is genuinely for the Company’s interests and not for the purpose of acquiring the Company’s shares or the provision of such assistance is incidental to some broader objective of the Company;
- (ii) a distribution of the Company’s assets by way of dividend lawfully declared;
- (iii) a distribution of dividends by way of bonus shares;
- (iv) a reduction of share capital, repurchase of shares of the Company or a reorganization of the share capital effected in compliance with the Articles of Association;
- (v) the provision of loans by the Company in the ordinary course of its business, provided that the Company’s net assets are not thereby reduced or, to the extent that those assets are reduced, the assistance is provided out of distributable profits; and
- (vi) the Company’s contribution to employees’ share schemes provided that the Company’s net assets are not thereby reduced or, to the extent that those assets are thereby reduced, the assistance is provided out of distributable profits.

(f) Disclosure of interests in and voting on contracts with the Company or any its subsidiaries

Where a Director, Supervisor, the President, or other senior officer is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company other than his contract of service, he shall declare the nature and extent of his interest to the Board at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal is otherwise subject to the approval of the Board.

Unless the interested Director, Supervisor, the President or other senior officer has disclosed his interest in accordance with the preceding paragraph and the contract, transaction or arrangement has been approved by the board of Directors at a meeting in which the interested Director is not counted in the quorum and has refrained from voting, the contract, transaction or arrangement in which a Director, Supervisor, the President or other officer is materially interested is voidable at the instance of the Company except as against a bona fide party thereto acting without notice of the breach of duty by the Director, Supervisor, the President or other officer concerned. A Director, Supervisor, the President and other officer of the Company is deemed to be interested in a contract, transaction or arrangement in which his related parties or associates have interest.

Where a Director, Supervisor, the President, or other senior officer of the Company gives the Board a general notice in writing stating that, by reason of the facts stated in the notice, he is interested in contracts, transactions or arrangements of any description which may subsequently be entered into by the Company, then he shall be deemed to have made a disclosure for the purposes of the relevant provisions in the Articles of Association so far as the content stated in such notice is concerned, if such notice shall have been given to the Board before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by the Company. The Company shall, with the prior approval of Shareholders in general meeting, enter into a contract in writing with each Director or Supervisor for emoluments in respect of their services. The Directors or Supervisor have no power under the Articles of Association to determine the remuneration of themselves.

(g) Remuneration**(h) Retirement, appointment and removal**

The following persons may not serve as a Director, Supervisor, the President, or other senior officer of the Company:

- (i) an individual who has no civil capacity or has restricted civil capacity;
- (ii) persons who have committed the offences of corruption, bribery, trespass of property, misappropriation of property or damaging the social economic order, and have been penalized due to the above offences, where less than five years have elapsed since the date of the completion of implementation of the penalty or persons who have committed crimes and have been deprived of their political rights due to such crimes, where less than five years have elapsed since the date of the completion of the implementation of such deprivation;

- (iii) persons who were former directors, factory chiefs or managers of a company or enterprise which has become insolvent and has been liquidated and were personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;
- (iv) persons who were legal representatives of a company or enterprise which had its business license revoked due to a violation of the law and were ordered to close down and who have failed to pay a relatively large debt when due and outstanding;
- (v) persons with a comparatively large amount of personal debts due and unsettled;
- (vi) persons who have committed criminal offences and are still under investigation by law administration authorities;
- (vii) persons who were not allowed to be heads of enterprises as stipulated by laws, administrative regulations;
- (viii) persons who are not natural persons;
- (ix) persons who have been convicted of offences of violating provisions of the relevant securities laws and regulations or offences of fraud or acting in bad faith by the relevant authorities, where less than five years have lapsed since the date of conviction; and
- (x) other persons stipulated by the laws and regulations of where the Company's shares are listed.

The validity of the conduct of Directors, the President, or other senior officers who have acted on behalf of the Company with respect to third parties who have acted in good faith shall not be affected due to any irregularity in the employment, election or qualification of such Directors, the President, or other senior officers.

The Board shall consist of nine Directors. A Director is not required to hold any shares in the Company. The chairman of the board of Directors shall be elected or removed by more than one half of all of the Directors. A Director may be removed by ordinary resolution at a Shareholders' general meeting.

The term of office of the chairman shall be three years and is renewable upon re-election.

The minimum length of the period for giving written notice of the intention to nominate a person for election as a Director and of his willingness to be elected shall be at least seven days. The period for giving such written notice shall commence the day after the date the Company gives notice of the general meeting by post, and shall end not later than seven days before the date of the general meeting.

The list of Directors' and Supervisors' candidates shall be proposed in form of a motion to the shareholders' general meeting for resolution.

(i) Borrowing power

The Articles of Association do not contain any special provision in respect of the manner in which borrowing powers may be exercised by the Directors nor do they contain any special provision in respect of the manner in which such power may be raised, other than; (a) provisions which give the Board the power to formulate proposals for the issuance of debentures by the Company; and (b) provisions which provide that the issuance of debentures must be approved by the Shareholders of the Company in a general meeting by way of a special resolution.

(j) Liability

The Directors, Supervisors, the President, and other senior officers of the Company owe fiduciary duties and duties of diligence to the Company. In addition to any rights and remedies provided for in relevant laws and administrative regulations, the Company is entitled to adopt the following measures where a Director, Supervisor, the President, or other senior officer is in breach of his duties owed to the Company:

- (i) to claim against such a Director, Supervisor, the President or other senior officer for losses incurred by the Company as a result of his breach;
- (ii) to rescind any contract or transaction entered into between the Company and the Director, Supervisor, the President or other senior officer and a third party where such third party has knowledge or should have had knowledge of the breach of duty;
- (iii) to account for the profits made by the Director, Supervisor, the President or other senior officer as a result of his breach;
- (iv) to recover any monies received by the Director, Supervisor, the President or other senior officer which should have been received by the Company, including, without limitation, commissions;
- (v) to demand the return of the interest earned or which may have been earned on any monies referred to in (iv) above by the Director, Supervisor, the President or other senior officer which should have been received by the Company; and
- (vi) to execute legal procedures judging that the interest of a Director, Supervisor, the President or other senior officer earned through his breach of duty should belong to the Company.

The Board shall carry out its duties in compliance with the laws and administrative regulations, the Articles of Association and resolutions of the shareholders' general meetings. Each Director, Supervisor, the President, and other senior officer of the Company should abide by his fiduciary principles in the discharge of his duties, and not to place himself in a position where his duty and his own interests may conflict. Such principles include (but are not limited to) the performance of the following:

- (i) to act honestly in what he considers to be in the best interest of the Company;
- (ii) to exercise his powers within the scope specified and not to act ultra vires;
- (iii) to exercise the discretion vested in him personally and not allow himself to act under the direction of another; unless and to the extent permitted by law or by the shareholders, having been informed of the relevant facts, at a general meeting, not to delegate the exercise of his discretion;
- (iv) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
- (v) except in accordance with the Articles of Association or with the informed consent of shareholders in general meeting, not to enter into any contract, transaction or arrangement with the Company;
- (vi) not without the approval of the shareholders, having been informed of the relevant facts, at a general meeting, to use the Company's assets for his personal benefit in any manner;
- (vii) not to use his position to accept bribes or other illegal income and not to misappropriate the Company's fund or expropriate the Company's assets in any manner, including (without limitation) opportunities beneficial to the Company;

- (viii) not without the informed consent of shareholders in general meeting, to accept commissions in connection with the Company's transactions;
- (ix) to abide by the Articles of Association, faithfully perform his duties and protect the interests of the Company, and not to use his position and powers in the Company to seek personal gain;
- (x) not to compete with the Company in any way except with the informed consent of shareholders given in general meeting;
- (xi) not to misappropriate the Company's funds or lend to others the Company's funds, not to open any bank account in his own name or other name for the deposit of the Company's assets, and not to provide security for debts of shareholders of the Company or any other individuals;
- (xii) without the informed consent of shareholders in general meeting, not to disclose confidential information of the Company acquired while in office and not to use such information other than in furtherance of the interests of the Company, save and except that disclosure of information to a court or a relevant governmental authority is permitted where (i) the disclosure is made under compulsion of law; (ii) there is a duty to the public to disclose; or (iii) the personal interests of the Director, Supervisor, the President or other senior officer require disclosure.

A Director, Supervisor, the President, or other senior officer of the Company shall not direct persons connected to him to do what he is not permitted to do. A person is connected to a Director, Supervisor, the President, or other senior officer if he is:

- (i) the spouse or minor child of such a Director, Supervisor, the President, or other senior officer;
- (ii) a trustee for such a Director, Supervisor, the President, or other senior officer or any person referred to in (i) above;
- (iii) a partner of such a Director, Supervisor, the President, or other senior officer or of any person referred to in (i) and (ii);
- (iv) a company in which that a Director, Supervisor, the President, or other senior officer, alone or jointly with one or more persons referred to in above (i), (ii) and (iii) or with any of other Directors, Supervisors, the President, or other senior officers of the Company, have de facto control; or
- (v) a Director, Supervisor, the President, or other senior officer of a company referred to in (iv) above.

The fiduciary duties of a Director, Supervisor, the President, and other senior officer of the Company do not necessarily cease with the termination of his tenure. The duty of confidentiality in relation to trade secrets of the Company survives the termination of his term of office. Other duties may continue for such period as fairness may require depending on the time lapse between the termination of his term of office and the occurrence of the matter in question and the circumstances and the terms under which the relationships between him and the Company are terminated.

Except in circumstances referred to in the Articles of Association, liabilities of a Director, Supervisor, the President, or other senior officer arising from the violation of a specified duty may be released by informed shareholders in general meeting.

In addition to obligations imposed by relevant laws, administrative regulations or the listing rules of the securities exchange on which the Company's shares are listed, Directors, Supervisors, the President, and other senior officers in the exercise of their powers and the discharge of their duties shall owe the following obligations to the shareholders:

- (i) not to cause the Company to go beyond the business scope specified by its business license;
- (ii) to act honestly in what they consider to be the best interest of the Company;
- (iii) not to deprive in any way the Company of its assets, including (but not limited to) opportunities beneficial to the Company; and
- (iv) not to deprive shareholders of their personal rights and interests, including (but not limited to) rights to distributions and to vote, except in a Company reorganization submitted in accordance with the provisions of the Articles of Association and adopted at a shareholders' general meetings.

Each of the Directors, Supervisors, the President, and other senior officers of the Company owes a duty, in the exercise of his powers and discharge of his duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise under the similar circumstances.

2 ALTERATIONS TO CONSTITUTIONAL DOCUMENTS

The Company may, in accordance with provisions contained in relevant laws, administrative regulations and the Articles of Association, amend its Articles of Association.

The amendments to the Articles of Association involving the contents of the Mandatory Provisions shall become effective upon approvals by the company approval authorities of the State Council and the securities regulatory authority of the State Council. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with law.

3 VARIATION OF RIGHT OF EXSTING SHARES OR CLASSES OF SHARES

The Company may not vary or abrogate rights attached to any class of shares ("Class Rights") unless approved by a special resolution of shareholders in general meeting and by holders of shares of that class at a separate meeting conducted in accordance with the provisions of the Articles of Association. The following circumstances shall be deemed to be a variation or abrogation of the Class Rights of a class:

- (i) to increase or decrease the number of shares of such class, or increase or decrease the number of shares of a class having voting or distribution rights or other privileges equal or superior to the shares of such class;
- (ii) to effect an exchange of all or part of the shares of such class into those of another class or to affect an exchange or create a right of exchange of all or part of the shares of another class into the shares of such class;
- (iii) to remove or reduce rights to accrued dividends or rights to cumulative dividends of such class;
- (iv) to reduce or remove a dividend preference or a liquidation preference attached to shares of such class;

- (v) to add, remove or reduce conversion, options, voting, transfer or pre-emptive rights or rights to acquire securities of the Company of such class;
- (vi) to remove or reduce rights of such class of shares to receive payments from the Company in any particular currency;
- (vii) to create a new class of shares having voting or distribution rights or privileges equal or superior to the shares of such class;
- (viii) to restrict the transfer or ownership of the shares of such class or to increase any such restrictions;
- (ix) to issue rights to subscribe for, or convert into, shares in the Company of such class or another class;
- (x) to increase the rights or privileges of another class;
- (xi) to restructure the Company where the proposed restructuring will result in different classes of shareholders bearing a disproportionate burden of such restructuring; and
- (xii) to vary or abrogate the provisions in these Articles of Association.

Shareholders of the affected class, whether or not having the right to vote at general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning paragraphs (ii) to (viii), (xi) and (xii) above, but Interested Shareholder(s) (as defined below) shall not be entitled to vote at class meetings.

Resolutions of a class of shareholders shall require the approval of shareholders present representing more than two thirds of the voting rights of that class voting in favor of such resolutions.

Written notice of a class meeting shall be given by the Company 45 days prior to the date of the meeting to notify all the registered shareholders holding shares of that class of the matters to be considered at the meeting and the date and place of the meeting. A shareholder who intends to attend the meeting shall deliver a written reply confirming his attendance at the class meeting to the Company 20 days prior to the date of the meeting.

The Company can convene a class shareholders' meeting, if the number of shares of the class carrying voting rights represented by shareholders intending to attend represents more than one half of the total number of such shares of the Company. If not, the Company shall make an announcement, within five days, once again notifying the shareholders of the matters proposed to be considered and the date and place of the meeting. Once an announcement has been so made, the Company may convene the class shareholders' meeting.

Notice of class meetings need only be served on shareholders entitled to vote thereat.

Meetings of any class of shareholders shall be conducted in a similar way as closely as possible to the provisions for general meetings of shareholders set out in the Articles of Association. The provisions of the Articles of Association relating to the conduct of any general meeting of shareholders shall apply to any class meeting.

In addition to holders of other class shares, holders of Domestic Shares and Foreign Shares are deemed to be shareholders of different classes. Voting by holders of different classes of Shares is not required in the following situations:

- (i) where the Company issues, upon the approval by special resolution of its shareholders in general meeting, either separately or concurrently once every twelve months, not more than 20% of each of its existing issued Domestic Shares or Foreign Shares;
- (ii) where the Company completes, within 15 months from the date on which approval is given by the securities regulatory authorities of the State Council (namely “the CSRC”), its plan (made at the time of its establishment) to issue Domestic Shares and Foreign Shares; and
- (iii) where shares of our Company registered on our domestic share register may be transferred to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange, subject to the approval of the Securities Authority of the State Council.

For the purposes of the class rights provisions of the Articles of Association, an “Interested Shareholder” is:

- (i) in the case of a repurchase of shares by offers to all shareholders or public dealing on a stock exchange, a controlling shareholder within the meaning of the Articles of Association;
- (ii) in the case of a repurchase of shares by an off-market contract under the Articles of Association, a shareholder to whom the proposed contract is related;
- (iii) in the case of a restructure of the Company, a shareholder within a class who bears less than a proportionate amount of obligations imposed on the shareholders of that class or who has an interest different from the interest of the other shareholders of that class.

4 SPECIAL RESOLUTIONS — MAJORITY REQUIRED

Resolutions of general meetings are divided into ordinary resolutions and special resolutions.

To adopt an ordinary resolution, more than the one half votes represented by shareholders (including proxies) present at the meeting must be exercised in favor of the resolution.

To adopt a special resolution more than the two thirds votes represented by the shareholders (including proxies) present at the shareholders’ general meeting must be exercised in favor of the resolution.

5 VOTING RIGHTS (GENERALLY ON A POLL AND RIGHT TO DEMAND A POLL)

The ordinary shareholders of the company have the right to attend or appoint a proxy to attend shareholders’ general meetings and to vote thereat. Shareholders (including proxies) when voting at a shareholders’ general meeting may exercise voting rights in accordance with the number of shares carrying the right to vote and each share shall have one vote.

At any shareholders’ meeting, voting shall be on a poll. On a poll taken at a meeting, a shareholder (including his proxy) entitled to two or more votes need not cast all his votes in the same way.

In the case of an equality of votes, the chairman of the meeting shall be entitled to an additional vote.

6 REQUIREMENTS FOR ANNUAL GENERAL MEETINGS

A shareholders' general meeting shall either be an annual general meeting or an extraordinary general meeting. Annual general meetings are held once every year within six months after the financial year end.

7 ACCOUNT AND ADUIT**(a) Financial and accounting system**

The Company shall establish its financial and accounting systems and internal audit system in accordance with the laws, administrative regulations and PRC accounting standards formulated by the finance regulatory authority of the State Council.

The Board of the Company shall place before the shareholders at every annual general meeting such financial reports as are required by the laws, administrative regulations or directives promulgated by competent local governments and supervisory authorities.

The financial statements of the Company shall, in addition to being prepared in accordance with the PRC accounting standards and regulations, be prepared in accordance with either IFRS or that of the place outside China where the Company's shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the aforesaid accounting standards, such difference shall be stated and explained in the financial statements. For the purposes of distribution of the Company's after-tax profits in a financial year, the lower of the after-tax profits as shown in the different sets of financial statements shall be adopted.

The financial reports of the Company shall be made available at the Company for inspection by shareholders 20 days before the annual general meeting. Every shareholder of the Company is entitled to a copy of the financial reports.

A copy of the above financial report shall, at least 21 days before the date of the general meeting, be delivered or sent by pre-paid post to the registered address of every holders of Foreign Shares.

The Company shall disclose its financial reports two times in each financial year, that is, its interim financial reports within 60 days of the end of the first six months of a financial year and its annual financial reports within 120 days of its financial year end.

The interim results or financial information that the Company announces or discloses shall be compiled according to both PRC accounting standards, rules and regulations, and international accounting standards or accounting standards of the place at which shares of the Company are listed.

The Company shall not keep any other books of accounts other than those provided by law.

(b) Appointment and removal of auditor

The Company shall appoint an independent accounting firm which is qualified under the relevant regulations of the State to audit the Company's annual financial statements and review the Company's other financial reports.

The first accounting firm of the Company may be appointed by the inaugural meeting prior to the first annual general meeting and the accounting firm so appointed shall hold office until the conclusion of the first annual general meeting.

The accounting firm appointed by the Company shall hold office from the conclusion of the annual general meeting of shareholder until the conclusion of the next annual general meeting of shareholders.

The shareholders in general meeting may by ordinary resolution remove an accounting firm before the expiry of its term of office, notwithstanding the stipulations in the contract between the Company and the firm, but without prejudice to the firm's right to claim, if any, for damages in respect of such removal.

The remuneration of an accounting firm or the manner in which such remuneration is determined shall be decided by the shareholders in general meeting.

The Company's appointment of, removal of and non-reappointment of an accounting firm shall be resolved upon by the shareholders in general meeting. The Company shall deliver the notice of proposal about removal of an accounting firm, together with any written complaint about removing such accounting firm, to the shareholders within ten working days prior to the date of the general meeting.

Prior to the removal or the non-renewal of the appointment of the accounting firm, an advance notice of such removal or non-renewal shall be given to the accounting firm and such firm shall have the right to attend and to make representation to the shareholders' general meeting.

Where the accounting firm resigns its post, it shall make clear to the shareholders' general meeting whether there is any impropriety on the part of the Company.

The accounting firm may resign its office by depositing at the Company's legal address a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following:

- (i) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the shareholders or creditors of the Company; or
- (ii) a statement of any such circumstances.

Where a notice is deposited under the preceding paragraph, the Company shall within fourteen (14) days send a copy of the notice to the relevant governing authority. If the notice contains a statement

under circumstance (2) of the preceding paragraph, a copy of such statement shall be placed at the Company for shareholders' inspection. The Company shall also send a copy of such statement by prepaid mail to every holder of overseas listed foreign shares at the address registered in the register of shareholders.

Where the accounting firm's notice of resignation contains a statement of any circumstance which should be brought to the notice of the shareholders or creditors of the Company, it may require the Board to convene a shareholders' extraordinary general meeting for the purpose of receiving an explanation of the circumstances connected with its resignation.

8 NOTICE OF MEETING AND BUSINESS TO BE CONDUCTED THEREAT

The shareholders' general meeting is the organ of authority of the Company and shall exercise its functions and powers in accordance with law.

The Company shall not enter into any contract with any person other than a Director, Supervisor, the President, or other senior officer whereby such person is entrusted with the management of the whole or a material part of any business of the Company without the prior approval of shareholders in general meeting.

Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. Under any of the following circumstances, the Board shall convene an extraordinary general meeting within two months of the occurrence of any one of the following events:

- (i) when the number of Directors is less than the number of Directors required by the Company Law or two-thirds of the number of Directors specified in the Articles of Association;
- (ii) when the unaccounted losses of the Company amount to one third of its share capital;
- (iii) when shareholders individually or collectively holding 10% or more of the Company's issued and outstanding shares carrying voting rights requests in writing the convening of an extraordinary general meeting;
- (iv) when the Board considers necessary or upon the request of the Board of Supervisors;
- (v) when 2 or more independent non-executive Directors so request; and
- (vi) other situations stipulated by laws, administrative regulations and Articles of Association.

To convene a general meeting, the Company shall give written notices 45 days before the date of the meeting, informing all registered shareholders of the matters proposed to be considered at the meeting and the date and place of the meeting. Shareholders who will attend the meeting shall return the written replies of attendance to the Company 20 days before the date of the meeting.

When the Company is to convene an annual general meeting, shareholders individually or collectively holding 3 percent or more of shares carrying voting rights shall have the right to put forward new proposals in writing to the Company.

The Company shall calculate, according to the written replies received 20 days before the date of the meeting, the number of shares carry voting rights that the shareholders attending the meeting represent. The Company can convene a shareholders' general meeting if the number of shares carrying voting rights represented by shareholders intending to attend attain more than one half of total number of shares carrying voting rights. If not, the Company shall make an announcement,

within 5 days, once again notifying the shareholders of the matters proposed to be considered and the date and place of the meeting. Once an announcement has been so made, the Company may convene the general meeting. An extraordinary general meeting may not decide on matters not specified in the notice.

A notice of meeting of shareholders:

- (i) shall be in writing;
- (ii) specify the time, place, the date of the meeting;
- (iii) state the matters and proposals to be discussed at the meeting;
- (iv) provide such information and explanation as are necessary for the shareholders to exercise an informed judgment on the proposals before them. Without limiting the generality of the foregoing, where a proposal is made to amalgamate the Company with another company, to repurchase shares of the Company, to reorganize the share capital or to restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the reasons for and consequences of such proposal must be properly explained;
- (v) contain a disclosure of the nature and extent, if any, of material interests of any Director, Supervisor, the President, or other senior officer in the transaction proposed and the effect of the proposed transaction on them in their capacity as shareholders in so far as it is different from the effect on the interests of other shareholders of the same class;
- (vi) contain the text of any special resolution proposed to be passed at the meeting;
- (vii) contain conspicuously a statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not be a shareholder; and
- (viii) specify the time and place for lodging proxy forms for the relevant meeting.

Public announcement of notices of shareholders' general meetings shall be published in a Chinese newspaper and an English one designated by SEHK during 45 days to 50 days prior to the date of the meeting. Upon the publication of announcement, all holders of Domestic Shares shall be deemed to have received notice of the relevant shareholders' meeting. The accidental omission to give notice of a meeting to, or the non receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

Shareholders or the Board of Supervisors requisitioning an extraordinary general meeting of shareholders or class meeting shall abide by the following procedures:

- (i) The Board of Supervisors or two or more shareholders individually or collectively holding more than ten percent (including the ten percent) of the shares carrying voting rights at the meeting to be convened may, by signing one or more counterpart written requisition(s) stating the object of the meeting, require the Board to convene an extraordinary general meeting or a class shareholders' meeting. The Board shall as soon as possible after receipt of such written requisition(s) proceed to so convene the extraordinary general meeting or class shareholders' meeting. The shareholdings referred to above shall be calculated as at the date of the delivery of the written requisition(s).

- (ii) Where the Board fails to issue notice of convening meeting within thirty days upon receipt of the above written request, shareholder(s) individually or collectively holding more than ten percent (including the ten percent) of the shares carrying voting rights at the meeting to be convened may request by written requisition(s) the Board of Supervisors to convene the extraordinary general meeting or class shareholders' meeting. The Board of Supervisors may convene the meeting on their own accord within four months upon the board of Directors having received such request. The convening procedures shall as much as possible be equivalent to those of for meeting convened by the Board.

The matters which require the sanction of an ordinary resolution at a shareholders' general meeting shall include:

- (i) work reports of the Board and the Board of Supervisors;
- (ii) plans for the distribution of profits and for making up losses proposed by the Board;
- (iii) the election and removal of the members of the Board and Supervisors representing Shareholders, their remuneration and method of payment;
- (iv) the annual budget and final account report, balance sheet, profit and loss statement and other financial statement of the Company; and
- (v) save as required by laws and regulations or the listing rules of stock exchange in where the shares of the Company are listed or by these Articles of Association, all other matters except those required to be adopted by special resolution.

The matters which require the sanction of a special resolution at a shareholders' general meeting include:

- (i) the increase in or reduction of registered share capital, share repurchase and issue of any class of shares, warrants and other similar securities of the Company;
- (ii) the issue of debentures;
- (iii) the division, merger, dissolution or liquidation;
- (iv) the change of the form of the Company;
- (v) the matters that the amount the Company's purchasing, selling or warranting in one year over that of 30 percent of the recent audited total assets;
- (vi) amendments to the Articles of Association;
- (vii) consider and implement motions on equity incentive plan;
- (viii) other important matters which were adopted by passing ordinary resolutions at shareholders' general meeting that are required to be adopted by special resolutions; and
- (ix) other matters required by the SEHK listing rules.

9 TRANSFER OF SHARES

Subject to the approval of the securities authority of the State Council, holders of our Domestic Shares may transfer their Shares to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange. Any listing or trading of the transferred shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such overseas stock exchange.

Shares of the Company held by the promoter are not transferable within one (1) year commencing from the date of establishment of the Company.

The Directors, Supervisors and senior officers of the Company shall report to the Company the number of shares held by them in the Company and the subsequent changes in their shareholdings. The number of shares which a Director, Supervisor or senior officer may transfer every year during his term of office shall not exceed 25% of the total number of the Company's shares in his or her possession. Such personnel shall not transfer the Company's shares in their possession within six (6) months after they have terminated their employment with the Company.

No changes in the shareholders' register due to the transfer of shares may be made within thirty (30) days before the date of a general meeting or within five (5) days before the record date for the Company's distribution of dividends.

10 POWER OF THE COMPANY TO PURCHASE ITS OWN SHARES

The Company may, with the approval in accordance with the procedures provided in the Articles of Association and subject to the approval of the relevant governing authorities of the State, repurchase its issued shares in the following circumstances:

- (i) cancellation of its shares for the purpose of reducing its share capital;
- (ii) merging with another company which holds Shares;
- (iii) granting shares as incentive compensation to the staff of the Company;
- (iv) acquiring the shares of shareholders who vote against any resolution adopted at the shareholders' general meeting on the merger or division of the Company; or
- (v) other circumstances permitted by the laws and administrative regulations.

If the Company repurchases its own shares due to items (i) through (iii) of the preceding paragraph, resolutions related thereto shall be adopted at a general meeting of shareholders. After purchasing shares as stipulated in item (i), (ii) and (iii) of the preceding paragraph, the Company shall cancel such shares within the period prescribed by laws and administrative regulations, and shall make an application to its original registration authority to modify the registration on its registered capital and have a relevant announcement published. If the Company repurchases its own shares in accordance with item (iii) of the preceding paragraph, the shares so repurchased shall not exceed the maximum proportion prescribed by laws and administrative regulations, and shall be transferred to the employees within the time prescribed by laws and administrative regulations.

The Company may, upon the approval of the relevant state governing authorities, repurchase its shares in one of the following ways:

- (i) making a pro rata general offer of repurchase to all its shareholders;
- (ii) repurchasing Shares through public dealing on a stock exchange; and
- (iii) repurchasing by an off-market agreement outside a stock exchange.

The Company may, with the prior approval of shareholders obtained at a shareholder's meeting in accordance with the Articles of Association, repurchase its shares by an off-market contract but the Company may rescind or vary such contract or waive any or part of its rights under a contract so entered into by the Company with the prior approval of shareholders obtained at a shareholder's meeting in the same manner. A contract to repurchase Shares as mentioned above includes but is not limited to an agreement to become obliged to repurchase or acquire rights to repurchase Shares.

The Company shall not assign a contract to repurchase its shares or any of its rights thereunder. Unless the Company is in the course of liquidation, it shall comply with the following provisions in relation to repurchase of its issued shares:

- (i) where the Company repurchases its shares at par value, payment shall be made out of the book surplus distributable profits of the Company and out of the proceeds from any issue of new shares made for the purpose of the repurchase;
- (ii) where the Company repurchases its shares at a premium to the par value, payment up to their par value may be made out of the book surplus distributable profits of the Company and the proceeds from any issue of new shares made for the purpose of the repurchase. Payment of the portion in excess of the par value shall be effected as follows:
 - (a) if the Shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of the Company;
 - (b) if the Shares being repurchased were issued at a premium to the par value, payment shall be made out of the book surplus distributable profits of the Company and the proceeds from any issue of new shares made for the purpose of the repurchase, provided that the amount paid out of such proceeds shall neither exceed the aggregate of the premiums received by the Company on the issue of the Shares repurchased nor the current amount of the share premium account or the capital reserve fund account of the Company (including the premiums on the new issues) at the time of the repurchase;
- (iii) payment by the Company for the following purposes shall be made out of the Company's distributable profits:
 - (a) acquisition of rights to repurchase Shares;
 - (b) variation of any contract to repurchase Shares;
 - (c) release of any of the Company's obligations under a contract to repurchase Shares; and
- (iv) After the Company's registered capital has been reduced by the aggregate par value of the cancelled shares in accordance with the relevant regulations, the amount deducted from the distributable profits for paying up the par value portion of the repurchased shares shall be transferred to the Company's share premium account or capital reserve fund account.

Where the Company has the power to purchase for redemption a redeemable share:

- (i) purchase not made through the market or by tender shall be limited to a maximum price; and
- (ii) if purchases are by tender, tenders shall be available to all shareholders alike.

11 POWER OF ANY SUBSIDIARY OF THE COMPANY TO OWN SHARES IN ITS PARENT COMPANY

The Articles of Association contains no restrictions preventing any subsidiary of the Company from holding Shares.

12 DIVIDENDS AND OTHER METHODS OF DISTRIBUTION

The Company may distribute dividends by way of cash and/or bonus shares.

Any amount paid up in advance of calls on any share may carry interest but shall not entitle the holder of the share to participate in respect thereof in a dividend subsequently declared.

The Company shall appoint on behalf of holders of Foreign Shares receiving agents to receive on behalf of such shareholders dividends and other monies payable by the Company in respect of their Shares.

The receiving agent appointed on behalf of holders of Foreign Shares listed in Hong Kong shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

13 PROXIES

Any shareholder entitled to attend and vote at a shareholders' general meeting shall be entitled to appoint one or more persons (whether or not a shareholder) as his proxy to attend and vote on his behalf. A proxy so appointed shall be entitled to exercise the following rights in accordance with the authorization from that shareholder:

- (i) the shareholder's right to speak at the meeting;
- (ii) the right to demand, whether on his own or together with others, a poll;
- (iii) the right to vote on a poll according to the number of shares, the voting rights of which he is authorized to exercise; however, if the proxy represents more than one shareholder, the proxy must vote on a poll.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorized in writing, or if the appointor is a legal person either under seal or under the hand of a Director or attorney duly authorized. The instrument appointing a voting proxy shall be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting not less than 24 hours prior to the time for holding the meeting at which the proxy propose to vote or the time specified for the passing of the resolution. If such instrument is signed by another person under a power of attorney or other authorization documents given by the appointor, such power of attorney or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents shall, together with the instrument appointing the voting proxy, be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting.

If the appointor is a legal person, its legal representative or any person authorized by resolutions of its board of Directors or other governing body shall attend the shareholders' meeting as the appointor's representative.

Any form issued to a shareholder by the Board for the purpose of appointing a proxy shall be such as to enable the shareholder, according to his free will, to instruct his proxy to vote in favor of or against the motions proposed and in respect of each individual matters to be voted on at the meeting. Such a form shall contain a statement that in the absence of instructions from the appointor, the proxy may vote as he thinks fit.

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or loss of capacity of the appointor or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given, provided that no notice in writing of such death, loss of capacity, revocation or transfer as aforesaid shall have been received by the Company before the commencement of the meeting at which the proxy is used.

14 CALLS ON SHARES AND FORFEITURE OF SHARES

Any amount paid up in advance of calls on any share may carry interest but shall not entitle the relevant shareholder to participate in respect thereof in a dividend subsequently declared.

Subject to compliance with the relevant laws and administrative regulations of the PRC, the Company may exercise its right to confiscate the dividends which are not claimed by anyone but such right can only be exercised after the expiry of the relevant time frame.

15 INSPECTION OF REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS'

The Company shall keep a register of shareholders.

The Company may, in accordance with the understanding or agreements between the securities regulatory authority of the State Council and the overseas securities regulatory organizations, maintain the register of shareholders of Foreign Shares overseas and appoint overseas agent(s) to manage such share register.

Duplicates of the share register for holders of Foreign Shares shall be maintained at the Company's residence. The appointed overseas agent(s) shall ensure the consistency between the original and the duplicate of the share register. The original register of Overseas-listed Foreign-Invested Shares listed in Hong Kong shall be maintained at Hong Kong.

If there is any inconsistency between the original and the duplicate of share register for holders of Foreign Shares, the original shall prevail.

The Company shall keep a complete register of shareholders.

The register of shareholders shall comprise of the following parts:

- (i) register(s) of shareholders other than those specified in items (ii) and (iii) below kept at the domicile of the Company;
- (ii) register(s) of holders of the Company's overseas-listed foreign-investment shares kept in the place of the stock exchange(s) where those foreign-investment shares are traded; and
- (iii) register(s) of shareholders kept at other places as the Board thinks necessary for the purpose of listing.

Different parts of the register of shareholders shall not overlap. No transfer of Shares registered in any part of the register shall, during the continuance of that registration, be registered in any other part of the register.

The alteration or rectification of any part of the register of shareholders shall be carried out in accordance with the laws of the place where such part of the register is maintained.

No changes which are required by reason of a transfer of Shares may be made to the register of shareholders within 30 days prior to the date of a shareholders' general meeting or 5 days prior to the record date for the Company's distribution of dividends.

When the Company decides to convene a shareholders' general meeting, distribute dividends, liquidate or carry out other activities which require the determination of shareholdings, the Board shall fix a record date for the purpose of determining the shareholding. A person who is registered in the register as shareholders of the Company at the end of the record date shall be a shareholder of the Company.

Any person who objects to what is contained in the register of shareholders and wishes to register his name on, or delete his name from the register may apply to the court which jurisdiction to amend the register.

The right of the Shareholders to information includes, but without limitation, the following:

- (i) the right to a copy of the Articles of Association after payment of costs;
- (ii) the right to inspect and copy, subject to payment of a reasonable fee:
 - a. all parts of the register of members;
 - b. personal particulars of each of the Company's Directors, Supervisors, the President, and other senior officers;
- (iii) status of the Company's share capital;
- (iv) the latest audited financial statements, and report of Board report of auditors and report of Board of Supervisors;
- (v) special resolutions of the Company;
- (vi) reports showing the aggregate par value, quantity, highest and lowest price paid in respect of each class of shares repurchased by the Company since the end of the last accounting year and the aggregate amount paid by the Company for this purpose;
- (vii) Minutes of shareholders' general meeting, Board meetings and the minutes of the meetings of Board of Supervisors;
- (viii) bonds stub of the Company;
- (ix) copies of the latest annual inspection report which have been filed with the Industry and Commerce administration and other competent authority in the PRC; and
- (x) The transcript of the Company's annual check report which was filed in SAIC or other administrations.

16 QUORUM FOR SHAREHOLDERS MEETINGS

The Company can convene a shareholders' meeting if the number of Shares carrying voting rights represented by shareholders intending to attend comprise at least half of the total number of Shares carrying voting rights.

The Company can convene a class shareholders' meeting, if the number of Shares of the class carrying voting rights represented by shareholders intending to attend comprise at least half of the total number of such Shares of the class.

17 RIGHTS OF MINORITY SHAREHOLDERS IN RELATION TO FRAUD OR OPPRESSION

In addition to the obligations imposed by laws and administrative regulations or the Listing Rules on which Shares are listed, a controlling shareholder, when exercising his rights as a shareholder, shall not exercise his voting rights to make a decision which is prejudicial to the interests of the shareholders generally or of some of the shareholders of the Company in respect of the following matters:

- (i) to relieve a Director or Supervisor of his duty to act honestly in the best interests of the Company;
- (ii) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person), in any guise, of the Company's assets, including (without limitation) opportunities beneficial to the Company; or
- (iii) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person) of the individual rights of other shareholders, including (without limitation) rights to distributions and voting rights, but not including a restructuring of the Company submitted to and approved by shareholders' general meeting in accordance with the Articles of Association.

18 PROCEDURE ON DISSOLUTION AND LIQUIDATION

The Company shall be dissolved and liquidated in accordance with law upon occurrence of any of the following events:

- (i) a resolution for dissolution is passed by a shareholders' general meeting;
- (ii) dissolution is necessary due to a merger or division of the Company;
- (iii) the Company is cancelled business license, ordered to close down or deregistered;
- (iv) where the Company's operation encounters serious difficulty, continuing operation will cause substantial loss to shareholders and such difficulty cannot be solved some other way, shareholders holding more than ten percent of the voting rights of all shareholders may make requisition to the People's Court to liquidate the Company.

Where the Company is dissolved by virtue of the reasons set out in items (i), (iii) and (v) in the preceding paragraph, the Company shall establish a liquidation committee within 15 days, and the members of the liquidation committee shall be selected by Directors and persons nominated at shareholders' general meeting in the form of ordinary resolution.

Where the Board proposes to liquidate the Company due to causes other than where the Company has declared that it is insolvent, the Board shall include a statement in its notice convening a shareholders' general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to pay all its debts in full within 12 months from the commencement of the liquidation.

Upon the passing of the resolution by the shareholders in general meeting for the liquidation of the Company, all functions and powers of the Board shall cease.

The liquidation group shall act in accordance with the instructions of the shareholders' general meeting to make a report at least once every year to the shareholders' general meeting on the group's receipts and payments, the business of the Company and the progress of the liquidation, and to present a final report to the shareholders general meeting on completion of the liquidation.

The liquidation group shall within ten days of its establishment send a notice to creditors, and within 60 days of its establishment make a public announcement in a newspaper.

The liquidation group shall carry out registration of creditors' rights so reported.

During the liquidation period, the liquidation group shall exercise the following functions and powers:

- (i) to sort out the Company's assets and prepare a balance sheet and an inventory of assets respectively;
- (ii) to notify all creditors by notice or public announcements;
- (iii) to dispose of and liquidate any relevant unfinished business matters of the Company;
- (iv) to pay all outstanding taxes;
- (v) to settle claims and debts;
- (vi) to deal with assets remaining after the Company's debts having been paid in full; and
- (vii) to represent the Company in any civil proceedings.

The liquidation committee shall thoroughly examine the assets of the Company, and prepare a balance sheet and an inventory of assets. Upon completion, the liquidation committee shall draw up a proposal for liquidation and submit the same to the shareholders' meeting or the People's Court for confirmation.

If the liquidation committee, having thoroughly examined the Company's assets and having prepared a balance sheet and assets list, discovers that the Company's assets are insufficient to pay its debts in full, it shall immediately apply to the People's Court for a declaration of insolvency. After the People's Court has declared the Company insolvent, the company's liquidation committee shall turn over any matters regarding the liquidation to the People's Court.

Following the completion of liquidation, the liquidation group shall prepare a report on liquidation and a statement of the receipts and payments and financial books and records during the period of liquidation, which shall be audited by the PRC certified public accountants and submitted to the shareholders' general meeting or the relevant governing authority for confirmation. The liquidation group shall also within 30 days after such confirmation, submit the documents to the company registration authority and apply for cancellation of registration of the Company, and publish an announcement relating to the termination of the Company.

19 OTHER PROVISIONS MATERIAL TO THE COMPANY OR ITS SHAREHOLDERS

(a) General provisions

The Company is a joint stock limited company of perpetual existence.

The Company may invest in other companies, unless otherwise stipulated by the law, the Company making such investment shall not bear joint and several liability for the debts of the enterprise in which the company invests.

The Article of Association constitute a legal document regulating the relationship between the Company and each of its shareholders and among the shareholders interest, actionable by a shareholder against the Company and vice versa and by shareholders against each other in respect of rights and obligations concerning the affairs of the Company arising out of the Articles of Association. The shareholders may also bring actions against the Directors, Supervisors, the President, and other senior officers of the Company. For the purposes of the Articles of Association, actions include court proceedings and arbitration proceedings.

(b) Shares and transfers

Foreign investors referred to in the Articles of Association mean those investors of foreign countries and regions of Hong Kong, Macau and Taiwan who subscribe for Shares issued by the Company; domestic investors referred to in the Articles of Association mean those investors within the territory of the PRC (excluding investors of the regions referred to in the preceding sentence) who subscribe for Shares issued by the Company.

The Company may increase its capital in the following ways:

- (i) offering new shares to non-specially-designated investors for subscription;
- (ii) private issue of new shares;
- (iii) allotting bonus Shares to its existing shareholders;
- (iv) conversion of capital reserve;
- (v) accumulation fund turns add capital stock; and
- (vi) any other ways permitted by laws and administrative regulations.

The Company's increase of capital by issuing new Shares shall, after being approved in accordance with the provisions of the Articles of Association, be conducted in accordance with the procedures stipulated by the relevant laws and administrative regulations of the State.

The Company may reduce its registered capital in accordance with the procedures stipulated by the Company Law and other regulations and the provisions of the Articles of Association.

When the Company reduces its registered capital, it shall prepare a balance sheet and an inventory of assets. The Company's registered capital after reduction shall not be less than the statutory minimum amount.

(c) Independent Directors

Members of the Board of the Company shall include three independent non-executive Directors.

(d) Secretary of the board of Directors

The secretary of the Board shall be a natural person who has the requisite professional knowledge and experience, and shall be appointed by the Board.

(e) Board of Supervisors

The Company shall have a Board of Supervisors.

The Board of Supervisors shall be composed of three members, one of whom shall be the chairman of the Board of Supervisors.

The election or removal of the chairman of the Board of Supervisors shall be decided by two-thirds or more of the Supervisors. Decisions of the Board of Supervisors shall be made by the affirmative vote of two-thirds or more of the Supervisors.

The terms of office of Supervisors shall be three years, renewable upon re-election.

The Directors and the senior officers of the Company shall not act concurrently as Supervisors. The Board of Supervisors shall be accountable to the shareholders' general meeting and exercise the following functions and powers in accordance with law:

- (i) to supervise the Directors and senior officers in their performance of duties and to propose the removal of Directors and senior officers who have contravened any law, administrative regulations, these Articles of Association or shareholders' resolutions;
- (ii) to demand any Director, the President and other senior officer of the Company who acts in a manner which is harmful to the Company's interests to rectify such behavior;
- (iii) to examine the Company's financial affairs;
- (iv) to propose to convene a shareholders' extraordinary general meeting;
- (v) to propose resolutions at a shareholders' general meeting;
- (vi) to propose to convene an extraordinary meeting of the board of Directors;
- (vii) to institute a suit to the Directors or senior officers of the Company by laws;
- (viii) other functions and powers conferred laws and regulations and these Articles of Association.

Supervisors shall be present at meetings of the Board.

(f) The President

The Company shall have one President, who shall be appointed and dismissed by the Board. The President shall be accountable to the Board and exercise the following functions and powers:

- (i) to be in charge of the Company's production, operation and management and report to the Board;
- (ii) to organize the implementation of the resolutions of the Board, the Company's annual business plans and investment plans;
- (iii) to draft the Company's annual financial budget plans and accounting plans, and to put forward the proposal to the Board;
- (iv) to draft the plan for establishment of the internal management organization and the Company's basic management system;
- (v) to formulate the basic rules and regulations of the Company;
- (vi) to propose the employment and dismissal of the Vice Presidents of the Company, Chief Financial Officer and other senior management;
- (vii) to employ and dismiss the management personnel other than those to be employed and dismissed by the Board;
- (viii) to decide the Company's other issues within the scope of the Board's authority; and

(ix) other functions and powers granted by the Company's Articles of Association and the Board.

(g) Common Reserve Fund

When distributing the after-tax profits of the current year, the Company shall allocate 10% of its profits into its statutory common reserve fund. When the cumulated amount of the statutory common reserve fund of the Company has reached 50% or more of its registered capital, no further allocations is required.

Where the statutory common reserve fund of the Company is insufficient to make up for the losses of the Company incurred during the previous years, before making allocation to the statutory common reserve fund in accordance with the preceding paragraph, the profits generated during the current year shall be used to make up for such losses.

After making allocation to the statutory common reserve fund of the Company from its after-tax profits, the Company may, subject to resolutions adopted at a general meeting, also allocate funds from the after-tax profits to the discretionary common reserve fund.

After making up for the losses and making contributions to the common reserve fund, any remaining profits shall be distributed to the shareholders in proportion to their respective shareholdings.

If the shareholders' general meeting has, in violation of the provisions of the preceding paragraphs, distributed profits to the shareholders before the Company has made up for its losses and made allocations to the statutory common reserve fund, the shareholders must return the profits distributed in violation of the provision to the company.

No profits shall be distributed in respect of the shares held by the Company.

(h) Settlement of Disputes

The Company shall act according to the following principles to settle disputes:

- (i) For any disputes or claims related to matters of the Company the Company and its Directors or senior officers and between shareholders of overseas listed foreign shares and the Company; between shareholders of overseas listed foreign shares and the Directors, Supervisors, the President or other senior management officers of the Company; between shareholders of overseas listed foreign shares and shareholders of domestic invested shares, that arise based on the rights and obligations stipulated in these Articles of Association, the Company Law and the relevant laws and administrative regulations, any such disputes or claims shall be referred by the relevant parties to arbitration. Where a dispute or claim involves the above parties, the entire claim or dispute must be referred to arbitration and all persons (being the Company or shareholders, Directors, Supervisors, the President or other senior management officers of the Company), who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by arbitration.

Disputes regarding definition of shareholders and registration of members may be resolved other than by way of arbitration.

- (ii) The claimant may refer the arbitration to either the China International Economic Centre in accordance with its arbitration rules, and may also refer the arbitration to the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If the claimant refers the arbitration to the Hong Kong International Arbitration Centre, either party may request the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

- (iii) Unless otherwise provided in the laws and administrative regulations, any disputes or claims arising out of item (i) above shall be resolved in accordance with the laws of the PRC.
- (iv) The decision made by the arbitral body shall be final and conclusive, and shall be binding on the parties.

1. FURTHER INFORMATION ABOUT OUR COMPANY**A. Incorporation**

The Company was established as a joint stock limited liability company under the Company Law on June 30, 2011, converting from our predecessor, CAIEC, a limited liability company in the PRC. Our Company has established a place of business at Room 4501, Far East Finance Centre, No. 16 Harcourt Road, Admiralty, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance on March 2, 2012. Mr. Lam Chun Lung, Raymond has been appointed as our agent for the acceptance of service of process in Hong Kong. As we are incorporated in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in Appendix IV. A summary of certain relevant aspects of the laws and regulations of the PRC is set out in Appendix III.

B. Changes in share capital

The predecessor of our Company was established on December 16, 2003 with a registered capital of RMB200,000,000, which has been fully paid. At the time of our establishment as a joint stock limited liability company, our initial registered share capital was RMB2,300,000,000 divided into 2,300,000,000 Domestic Shares of nominal value of RMB1.00 each, all of which were fully paid up and were held by our Promoters. Upon completion of the Global Offering, but without taking into account any H Shares which may be issued by our Company pursuant to the Over-allotment Option (if exercised), our registered share capital will increase to RMB2,663,160,000, made up of 2,263,684,000 Domestic Shares and 399,476,000 H Shares fully paid up or credited as fully paid up, representing approximately 85% and 15% of the registered share capital, respectively. Save as aforesaid, there has been no alteration in our share capital since our establishment.

C. Proceedings at the Company's extraordinary general meeting held on July 26, 2011

On July 26, 2011, the Shareholders of the Company passed, among other resolutions, the following resolutions:

- (a) the issue by the Company of the H Shares of nominal value of RMB1.00 each up to 35% of the total issued share capital after the issuing of H Shares and such H Shares be listed on the Stock Exchange;
- (b) the granting of the Over-allotment Option; and
- (c) subject to the completion of the Global Offering, the Articles of Association have been approved and adopted, which shall only become effective from the Listing Date and the Board has been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and the PRC government.

D. Our Reorganization

We have undergone our Reorganization, details of which are set out in the section headed "History, Reorganization and Corporate Structure". As confirmed by Jia Yuan Law Firm, our PRC legal advisors, we have obtained from the relevant PRC regulatory authorities all necessary approvals required for the implementation of the Reorganization. The steps taken or the approvals obtained in relation to our Reorganization include the following:

- (a) On April 14, 2011, SASAC issued the approval (Guo Zi Gai Ge [2011] No. 273) approving the application relating to the Reorganization;

- (b) Beijing Zhongfeng Assets Evaluation Co., Ltd. (北京中鋒資產評估有限責任公司) has assessed the underlying assets and issued the assessment report (Zhong Feng Ping Bao Zi (2011) No. 082) on June 25, 2011;
- (c) The assessment report has been filed with SASAC (filing No. 20110065); and
- (d) On June 30, 2011, SASAC issued the approval (Guo Zi Gai Ge [2011] No. 597) approving the conversion of the Company into a joint stock limited liability company; Chinalco and Luoyang Institute, as the Promoters, held the inaugural meeting of the Company for our establishment as a joint stock limited liability company. Following the issue of a new business license, the Company was formally established as a joint stock limited liability company.

2. OUR SUBSIDIARIES

A. Principal subsidiaries

Our principal subsidiaries (for the purpose of the Listing Rules) as of the date of the prospectus, are set out in Note 43 to the Accountant's Report as included in Appendix I to this prospectus.

B. Changes in the share capital of our principal subsidiaries

Save as disclosed below, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years preceding the date of this prospectus:

- (a) On February 24, 2011, the registered capital of Shenyang Gina Advanced Materials Co., Ltd. increased from RMB8,000,000 to RMB14,000,000, and further increased to RMB40,000,000 on March 25, 2011;
- (b) in March 2011, the registered capital of SAMI increased from RMB62,600,000 to RMB403,743,216;
- (c) in March 2011, the registered capital of GAMI increased from RMB32,280,000 to RMB616,207,500;
- (d) in March 2011, the registered capital of Changsha Institute increased from RMB33,210,000 to RMB 359,938,200;
- (e) in March 2011, the registered capital of Changkan Institute increased from RMB45,540,000 to RMB50,730,000;
- (f) in March 2011, the registered capital of Sixth Metallurgical Company increased from RMB102,260,000 to RMB167,724,700;
- (g) in March 2011, the registered capital of Twelve Metallurgical Company increased from RMB163,000,000 to RMB213,419,395;
- (h) in March 2011, the registered capital of Changlv Construction increased from RMB96,510,400 to RMB123,536,261.13;
- (i) In March 2011, the registered capital of Shenyang Aluminum & Magnesium Engineering & Research Institute Construction Supervision Co., Ltd. (瀋陽鋁鎂設計院建設監理有限公司) increased from RMB1,000,000 to RMB2,118,028 and further increased to RMB4,118,028 in April 2011;
- (j) In March 2011, the registered capital of Guiyang Aluminum and Magnesium Design Institute Co., Ltd. increased from RMB1,500,000 to RMB2,881,800;
- (k) In March 2011, the registered capital of Guiyang Xinyu Construction Supervision Co., Ltd. (貴陽新宇建設監理有限公司) increased from RMB3,000,000 to RMB13,419,500;
- (l) In March 2011, the registered capital of Hunan Huachu Engineering Construction, Consultancy and Supervision Co., Ltd. increased from RMB6,000,000 to RMB6,000,200;

- (m) In March 2011, the registered capital of Hunan Changye Construction Drawing Examination Co., Ltd. increased from RMB2,000,000 to RMB3,299,900;
- (n) In March 2011, the registered capital of Hainan Changkan Investigation and Design Co., Ltd. increased from RMB6,000,000 to RMB9,061,900;
- (o) In March 2011, the registered capital of Sixth Metallurgical Construction Company of China Nonferrous Metals Industry of Luoyang Co., Ltd. increased from RMB10,740,000 to RMB16,598,000;
- (p) In March 2011, the registered capital of Mechanical and Electrical Installation Engineering Co., Ltd. of Sixth Metallurgical Construction Company of China Nonferrous Metals Industry decreased from RMB12,424,000 to RMB11,173,300;
- (q) On April 11, 2011, the registered capital of Shenyang Aluminum & Magnesium Technology Co., Ltd. increased from RMB500,000 to RMB10,500,000; and
- (r) On April 14, 2012, the registered capital of Chongqing Tongye increased from RMB10,000,000 to RMB250,000,000.

3. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of our material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years preceding the date of this prospectus which are or may be material:

- (a) an equity transfer agreement dated January 10, 2011 entered into between Guizhou Xinyuan Investment Co., Ltd. (貴州鑫源投資有限公司) and GAMI (formerly known as Guiyang Aluminum and Magnesium Design Institute, 貴陽鋁鎂設計研究院) regarding the disposal of 20% equity interest in Guiyang Zhenxing Aluminum and Magnesium Technological Industry Development Co., Ltd. (貴陽振興鋁鎂科技產業發展有限公司) from Guizhou Xinyuan Investment Co., Ltd. to GAMI at a consideration of RMB2,376,090.71;
- (b) a transfer agreement dated January 24, 2011 entered into between GAMI (formerly known as Guiyang Aluminum and Magnesium Design Institute, 貴陽鋁鎂設計研究院) and Luoyang Institute regarding the disposal of part of the non-core business and relevant assets from GAMI to Luoyang Institute at nil consideration;
- (c) a transfer agreement dated January 28, 2011 entered into between Changkan Institute (formerly known as China Nonferrous Metals Industry Changsha Investigation and Design Research Institute, 中國有色金屬工業長沙勘察設計研究院), Shenzhen Changkan Investigation and Design Co., Ltd. (深圳市長勘勘察設計有限公司), Hainan Nonferrous Changkan Investigation Institute (海南有色長勘勘察院) and Luoyang Institute regarding the disposal of (i) part of the equity interest/rights of the subsidiaries and part of the non-core business and relevant assets from Changkan Institute and (ii) part of the non-core business and relevant assets from Shenzhen Changkan Investigation and Design Co., Ltd. and Hainan Nonferrous Changkan Investigation Institute to Luoyang Institute at nil consideration;
- (d) a transfer agreement dated January 28, 2011 entered into between Shanlv Construction and Shandong Aluminum regarding (i) the disposal of part of the non-core business and relevant assets from Shandong Aluminum to Shanlv Construction at nil consideration; and (ii) the disposal of part of the non-core business and relevant assets from Shanlv Construction to Shandong Aluminum at nil consideration;

- (e) a transfer agreement dated January 30, 2011 entered into between SAMI (formerly known as Shenyang Aluminum & Magnesium Engineering & Research Institute, 瀋陽鋁鎂設計研究院) and Luoyang Institute regarding the disposal of (i) the interests in Shenyang Aluminum & Magnesium Engineering & Research Institute Investigation Engineering Co., Ltd. (瀋陽鋁鎂設計研究院勘察工程公司) and Shenyang Aluminum & Magnesium Engineering & Research Institute, Zhengzhou Branch (瀋陽鋁鎂設計研究院鄭州分院); and (ii) part of the non-core business and relevant assets from SAMI to Luoyang Institute at nil consideration;
- (f) a transfer agreement dated January 30, 2011 entered into between Changsha Institute (formerly known as Changsha Engineering & Research Institute for Nonferrous Metallurgy, 長沙有色冶金設計研究院) and Luoyang Institute regarding the disposal of (i) all the equity interest/rights in Changsha Engineering & Research Institute for Nonferrous Metallurgy Zhuhai Branch (長沙有色冶金設計研究院珠海分院) and Beihai Changsheng Real Estate Development Co., Ltd. (北海長盛房地產開發有限公司); (ii) 31.5% of the equity interest in Changsha Huahengyuan Information Technology Co., Ltd. (長沙華恒園信息科技有限責任公司); and (iii) part of the non-core business and relevant assets from Changsha Institute to Luoyang Institute at nil consideration;
- (g) a transfer agreement dated January 31, 2011 entered into between Changlv Construction (formerly known as China Greatwall Aluminum Corporation Construction Company, 中國長城鋁業公司建設公司) and Changcheng Aluminum regarding the disposal of part of the non-core business and relevant assets from Changlv Construction to Changcheng Aluminum at nil consideration;
- (h) a transfer agreement January 31, 2011 entered into between Jinlv Construction and Luoyang Institute regarding the disposal of 100% equity interest in Jinlv Real Estate Development Co., Ltd. (晉鋁房地產開發有限公司) from Jinlv Construction to Luoyang Institute at nil consideration;
- (i) a transfer agreement dated January 31, 2011 entered into between Twelfth Metallurgical Company (formerly known as China Nonferrous Metals Industry's 12th Metallurgical Construction Company, 中色第十二冶金建設公司) and Luoyang Institute regarding the disposal of (i) 100% equity interest in Taiyuan China Nonferrous Twelfth Metallurgical Real Estate Development Co., Ltd. (太原中色十二冶房地產開發有限公司); and (ii) part of the non-core business and relevant assets from Twelfth Metallurgical Company to Luoyang Institute at nil consideration;
- (j) a transfer agreement dated January 31, 2011 entered into between Sixth Metallurgical Company (formerly known as Sixth Metallurgical Construction Company of China Nonferrous Metals Industry, 中國有色金屬工業第六冶金建設公司) and Luoyang Institute regarding the disposal of the equity interest/rights in six enterprises as well as part of the non-core business and relevant assets from Sixth Metallurgical Company to Luoyang Institute at nil consideration;
- (k) a transfer agreement dated March 1, 2011 entered into between GAMI (formerly known as Guiyang Aluminum and Magnesium Design & Research Institute, 貴陽鋁鎂設計研究院) and Guiyang Aluminum and Magnesium Assets Management Co., Ltd. (貴陽鋁鎂資產管理有限公 司) regarding the disposal of part of the non-core business and relevant assets (including equity interest/shares) from GAMI to Guiyang Aluminum and Magnesium Assets Management Co., Ltd. at nil consideration;

- (l) an equity transfer agreement dated March 8, 2011 entered into between Shanxi Aluminum Plant and our predecessor CAIEC regarding the disposal of 100% equity interest in Jinlv Construction from Shanxi Aluminum Plant to CAIEC at nil consideration;
- (m) an equity transfer agreement dated March 9, 2011 entered into between Shandong Aluminum and our predecessor CAIEC regarding the disposal of 100% equity interest in Shanlv Construction from Shandong Aluminum to CAIEC at nil consideration;
- (n) an equity transfer agreement dated March 9, 2011 entered into between Luoyang Institute and CNPT regarding the disposal of 22.29% equity interest in Suzhou Institute for Nonferrous Metals Research Institute Co., Ltd. (蘇州有色金屬研究院有限公司) from Luoyang Institute to CNPT at a consideration of RMB15,882,794.74;
- (o) an equity transfer agreement dated March 9, 2011 entered into between Luoyang Institute and CNPT regarding the disposal of 100% equity interest in Luoyang Jincheng Construction Supervision Co., Ltd. (洛陽金誠建設監理有限公司) from Luoyang Institute to CNPT at a consideration of RMB5,242,453.84;
- (p) an equity transfer agreement dated March 9, 2011 entered into between CNPT and Luoyang Institute regarding the disposal of 68.42% equity interest in Suzhou Longray Thermal Technology Co., Ltd. (蘇州新長光熱能科技有限公司) from CNPT to Luoyang Institute at a consideration of RMB37,564,560.57;
- (q) a transfer agreement dated March 11, 2011 entered into between Chinalco and our predecessor CAIEC regarding the disposal of 100% equity interest in Changkan Institute (formerly known as China Nonferrous Metals Industry Changsha Investigation and Design Research Institute, 中國有色金屬工業長沙勘察設計研究院), Sixth Metallurgical Company (formerly known as Sixth Metallurgical Construction Company of China Nonferrous Metals Industry, 中國有色金屬工業第六冶金建設公司) and Twelfth Metallurgical Company (formerly known as China Nonferrous Metals Industry's 12th Metallurgical Construction Company, 中色第十二冶金建設公司), respectively from Chinalco to CAIEC at nil consideration;
- (r) a transfer agreement dated March 11, 2011 entered into between Changcheng Aluminum and our predecessor CAIEC regarding the disposal of 100% equity interest in Changlv Construction (formerly known as China Greatwall Aluminum Corporation Construction Company, 中國長城鋁業公司建設公司) from Changcheng Aluminum to CAIEC at nil consideration;
- (s) an equity transfer agreement dated March 18, 2011 entered into between our predecessor CAIEC and Luoyang Junhe Technology Development Co., Ltd (洛陽君合科技開發有限公司) regarding the disposal of 13.5% equity interest and relevant rights in CNPT from Luoyang Junhe Technology Development Co., Ltd to CAIEC at a consideration of RMB34,825,535.93;
- (t) a transfer agreement dated March 18, 2011 entered into between Luoyang Institute and our predecessor CAIEC regarding the disposal of 60% equity interest in CNPT from Luoyang Institute to CAIEC at nil consideration;
- (u) a promoters' agreement dated March 23, 2011 entered into between SAMI (formerly known as Shenyang Aluminum & Magnesium Engineering & Research Institute, 瀋陽鋁鎂設計研究院), Institute of Metal Research, Chinese Academy of Sciences (中國科學院金屬研究所), Liaoning

Technology Venture Capital Co., Ltd. (遼寧科技創業投資有限責任公司), Shenyang Technology Venture Capital Co., Ltd. (瀋陽科技風險投資有限公司), Hu Zhuanglin (胡壯麟), Guo Dadong (郭大東), Cao Shuyi (曹淑儀), Ma Wenbin (馬文斌), Wang Ran (王然), Cheng Huiming (成會明), Li Hongxi (李洪錫), Liu Hongguang (劉洪光), Wang Yongsheng (王永勝) and Tang Chenbin (湯晨濱), regarding the establishment of Shenyang Gina Advanced Materials Co., Ltd. (瀋陽金納新材料股份有限公司) as a joint stock limited company. Pursuant to this promoters' agreement, 58% of the equity interest of Shenyang Gina Advanced Materials Co., Ltd. is held by SAMI;

- (v) the Non-Competition Agreement;
- (w) a corporate investment agreement dated June 7, 2012 entered into between our Company, CICC, Beijing Jundao Technology Development Co., Ltd. (北京君道科技發展有限公司) and Leading Gain Investments Limited, pursuant to which Beijing Jundao Technology Development Co., Ltd., with Leading Gain Investments Limited acting as its nominee holder, has agreed to purchase at the Offer Price such number of International Offer Shares that may be purchased with US\$15 million (rounded down to the nearest board lot);
- (x) a corporate investment agreement dated June 7, 2012 entered into between our Company, CICC and China XD Group (中國西電集團公司), pursuant to which China XD Group has agreed to purchase at the Offer Price such number of International Offer Shares that may be purchased with US\$15 million (rounded down to the nearest board lot);
- (y) a corporate investment agreement dated June 7, 2012 entered into between our Company, CICC and Jiangxi Transformer Science & Technology Co., Ltd. (江西變壓器科技股份有限公司), pursuant to which Jiangxi Transformer Science & Technology Co., Ltd. has agreed to purchase at the Offer Price such number of International Offer Shares that may be purchased with US\$10 million (rounded down to the nearest board lot);
- (z) a corporate investment agreement dated June 7, 2012 entered into between our Company, CICC and The Seventh Metallurgical Construction Corp. Ltd. (七冶建設有限責任公司), pursuant to which The Seventh Metallurgical Construction Corp. Ltd. has agreed to purchase at the Offer Price such number of International Offer Shares that may be purchased with US\$35 million (rounded down to the nearest board lot);
- (aa) a corporate investment agreement dated June 7, 2012 entered into between our Company, CICC and Yunnan Aluminum International Company Limited (雲鋁國際有限公司), pursuant to which Yunnan Aluminum International Company Limited has agreed to purchase at the Offer Price such number of International Offer Shares that may be purchased with US\$10 million inclusive of relevant brokerage and transaction levy (rounded down to the nearest board lot);
- (bb) a corporate investment agreement dated June 7, 2012 entered into between our Company, CICC and Yunnan Tin (Hong Kong) Yuan Xin Company Limited (雲錫(香港)源興有限公司), pursuant to which Yunnan Tin (Hong Kong) Yuan Xin Company Limited has agreed to purchase at the Offer Price such number of International Offer Shares that may be purchased with US\$15 million (rounded down to the nearest board lot);
- (cc) an underwriting agreement dated June 8, 2012 entered into between our Company and GF Securities, pursuant to which GF Securities has agreed with a hard underwriting commitment of up to US\$20 million; and
- (dd) the Hong Kong Underwriting Agreement.

B. Our intellectual property rights

As of December 31, 2011, our intellectual property rights mainly include 2,781 patents, 19 registered trademarks and 19 computer software copyrights in the PRC.

(a) Patents

We have registered the following principal patents in the PRC which we believe are or may be important to our business:

No.	Patentees	Class of patents	Name	Patent No.	Date of applications	Grant Date
1	Chalco, Chalieco	Invention	A type of electrolyzer cathode structure with conductive plate (一種帶導電板的電解槽陰極結構)	ZL200810227126.7	2008-11-21	2009-05-06
2	Chalco, Chalieco	Invention	Cathode structure of cathode carbon block and impermeable layer of collector Bar (陰極炭塊及防滲層導電鋼棒的陰極結構)	ZL200810239366.9	2008-12-11	2009-05-27
3	SAMI	Invention	One way to strengthen heat dissipation for tank shells of aluminum electrolytic cells (一種加強大型鋁電解槽槽殼散熱方法)	ZL03111412.1	2003-04-10	2005-06-29
4	SAMI	Invention	One way for electrolyser gas collection (一種電解槽集氣方法)	ZL03111413.X	2003-04-10	2005-05-18
5	SAMI	Invention	One way to collocate series bus bar of aluminum electrolytic cells (一種鋁電解槽系列母線的配製方法)	ZL03133448.2	2003-06-13	2006-03-22
6	SAMI	Invention	A type of lining structure of aluminum electrolytic cells (一種鋁電解槽內襯結構)	ZL200410100487.7	2004-12-27	2008-09-03
7	SAMI	Invention	Calcined burnt graphitizing method and Calcined burnt graphitizing furnace (煅燒焦石墨化方法及煅燒焦石墨化爐)	ZL200510046668.0	2005-06-14	2008-09-03
8	SAMI	Invention	Electric calcined furnace and electric calcined method for use of volatile matter (可利用揮發份的電煅燒爐及電煅燒方法)	ZL200510047126.5	2005-09-02	2008-10-22
9	SAMI	Invention	One way for stockpiling of red mud (一種赤泥的堆存方法)	ZL200610048091.1	2006-10-24	2009-01-21
10	SAMI	Invention	One way for desiliconizing machine and spontaneous evaporator system pressure adjustment and adjustment device (一種脫硅機與自蒸發器系統壓力調節方法及調節裝置)	ZL200610134279.8	2006-11-16	2009-06-24
11	SAMI	Invention	One way for carbon baking furnace surface heat sealing (一種碳素焙燒爐爐面保溫密封方法及密封裝置)	ZL200610134280.0	2006-11-16	2009-07-22

No.	Patentees	Class of patents	Name	Patent No.	Date of applications	Grant Date
12	SAMI	Invention	Two-stage recovery of aluminum fluoride from aluminum fluoride production system exhaust condensate and related technologies (氟化鋁生產系統尾氣冷凝液兩段式回收氟化鋁系統及工藝)	ZL200610134343.2	2006-11-23	2009-04-08
13	Shenyang Aluminum & Magnesium Technology Co., Ltd. (瀋陽鋁鎂科技有限公司)	Invention	Aluminum anode baking furnace flue gas purification technology and purification system (鋁電解陽極焙燒爐煙氣淨化工藝及淨化系統)	ZL200610134398.3	2006-11-28	2008-04-16
14	SAMI	Invention	Technologies for dealing with pebbles during the course of milk of lime preparation (處理石灰乳製備過程中產生的小石子工藝)	ZL200610135081.1	2006-12-27	2008-12-17
15	SAMI	Invention	Beneficiation and desiliconizing technology of low-grade magnesite (低品位菱鎂礦選礦脫硅工藝)	ZL200610135082.6	2006-12-27	2009-06-24
16	SAMI	Invention	Dissolution of clinker series red mud and red mud separation technology (串聯法赤泥熟料溶出及赤泥分離工藝)	ZL200710010077.7	2007-01-13	2009-12-23
17	SAMI	Invention	A type of technology for fluorinated aluminum powder dry cooling and transportation (一種幹法氟化鋁粉冷卻及輸送工藝)	ZL200710010451.3	2007-02-15	2009-10-14
18	SAMI	Invention	Overflow recharging wells of wet red mud yard and its heightening method (濕法赤泥堆場的溢流式回水井及其加高方法)	ZL200710157201.2	2007-09-29	2010-06-02
19	SAMI	Invention	A type of aluminum anode baking furnace (一種鋁用陽極焙燒爐)	ZL200710012421.6	2007-08-09	2010-04-07
20	SAMI	Invention	Heat exchange equipment for two decomposition production of sandy alumina (兩段分解生產砂狀氧化鋁的熱交換設備)	ZL200710199691.2	2006-03-17	2010-01-27
21	SAMI	Invention	A type of technology of slurry mixing process during the production of alumina and its equipment (一種氧化鋁生產中的礦漿混合工藝及其設備)	ZL200710011236.5	2007-05-9	2010-12-22
22	SAMI	Invention	A type of technology using steam exhaust during the production of alumina and its equipment (一種氧化鋁生產中乏汽利用工藝及其設備)	ZL200710011237.X	2007-05-09	2010-09-29

No.	Patentees	Class of patents	Name	Patent No.	Date of applications	Grant Date
23	SAMI	Invention	A type of control system and control method for Lye deployment system (一種碱液調配系統的控制系統及控制方法)	ZL200710012559.6	2007-08-23	2010-12-08
24	SAMI	Invention	Large-scale rotary kiln petroleum coke calcined method and related devices (大型回轉窯石油焦煅燒方法及裝置)	ZL200710012645.7	2007-08-31	2010-07-28
25	SAMI	Invention	A type of oxalate removal system and method for sodium aluminate solution (一種鋁酸鈉溶液中草酸鹽的去除系統及方法)	ZL200810011314.6	2008-05-08	2011-04-06
26	SAMI	Invention	A type of bus configuration structure for large-scale aluminum reduction cells of six anode risers (一種大型鋁電解槽非對稱六點進電母線配置結構)	ZL200810012376.9	2008-07-17	2011-04-06
27	SAMI	Invention	A type of starting method and structure of scorched particles roasting technology in pre-baking anode aluminum electrolytic cells (一種預焙陽極鋁電解槽焦粒焙燒啟動方法及結構)	ZL200810012375.4	2008-07-17	2011-02-02
28	SAMI	Invention	Anode lifting devices using in aluminum electrolytic cells (鋁電解槽用陽極升降裝置)	ZL200810013196.2	2008-09-16	2011-02-02
29	SAMI	Invention	A type of pre-baking anode aluminum electrolytic cells (一種預焙陽極鋁電解槽)	ZL200810229097.8	2008-11-27	2011-04-06
30	SAMI	Invention	A type of technology and system of magnesium reduction (一種金屬鎂還原工藝及系統)	ZL200810229431.x	2008-12-09	2011-04-06
31	Chalco, SAMI	Invention	A type of aluminum electrolytic cell (一種鋁電解槽)	ZL200710010403.4	2007-02-13	2010-07-21
32	GAMI	Invention	Graphite cathode production process (石墨化陰極生產工藝)	zl200410040135.7	2004-07-02	2009-04-22
33	GAMI	Invention	The structure of concatenation graphitizing furnace (串接石墨化爐的構造)	zl200410155394.4	2004-10-22	2007-02-14
34	GAMI	Invention	Essence heat exchange process flow (精液熱交換的工藝流程)	zl200410155595.4	2004-12-29	2009-06-17
35	GAMI	Invention	The purification process for aluminum electrolysis fluorinated gas (鋁電解含氟煙氣的淨化工藝)	zl200510200138.7	2005-03-11	2009-06-17
36	GAMI	Invention	The protection method of dry red mud yard dam (幹法赤泥堆場子壩的保護方法)	zl200510200169.2	2005-03-23	2009-05-06

No.	Patentees	Class of patents	Name	Patent No.	Date of applications	Grant Date
37	GAMI	Invention	The way for input and output of materials and devices of high-pressure carbon impregnated tank (炭素高壓浸漬罐的進出料方法和裝置)	zl200510200207.4	2005-04-05	2009-06-17
38	GAMI	Invention	The bauxite grinding process using evaporation of the original liquid ash (採用蒸發原液化灰的鋁土礦磨礦工藝)	zl200510200301.X	2005-05-25	2009-06-17
39	GAMI	Invention	The warm-up method of desiliconizing original pulp under normal pressures (常壓脫硅原礦漿的預熱方法)	zl200510200379.1	2005-07-07	2009-04-08
40	GAMI	Invention	A type of collocation method of combination workshop using conveyor belt as a link (一種以輸送皮帶廊為紐帶聯接的組合廠房的配置方法)	zl200510200519.5	2005-09-07	2007-08-01
41	GAMI	Invention	The grinding process of high iron gibbsite raw material (高鐵三水鋁土礦原料磨礦工藝)	zl200510200561.7	2005-09-23	2009-01-07
42	GAMI	Invention	The alumina dissolution device and process (氧化鋁溶出裝置及工藝)	zl200510200620.0	2005-10-19	2007-01-17
43	GAMI	Invention	The method for decomposition of low concentration of seed production of sandy alumina (低濃度種子分解生產砂狀氧化鋁的方法)	zl200510200624.9	2005-10-20	2007-08-01
44	GAMI	Invention	A type of short-circuit power cutting method and device for aluminum electrolytic cells (一種鋁電解槽短路停電的方法及裝置)	zl200510200701.0	2005-11-14	2009-09-30
45	GAMI	Invention	The positioning method of single layer multi-span trestle crane beam (單層多跨排架柱吊車梁的定位方法)	zl200610200086.8	2006-01-26	2009-12-16
46	GAMI	Invention	Double-row combustion device in roasters (焙燒爐雙排燃燒裝置)	ZL200610200104.2	2006-02-09	2009-06-03
47	GAMI	Invention	A type of non-stop conversion method of local and remote control and its electric circuits (一種本地與遠端控制的不停機轉換方法及其電路)	zl200610200667.1	2006-07-07	2010-03-03
48	GAMI	Invention	A type of control method of electrolyzer cylinder and its control solenoid valve (一種電解槽氣缸的控制方法)	zl200610200669.0	2006-07-07	2010-07-07
49	Changsha Institute	Invention	A type of furnace lining thickness measure system and method (一種爐襯測厚系統及方法)	ZL200810032106.4	2008-08-18	2010-08-25

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No.	Patentees	Class of patents	Name	Patent No.	Date of applications	Grant Date
50	Changsha Institute	Invention	A type of positioning method applicable to burn-through points in blast sintering machines (一種適用於鼓風燒結機的燒穿點定位方法及其定位系統)	ZL200810143340.4	2008-10-17	2011-01-05
51	Changsha Institute, Jiangxi Tianhe New Materials Co., Ltd. (江西天合新材料有限責任公司)	Invention	One way for preparation of carbide mixtures (一種硬質合金混合料的製備方法)	ZL200810143678.X	2008-11-21	2010-12-08
52	Changsha Institute	Invention	A type of control method and system to adjust burn-through points in blast sintering machines (一種調節鼓風燒結機燒穿點位置的控制方法及其控制系統)	ZL200810143757.0	2008-11-28	2010-11-10
53	Changsha Institute	Invention	The direct lead smelting method for collocation processing of zinc smelting slag (搭配處理鋅冶煉渣料的直接煉鉛方法)	ZL200910227003.8	2009-11-23	2011-02-16
54	Changsha Institute	Utility model	Sieve tube (篩分筒)	ZL200820053033.2	2008-04-30	2009-01-21
55	Changsha Institute	Utility model	Drying or absorbing towers during the preparation of sulfuric acid (硫酸製備中的乾燥或吸收塔)	ZL200720065638.9	2007-12-29	2009-01-28
56	Changsha Institute	Utility model	Gas-water separators in hydrogen recovery purification leaching tower (氫氣回收淨化用淋洗塔的氣水分離裝置)	ZL200720065634.0	2007-12-29	2009-01-28
57	Changsha Institute	Utility model	waste heat boiler integration fuming furnace (餘熱鍋爐一體化煙化爐)	ZL200720065545.6	2007-12-25	2009-02-25
58	Changsha Institute	Utility model	Light face rolling crushers (光面對輥破碎機)	ZL200820053240.8	2008-5-23	2009-04-08
59	Changsha Institute, Hunan Huachu Machinery Co., Ltd. (湖南華楚機械有限公司)	Utility model	bubble generators (氣泡發生器)	ZL200420069268.2	2004-11-25	2005-11-23
60	Changsha Institute, Hunan Huachu Machinery Co., Ltd. (湖南華楚機械有限公司)	Utility model	agitation tanks (攪拌槽)	ZL200420069266.3	2004-11-25	2005-11-23
61	Changsha Institute	Utility model	high rate thickeners (高效濃密機)	ZL200820053975.0	2008-08-04	2009-05-27
62	Changsha Institute	Utility model	A type of flash flotation machine (一種閃速浮選機)	ZL200820053977.x	2008-08-04	2009-05-20

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No.	Patentees	Class of patents	Name	Patent No.	Date of applications	Grant Date
63	Changsha Institute	Utility model	A type of crude lead refining furnace (一種粗鉛精煉爐)	ZL200820159477.4	2008-11-28	2009-08-26
64	Changsha Institute	Utility model	agitating devices in energy efficiency leaching tanks (高效節能浸出槽的攪拌裝置)	ZL200820159476.X	2008-11-28	2009-09-23
65	Changsha Institute	Utility model	A type of oxygen side-blown copper furnace (一種富氧側吹煉銅爐)	ZL200820159581.3	2008-12-05	2009-10-07
66	Changsha Institute	Utility model	Reduction rotary kilns (還原回轉窯)	ZL200820159159.8	2008-11-12	2009-11-04
67	Changsha Institute	Utility model	Cableway rope changing devices (索道換繩裝置)	ZL200920065820.3	2009-09-07	2010-05-12
68	Changsha Institute	Utility model	fuming furnace weld pool (煙化爐熔池)	ZL200920065543.6	2009-08-11	2010-05-12
69	Changsha Institute	Utility model	Suspended melting side-blown reduction lead smelting furnace (懸浮熔煉側吹還原煉鉛爐)	ZL200920066349.x	2009-10-21	2010-06-23
70	Changsha Institute	Utility model	Nonferrous metals dual-chamber oxygen side-blown furnace (有色金屬雙室富氧側吹爐)	ZL200920066350.2	2009-10-21	2010-06-23
71	Changsha Institute	Utility model	A type of thickener (一種濃密機)	ZL200920066176.1	2009-09-30	2010-07-07
72	CNPT	Invention	A type of designing preparation method of combination dowel pin (一種組合型定位銷的設計配製方法)	ZL200710304820.X	2007-12-21	2009-08-19
73	CNPT, Shanghai Fronject Rolling Oil Purify Co., Ltd. (上海方久軋製油淨化技術有限公司)	Invention	The operational control method of aluminum rolling oil distillation device (鋁軋製油精餾裝置的運行控制方法)	ZL200710043934.3	2007-07-18	2010-01-27
74	CNPT	Utility model	A type of laser camera-type thickness measure control device (一種激光攝像式測厚控制裝置)	ZL200920090061.6	2009-04-30	2010-02-03
75	Chalco, Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Invention	Vacuum mixing composite particles reinforced aluminum based composite materials (真空攪拌複合顆粒增強鋁基複合材料及其製備工藝)	ZL200710190250.6	2007-11-23	2009-9-23
76	Changsha Institute	Invention	The direct lead smelting method for collocation processing of zinc smelting slag (搭配處理鋅冶煉渣料的直接煉鉛方法)	200910227003.8	2009-11-23	2011-02-16

No.	Patentees	Class of patents	Name	Patent No.	Date of applications	Grant Date
77	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司), Chalco	Invention	The industrial preparation device for particle-reinforced aluminum based composite materials (工業化製備顆粒增強鋁基複合材料的裝置)	ZL200710190251.0	2007-11-23	2010-01-06
78	Suzhou Research Institute for Nonferrous Metals Processing (蘇州有色金屬加工研究院)	Invention	High-strength aluminum alloy (高強度鋁合金)	ZL200510122907.6	2005-12-07	2008-03-05
79	Suzhou Research Institute for Nonferrous Metals Processing (蘇州有色金屬加工研究院)	Invention	Aluminum and aluminum alloy semi-continuous casting continuous lubrication crystallizer (鋁及鋁合金半連續鑄造連續潤滑結晶器)	ZL200610040381.1	2006-05-19	2008-09-17
80	Suzhou Research Institute for Nonferrous Metals Processing (蘇州有色金屬加工研究院)	Invention	Aluminum and aluminum alloy semi-continuous casting continuous lubrication system (鋁及鋁合金半連續鑄造的連續潤滑系統)	ZL200610040380.7	2006-05-19	2008-03-05
81	Suzhou Research Institute for Nonferrous Metals Processing (蘇州有色金屬加工研究院)	Invention	The casting and rolling process and equipment of magnesium alloy sheet (鎂合金板坯的鑄軋工藝及設備)	ZL200610040526.8	2006-05-22	2009-02-25
82	Suzhou Research Institute for Nonferrous Metals Processing (蘇州有色金屬加工研究院)	Invention	The non-vacuum melting and casting method for Cu-Cr-Zr alloy (非真空熔煉及澆鑄Cu-Cr-Zr合金的方法)	ZL200610085210.0	2006-06-02	2008-10-15
83	Suzhou Research Institute for Nonferrous Metals Processing (蘇州有色金屬加工研究院)	Invention	Copper alloy for lead frame and its production method (引線框架用銅合金及其製造方法)	ZL200610041351.2	2006-08-16	2008-10-15
84	Suzhou Research Institute for Nonferrous Metals Processing (蘇州有色金屬加工研究院)	Invention	Copper alloy for high-temperature resistance soften lead frame and its production method (耐高溫軟化引線框架用銅合金及其製造方法)	ZL200610096471.2	2006-09-27	2009-03-18

No.	Patentees	Class of patents	Name	Patent No.	Date of applications	Grant Date
85	Suzhou Research Institute for Nonferrous Metals Processing (蘇州有色金屬加工研究院)	Invention	X-ray convexity measuring meter (X射線凸度測量儀)	ZL200610097944.0	2006-11-22	2008-10-15
86	Suzhou Research Institute for Nonferrous Metals Processing (蘇州有色金屬加工研究院)	Invention	Thickness/convexity measure device cooling system (厚度/凸度測量裝置冷卻系統)	ZL200610097945.5	2006-11-22	2008-10-15
87	Suzhou Research Institute for Nonferrous Metals Processing (蘇州有色金屬加工研究院)	Invention	Variable flow of rolling oil injection valve (軋製油變流量噴射閥)	ZL200610098235.4	2006-12-04	2008-10-15
88	Suzhou Research Institute for Nonferrous Metals Processing (蘇州有色金屬加工研究院)	Invention	A type of Al-Mg-Si-Cu alloy for motor vehicles and its processing technique (一種汽車用Al-Mg-Si-Cu合金及其加工工藝)	ZL200610098345.0	2006-12-12	2009-01-21
89	Suzhou Research Institute for Nonferrous Metals Processing (蘇州有色金屬加工研究院)	Invention	The non-vacuum melting and casting method for Cu-Ti alloy (非真空熔煉及澆鑄Cu-Ti合金的方法)	ZL200610098355.4	2006-12-14	2009-05-27
90	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Invention	A type of antifatigue Cu-Ti alloy and its production method (一種抗疲勞的Cu-Ti合金及其生產方法)	ZL200710025506.8	2007-08-01	2009-08-26
91	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Invention	A type of rare-earth titanium copper alloy and its production method (一種稀土鈦銅合金及其製造方法)	ZL200710133880.X	2007-10-12	2009-09-16
92	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Invention	One way to improve low Cu content aluminum automotive sheet bake-hardening Capabilities (改善低Cu含量鋁合金汽車板材烘烤硬化性能的方法)	ZL200710190078.4	2007-11-16	2009-10-28

No.	Patentees	Class of patents	Name	Patent No.	Date of applications	Grant Date
93	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Invention	A type of Zr-aluminum alloy and its homogenization heat treatment method (一種含Zr的鋁合金及其均勻化熱處理方法)	ZL200710190193.1	2007-11-21	2009-10-28
94	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Invention	Continuous lubrication crystallizer for aluminum alloy semi-continuous casting (鋁合金半連續鑄造用連續潤滑結晶器)	ZL200710190601.3	2007-11-26	2009-08-26
95	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Invention	A type of electromagnetic sensors for aluminum alloy electromagnetic field-assisted semi-continuous casting (一種鋁合金電磁場輔助半連續鑄造用電磁感應器)	ZL200710190963.2	2007-11-30	2009-12-09
96	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Invention	Cylinder type injection valve (氣缸式噴射閥)	ZL200710191732.3	2007-12-14	2009-09-16
97	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Invention	Network feedback control method for cold rolling mill thickness control system (冷軋機厚度控制系統的網路回饋控制方法)	ZL200710191733.8	2007-12-14	2009-12-30
98	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Invention	One way to use feedforward network to enhance cold rolling mill thickness control capabilities (利用前饋網路提高冷軋機厚度控制性能的方法)	ZL200710191735.7	2007-12-14	2009-12-30
99	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Invention	One way to use feedback network to enhance cold rolling mill thickness control capabilities (利用反饋網路提高冷軋機厚度控制性能的方法)	ZL200710191736.1	2007-12-14	2009-11-04
100	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Invention	Self-lubricating surface composite negative pressure impregnation filling preparation process (自潤滑表面複合材料負壓浸漬填充製備工藝)	ZL200710190082.0	2007-11-16	2010-07-14

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No.	Patentees	Class of patents	Name	Patent No.	Date of applications	Grant Date
101	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Invention	Design methods of water-blocking devices for hrd alloy semi-continuous casting (硬鋁合金半連續鑄造用擋水裝置的設計方法)	ZL200810023941.1	2008-04-22	2010-02-10
102	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Invention	Air purge nozzles for rolling (軋製生產用空氣吹掃噴嘴)	ZL200810234157.5	2008-11-05	2010-01-27
103	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Invention	Non-contour water-blocking device for casting ultra-high strength aluminum alloy flat ingots and its application methods (鑄造超高強鋁合金扁錠的非等高擋水裝置及其應用方法)	ZL200810123969.2	2008-05-30	2010-06-09
104	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Invention	One way to improve the hardening of the paint of AA6022 aluminum alloy sheet (改善AA6022鋁合金板材烤漆硬化性的方法)	ZL200810194841.5	2008-10-22	2010-11-10
105	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Invention	Corrosion-resistance aluminum bronze multi-alloy for pipes (管用耐蝕多元鋁青銅合金材料)	ZL200810235980.8	2008-11-19	2011-01-12
106	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Invention	Air purge nozzles for rolling (軋製生產用空氣吹掃噴嘴)	200810234157.5	2008-11-05	2010-01-27
107	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Invention	Cylinder type injection valve (氣缸式噴射閥)	200710191732.3	2007-12-14	2009-09-16
108	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Utility model	Non-continuous water cooling control system for aluminum casting (鋁合金鑄造用非連續式水冷控制系統)	ZL201020217349.8	2010-06-07	2011-01-12

(b) Trademarks

We have registered the following trademarks in the PRC:

No.	Owner	Trademark	Registration Number	Class	Duration
1	Changkan Institute		3214752	42	2004-01-21 to 2014-01-20
2	CNPT		3490198	7	2004-08-07 to 2014-08-06
3	CNPT		3490199	9	2004-08-07 to 2014-08-06
4	CNPT		3490196	11	2004-12-21 to 2014-12-20
5	CNPT		3490197	37	2005-02-28 to 2015-02-27
6	CNPT		3490201	40	2004-10-07 to 2014-10-06
7	CNPT		3490200	42	2005-02-14 to 2015-02-13
8	CNPT	中色科技	5778105	7	2009-09-14 to 2019-09-13
9	CNPT	中色科技	5778106	9	2009-09-28 to 2019-09-27
10	CNPT	中色科技	5778108	11	2009-09-28 to 2019-09-27
11	CNPT	中色科技	5778109	40	2010-01-21 to 2020-01-20
12	CNPT	CNPT	5778112	7	2009-09-14 to 2019-09-13
13	CNPT	CNPT	5778111	9	2009-09-28 to 2019-09-27

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No.	Owner	Trademark	Registration Number	Class	Duration
14	CNPT	CNPT	5778142	11	2009-09-28 to 2019-09-27
15	CNPT	CNPT	5778570	37	2010-01-28 to 2020-01-27
16	CNPT	CNPT	5778571	40	2010-01-21 to 2020-01-20
17	CNPT	CNPT	5778572	42	2009-12-14 to 2019-12-13
18	SAMI	中铝科技大厦	4045928	42	2007-04-07 to 2017-04-06
19	Sixth Metallurgical Company		6187859	6	2010-01-07 to 2029-01-06

We have applied for the registration of the following trademark in the PRC, the registration of which has not yet been granted:

No.	Applicant	Mark (graph or words)	Application Date	Application Number	International Classification Number
1	SAMI		2010-11-09	8827576	42

We have applied for the registration of the following trademark in Hong Kong, the registration of which has not yet been granted:

No.	Applicant	Mark (graph or words)	Application Date	Application Number	International Classification Number
1	Chalieco	CHALIECO	2011-06-17	301949194	—

We have been licensed by Chinalco to use the following trademarks in the PRC and Hong Kong, which are material in relation to our Group's business.

No.	Applicant	Mark (graph or words)	Application Date	Application Number	International Classification Number
1	Chinalco	CHALIECO	2011-06-16	9604184	37
2	Chinalco		2011-06-16	9604447	7
3	Chinalco		2011-06-16	9604485	35
4	Chinalco		2011-06-16	9604609	37
5	Chinalco		2011-06-16	9604745	42
6	Chinalco	中铝国际	2011-06-16	9610172	7
7	Chinalco	中铝国际	2011-06-16	9610252	35
8	Chinalco	中铝国际	2011-06-16	9604640	37
9	Chinalco	中铝国际	2011-06-16	9604721	42
10	Chinalco		2011-06-17	301949130	1, 4, 6, 7, 9, 14, 35, 37, 40, 42
11	Chinalco	中铝国际 中鋁國際	2011-06-17	301949121	7, 35, 37, 42

(c) Computer software copyrights

We have registered the following copyrights in the PRC:

No.	Owner	Name of Software	Registered Number	Registration Date
1	CNPT	CNPT statistics information management system (中色科技統計資訊管理系統)	2010SR006671	2010-02-04
2	CNPT	“1+4” aluminum strip blanks hot strip rolling procedures Computer software (“1+4”鋁帶坯熱連軋製規程計算軟件)	2010SR004012	2010-01-23
3	CNPT	“1+4” aluminum strip blanks hot strip rolling process backtracking and data analysis system (“1+4”鋁帶坯熱連軋工藝過程回溯及數據分析系統)	2010SR000609	2010-01-05
4	GAMI	160kA aluminum electrolysis computerised control system (160kA鋁電解電腦控制系統)	2010SR017310	2010-04-19
5	GAMI	280kA pre-baked anode aluminum electrolytic cell production process control software V1.0 (鋁電解280kA預焙槽生產過程控制軟件 V1.0)	2009SR03441	2009-01-15
6	GAMI	350kA pre-baked anode aluminum electrolytic cell production process control software V1.0 (鋁電解350kA預焙槽生產過程控制軟件 V1.0)	2009SR03443	2009-01-15
7	GAMI	320kA pre-baked anode aluminum electrolytic cell production process control software V1.0 (鋁電解320kA預焙槽生產過程控制軟件 V1.0)	2009SR03440	2009-01-15
8	Changsha Institute	International retaining wall design selection assistant software (國標擋土牆設計選型助手軟件)	2010SR064653	2010-12-01

No.	Owner	Name of Software	Registered Number	Registration Date
9	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Nonferrous institute sheet strip cold rolling machine shape data real-time collection software 有色院板帶冷軋機板形數據實時採集軟件	2011SR019033	2011-04-09
10	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Nonferrous Institute aluminum sheet strip process control system middleware software (有色院鋁板帶程序控制系統中間件軟件)	2010SR056030	2010-10-25
11	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Nonferrous Institute six-roller aluminum sheet strip mill rolling sheet shape pre-setting software (有色院六輓鋁板帶軋機抽動板形預設定軟件)	2010SR048998	2010-09-16
12	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Nonferrous Institute single rack cold rolling mill process control system software (有色院鋁單機架冷軋機程序控制系統軟件)	2010SR048885	2010-09-16
13	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Nonferrous Institute single rack cold rolling mill rolling plan maintenance software (有色院鋁單機架冷軋機軋製計劃維護軟件)	2010SR048788	2010-09-16
14	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Nonferrous Institute copper sheet hot rolling mill process control pre-setting software (有色院銅板帶熱軋機程序控制預設定軟件)	2010SR048787	2010-09-16
15	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Nonferrous Institute single rack cold rolling mill rolling order setting software (有色院鋁單機架冷軋機軋製規程設定軟件)	2009SR055899	2009-12-01

No.	Owner	Name of Software	Registered Number	Registration Date
16	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Nonferrous Institute irreversible aluminum cold rolling mill thickness distribution optimization simulation software (有色院不可逆鋁冷軋機厚度分配優化仿真軟件)	2009SR055897	2009-12-01
17	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Nonferrous Institute aluminum sheet strip single rack hot rolling order setting software (有色院鋁板帶單機架熱軋軋製規程設定軟件)	2009SR033551	2009-08-21
18	Suzhou Research Institute for Nonferrous Metals Co., Ltd. (蘇州有色金屬研究院有限公司)	Nonferrous Institute aluminum sheet strip single rack convexity control pre-setting software (有色院鋁板帶單機架凸度控制預設定軟件)	2009SR033550	2009-08-21
19	Changkan Institute (長勘院)	Construction environment monitoring information management and safety warning system V1.0 (施工環境監測資訊管理與安全預警系統 V1.0)	2007SR14336	2007-09-14

C. Our Qualifications

As of December 31, 2011 we have obtained the following principal qualifications regarding our business operation in the PRC.

No.	Enterprise name	Certificate name	Qualification description	Certificate No.	Expiry date	Grant date
1.	Chalieco	Certificate of Qualification for Contracting Overseas Projects	1. contracting overseas projects matching its capabilities, scale and performance; 2. dispatching workers required to undertake the overseas projects	1100200300277	—	2011-09-29
2.	CAIEC (in the process of application for the change of company name to Chalieco)	Engineering Consulting Enterprise Qualification Certificate	Qualification grade: Class A; Area: nonferrous metallurgy, project feasibility study reports, project application reports, funding application reports; engineering design	Gong Zi Jia 20120060025	2016-08-29	2011-08-30
3.	CAIEC (in the process of application for the change of company name Chalieco)	Engineering Consulting Enterprise Qualification Certificate	Area: nonferrous metallurgy, planning and consulting, preparing project proposals, overall project management (overall planning and preparation stage management); Area: steel and iron, planning and consulting, preparing project proposals, preparing project feasibility study reports, project application, funding application reports, engineering design, engineering project management(overall planning and preparation stage management). Area: ecological building and environment building, preparing project proposals, project feasibility study reports, project application report, funding application reports, engineering design	Gong Zi Bing 20120060025	2016-08-29	2011.08.30
4.	CAIEC (in the process of application for the change of company name to Chalieco)	Engineering Design Qualification Certificate	Qualification grade: metallurgical industry Class A; permitted to undertake construction projects engineering general contracting, project management and related technical and management business within the scope of qualification certificate	A111003241	2015-03-12	2010-03-12
5.	CAIEC (in the process of application for the change of company name to Chalieco)	Engineering Design Qualification Certificate	machinery industry (specialty equipment manufacturing and engineering) Professional Class B; permitted to undertake construction projects engineering general contracting, project management and related technical and management business within the scope of qualification certificate	A211003248	2014-03-01	2009-02-02

No.	Enterprise name	Certificate name	Qualification description	Certificate No.	Expiry date	Grant date
6.	China Aluminum International Engineering Corporation Limited	Certificate of Qualifications for Assessment of Environmental Impact of Construction Projects	Certificate registration grade: Class A; scope of environmental impact assessment report—Class A: chemical, petrochemical, medical; metallurgy, machinery and electric; excavation Class B: building materials, coal-fired power environmental impact assessment statement category—general project environmental impact assessment statement	Guo Huan Ping Zheng Jia Zi Di No. 1052	2015-02-16	2011-11-18
7.	China Aluminum International Engineering Corporation Limited	Customs Declaration Registration Certificate for Consignor or Consignee of Import or Export Goods	customs declaration registration	1108319015	2014-05-30	2005-05-30
8.	Shenyang Aluminum & Magnesium Engineering & Research Institute Co., Ltd.	Certificate of Qualification for Contracting Overseas Projects	1. contracting overseas projects matching its capabilities, scale and performance; 2. dispatching workers required to undertake the overseas projects	2100200500088	—	2011-05-16
9.	Shenyang Aluminum & Magnesium Engineering & Research Institute (name to be changed)	Construction Costs Consulting Enterprise Class A Qualification Certificate	providing management of and services for planning and implementation of the whole or part of construction projects	Jia 090121330406	2012-12-31	2010-01-02
10.	Shenyang Aluminum & Magnesium Engineering & Research Institute (name to be changed)	Engineering Consulting Enterprise Qualification Certificate	nonferrous metallurgy, steel and iron (carbon products), planning and consulting, preparing project proposals and project feasibility study reports; ecological building and environmental engineering, coal-fired power, chemical (inorganic chemical), building materials (cement), preparing project proposals and project feasibility study reports, engineering design; municipal utilities projects (water supply and drainage, environmental health), preparing project proposals and project feasibility study reports, engineering design; construction, planning and consulting, preparing project proposals and project feasibility study reports, engineering design	Gong Zi Jia 20620070013	2012-12-10	2007-12-10

No.	Enterprise name	Certificate name	Qualification description	Certificate No.	Expiry date	Grant date
11.	Shenyang Aluminum & Magnesium Engineering & Research Institute Co., Ltd.	Engineering Design Qualification Certificate	construction industry (construction engineering) Class A; municipal industry (drainage engineering, water supply engineering, thermal engineering, environmental health engineering) Professional Class A; environmental engineering (water pollution prevention and treatment engineering, atmospheric pollution prevention and treatment engineering, solid wastes treatment and disposal engineering) Specialty Class A; permitted to undertake Class A activities relating to construction decoration engineering design, construction curtain wall engineering design, light section steel structure engineering design, building intelligent system design, illumination engineering design and fire fighting equipment engineering design; permitted to undertake construction projects engineering general contracting, project management and related technical and management business within the scope of qualification certificate	A121002482	2014-03-06	2011-04-12
12.	Shenyang Aluminum & Magnesium Engineering & Research Institute Co., Ltd.	Engineering Design Qualification Certificate	chemical, petrochemical and medical industry (chemical engineering) Professional Class B; power industry (coal-fired power generation) Professional Class B; building materials industry (cement engineering) Professional Class B; municipal industry (urban gas engineering) Professional Class B; permitted to undertake construction projects engineering general contracting, project management and related technical and management business within the scope of qualification certificate	A221002489	2015-03-09	2010-03-09
13.	Shenyang Aluminum & Magnesium Engineering & Research Institute Co., Ltd.	Specialty Equipment Design Permit (pressure conduit)	GB category: Class GB2; GC category: Class GC1(1), (3), Class GC2, GC3; GD category: Class GD1 (up to subcritical), Class GD2	TS1810179-2015	2015-09-27	2011-08-15
14.	Shenyang Aluminum & Magnesium Engineering & Research Institute Co., Ltd.	Specialty Equipment Design Permit (pressure vessels)	category 3 of Class A2: low- and medium-pressure vessels	TS1210069-2012	2012-03-20	2008-03-21

No.	Enterprise name	Certificate name	Qualification description	Certificate No.	Expiry date	Grant date
15.	Shenyang Aluminum & Magnesium Engineering & Research Institute Construction Supervision Co., Ltd.	Engineering Supervision Qualification Certificate	building construction engineering supervision Class B. metallurgical engineering supervision Class B	E221003289	2014-07-30	2009-07-30
16.	Shenyang Beiding Estate Management Co., Ltd.	Property Service Enterprises Qualification Certificate of the People's Republic of China	Qualification grade: Class C	Shen Wu Zi Di No. 0139	2012-09-07	2010-09-07
17.	Guiyang Aluminum and Magnesium Design Institute (name to be changed)	Engineering Consulting Enterprise Qualification Certificate	Class B: engineering consulting; Area: municipal utilities engineering (water supply and drainage), construction, coal-fired power; Scope of services: preparing project proposals, project feasibility study reports, project application reports, funding application reports; engineering design	Gong Zi Yi 22920080001	2013-10-23	2008-10-23
18.	Guiyang Aluminum and Magnesium Design Institute Co., Ltd.	Engineering Design Qualification Certificate	municipal industry (drainage engineering, environmental health engineering) Professional Class A, construction industry (construction engineering) Class A; permitted to undertake Class A activities relating to construction decoration engineering design, construction curtain wall engineering design, light section steel structure engineering design, building intelligent system design, illumination engineering design and fire fighting equipment engineering design; permitted to undertake construction projects engineering general contracting, project management and related technical and management business within the scope of qualification certificate	A152000884	2015-04-20	2011-04-20
19.	Guiyang Aluminum and Magnesium Design Institute Co., Ltd.	Engineering Design Qualification Certificate	power industry (power transformation engineering) Class B; permitted to undertake construction projects engineering general contracting, project management and related technical and management business within the scope of qualification certificate	A252000881	2014-11-17	2009-11-17

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No.	Enterprise name	Certificate name	Qualification description	Certificate No.	Expiry date	Grant date
20.	Guiyang Aluminum and Magnesium Design Institute Co., Ltd.	Specialty Equipment Design Permit (pressure conduit)	permitted to undertake the design of the following pressure conduit: GB category: Class GB1, Class GB2; GC category: Class GC1(2)(3), Class GC2; GD category: Class GD1 (up to subcritical), Class GD2	TS1810176-2015	2015-08-15	2011-06-27
21.	Guiyang Aluminum and Magnesium Design Institute Co., Ltd.	Specialty Equipment Design Permit (pressure vessels)	permitted to undertake the design of the following pressure vessels: Class A1 high pressure vessels (single layer only), category 3 of Class A2 low- and medium-pressure vessels, Class A3 spheric tank	TS1210027-2011	2015-08-22	2011-08-15
22.	Guiyang Zhenxing Aluminum and Magnesium Technological Industry Development Co., Ltd.	Customs Declaration Registration Certificate for Consignor or Consignee of Import or Export Goods	customs declaration registration	5201912102	2004-06-10	2008-06-02
23.	Guiyang Xinyu Construction Supervision Co., Ltd.	Engineering Supervision Enterprise Qualification Certificate	building engineering construction supervision Class A, metallurgical engineering supervision Class A; permitted to undertake project management and technical consulting for corresponding class of construction projects	E152000608	2014-07-19	2011-04-20
24.	Guiyang Xinyu Construction Supervision Co., Ltd.	Engineering Supervision Enterprise Qualification Certificate	mine engineering supervision Class B (permitted to undertake project management and technical consulting for corresponding class of construction projects)	E252000605	2014-12-13	2009-12-14
25.	Guiyang Xinyu Construction Supervision Co., Ltd.	Equipment Supervision Enterprise Qualification Certificate	equipment supervision Class B (nonferrous metallurgical equipment engineering)	2009144	—	2011-05-10
26.	Changsha Engineering & Research Institute for Nonferrous Metallurgy	Certificate of Qualification for Contracting Overseas Projects of the People's Republic of China	1. contracting overseas projects matching its capabilities, scale and performance; 2. dispatching workers required to undertake the overseas projects	4300199600045	—	2011-05-26

No.	Enterprise name	Certificate name	Qualification description	Certificate No.	Expiry date	Grant date
27.	Changsha Engineering & Research Institute for Nonferrous Metallurgy (name to be changed)	Engineering Consulting Enterprise Qualification Certificate	Class A; Area: nonferrous metallurgy, municipal utilities engineering (water supply and drainage, thermal power), coal-fired power, ecological building and environmental engineering; Scope of services: planning and consulting, preparing project proposals, project feasibility study reports, project application reports, funding application reports; evaluation and consulting, engineering design, project management, equipment supervision, engineering project management	Gong Zi Jia12220070008	2012-12-10	2007-12-10
28.	Changsha Engineering & Research Institute for Nonferrous Metallurgy (name to be changed)	Engineering Consulting Enterprise Qualification Certificate	Class B: municipal utilities engineering (gas, roads, bridges and tunnels, environmental health); Scope of services: preparing project proposals, project feasibility study reports, project application reports, funding application reports; engineering design	Gong Zi Yi 12220070008	2012-12-10	2007-12-10
29.	Changsha Engineering & Research Institute for Nonferrous Metallurgy (name to be changed)	Engineering Consulting Enterprise Qualification Certificate	Class C: chemical, medical; Scope of services: preparing project proposals, project feasibility study reports, project application reports, funding application reports; engineering design	Gong Zi Bing 12220070008	2012-12-10	2007-12-10
30.	Changsha Engineering & Research Institute for Nonferrous Metallurgy (name to be changed)	Construction Costs Consulting Enterprise Class A Qualification Certificate	construction costs consulting qualification Class A	Jia 090143330238	2012-12-31	2010-01-02
31.	Changsha Institute	Engineering Survey Certificate	engineering survey (geotechnical engineering (survey, consulting, supervision)) Class A	180006-kj	—	2011-04-20
32.	Changsha Institute	Engineering Survey Certificate	engineering survey (engineering measurement) Class B	180006-KJ	2014-11-09	2010-05-28

No.	Enterprise name	Certificate name	Qualification description	Certificate No.	Expiry date	Grant date
33.	Changsha Institute	Engineering Design Qualification Certificate	metallurgical industry Class A; machinery industry (specialty equipment manufacturing engineering) Professional Class A; textile industry (domestic silicate engineering); municipal industry (drainage engineering, thermal power engineering, manned cable way) Professional Class A; construction industry (construction engineering) Class A; environmental engineering (water pollution prevention and treatment engineering, atmospheric pollution prevention and treatment engineering, solid wastes treatment and disposal engineering) Specialty Class A	A143004992	2014-11-03	2011-04-20
34.	Changsha Institute	Engineering Design Qualification Certificate	chemical, petrochemical and medical industry (chemical mines, chemical engineering) Professional Class B; power industry (new energy power-generation, coal-fired power generation) Professional Class B; power industry (power transmission engineering, power transformation engineering) Professional Class C; commodity, supplies and grain industry (wholesale distribution and logistics storage engineering) Professional Class B; building materials industry (non-metal minerals and materials preparation engineering) Professional Class B; municipal industry (drain engineering, urban gas engineering, road engineering, bridge engineering, environmental health engineering) Professional Class B; environment engineering (physical pollution prevention and treatment engineering, pollution rehabilitation engineering) Specialty Class B	A243004999	2014-10-15	2011-03-30
35.	Changsha Engineering & Research Institute for Nonferrous Metallurgy (name to be changed)	Specialty Equipment Design Permit (pressure vessels)	D1 category 1 pressure vessels D2 category 2 low- and medium-pressure vessels	TS1243047-2012	2012-01-30	2008-01-31

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No.	Enterprise name	Certificate name	Qualification description	Certificate No.	Expiry date	Grant date
36.	Changsha Engineering & Research Institute for Nonferrous Metallurgy (name to be changed)	Specialty Equipment Design Permit (pressure conduit)	GB category: Class GB1, Class GB2; GC category: Class GC1, Class GC2; GD category: Class GD1(up to subcritical), Class GD2	TS1810497-2015	2015-07-09	2011-06-16
37.	Changsha Institute	Certificate of Qualifications for Assessment of Environmental Impact of Construction Projects	environmental impact assessment report category—Class A: metallurgy, machinery and electrics; building materials, coal-fired power; excavation; social area; environmental impact assessment statement category—general project environmental impact assessment statement	Guo Huan Ping Zheng Jia Zi No. 2705	2015-01-23	2011-10-08
38.	Changsha Institute	Urban and Rural Plan Preparation Qualification Certificate	Class B qualification: preparing (and amending or adjusting) city master plans and specialty plans for cities with population of less than 200,000; preparing detailed plans; planning site selection reports for large engineering project planning	[Xiang] Cheng Gui Bian Di No. (082016)	2014-10-22	2011-05-04
39.	Hunan Changye Construction Drawing Examination Co., Ltd.	Certificate of Construction Drawing Examination Institution in Hunan Province	building construction engineering Class A	S18031	2012-12-31	2011-05-06
40.	Hunan Huachu Engineering Construction, Consultancy and Supervision Co., Ltd. (name to be changed)	Engineering Supervision Qualification Certificate	building construction engineering supervision Class A, metallurgical engineering supervision Class A; mine engineering supervision Class A; permitted to undertake project management and technical consulting for corresponding class of construction projects	E143003886	2014-10-09	2011-11-15
41.	Hunan Huachu Engineering Construction, Consultancy and Supervision Co., Ltd.	Engineering Supervision Qualification Certificate	municipal utilities engineering supervision Class B; permitted to undertake project management and technical consulting for corresponding class of construction projects	E243003883	2014-08-25	2011-11-18

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No.	Enterprise name	Certificate name	Qualification description	Certificate No.	Expiry date	Grant date
42.	Hunan Huachu Engineering Construction, Consultancy and Supervision Co., Ltd. (name to be changed)	Certificate of Equipment Engineering Supervision Enterprise in Hunan	metallurgical industry: nonferrous metallurgical industry engineering, mine engineering; environmental protection engineering; urban sewage treatment engineering, urban pollutant treatment engineering	Xiang [She] Jian Zi Di No. (06006)	—	2006-01-17
43.	CNPT	Construction Enterprise Qualification Certificate	fire fighting equipment engineering specialty contracting Class A, kiln and furnace engineering specialty contracting Class B	B2514041030101	—	2011-09-16
44.	CNPT	Certificate of Qualification for Contracting Overseas Projects	1. contracting overseas projects matching its capabilities, scale and performance; 2. dispatching workers required to undertake the overseas projects	4100199300010	—	2010-03-18
45.	CNPT	Construction Costs Consulting Enterprise Qualification Class A Certificate	construction costs consulting qualification Class A	Jia 090141330408	2012-12-31	2010-01-02
46.	CNPT	Engineering Consulting Qualification Certificate	engineering consulting Class A; Area: nonferrous metallurgy, ecological building and environmental engineering, municipal utilities engineering (environmental health), construction; Scope of service: planning and consulting, preparing project proposals and project feasibility reports, evaluation and consulting, engineering design, engineering project management	Gong Zi Jia 22020070017	2012-12-09	2007-12-10
47.	CNPT	Engineering Consulting Qualification Certificate	engineering consulting Class B; Area: steel and iron, municipal utilities engineering (water supply and drainage, thermal power); Scope of service: preparing project proposals and project feasibility reports, engineering design	Gong Zi Yi 22020070017	2012-12-09	2007-12-10

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<u>No.</u>	<u>Enterprise name</u>	<u>Certificate name</u>	<u>Qualification description</u>	<u>Certificate No.</u>	<u>Expiry date</u>	<u>Grant date</u>
48.	CNPT	Engineering Design and Construction Qualification Certificate	fire fighting equipment engineering design and construction Class A; permitted to undertake construction projects engineering general contracting, project management and related technical and management business within the scope of qualification certificate	C141011100	2015-05-14	2010-05-14
49.	CNPT	Engineering Design Qualification Certificate	metallurgy industry Class A, building industry (construction engineering) Class A, environmental engineering (water pollution prevention and treatment engineering, atmospheric pollution prevention and treatment engineering, solid wastes treatment and disposal engineering) Specialty Class A; permitted to undertake Class A activities relating to construction decoration engineering design, construction curtain wall engineering design, light section steel structure engineering design, building intelligent system design, illumination engineering design and fire fighting equipment engineering design; permitted to undertake construction projects engineering general contracting, project management and related technical and management business within the scope of qualification certificate	A141011100	2014-01-21	2010-03-12
50.	CNPT	Engineering Design Qualification Certificate	municipal industry (water supply and drainage engineering, thermal power engineering) specialty Class B; permitted to undertake construction projects engineering general contracting, project management and related technical and management business within the scope of qualification certificate	A241011107	2015-03-22	2010-03-22
51.	CNPT	Engineering Design Qualification Certificate	environmental pollution prevention and treatment engineering (noise) Class B	Guo Huan She Yi Zi Di No. 970083	—	2003-02-21
52.	CNPT	Specialty Equipment Design Permit (pressure conduit)	pressure conduit design GB category: Class GB1, Class GB2; GC category: Class GC1(1)(2)(3), Class GC3; GD category: Class GD1 (up to subcritical), Class GD2	TS1810360-2015	2015-03-19	2011-01-24

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No.	Enterprise name	Certificate name	Qualification description	Certificate No.	Expiry date	Grant date
53.	CNPT	Customs Declaration Registration Certificate for Consignor or Consignee of Import or Export Goods	customs declaration registration	4103910023	2014-07-12	2005-07-25
54.	CNPT	Work Safety Permit	permitted scope: construction	(Yu) JZ An Xu Zheng Zi (2006) 030179	2012-02-18	2009-02-18
55.	Suzhou Institute for Nonferrous Metals Research Co., Ltd.	Technology Trading Permit	business scope of technology trade: engaged in the technical development, technical consulting , technical service and technical transfer of new technologies, new materials and new equipment for nonferrous metal	Su Du Li Ji Zheng Zi 10 Di No. 00016	2013-06-23	2010-06-24
56.	Luoyang Jincheng Construction Supervision Co., Ltd.	Engineering Supervision Enterprise Qualification Certificate	metallurgical engineering supervision Class A, building construction engineering supervision Class A, municipal utilities supervision Class A; permitted to undertake project management and technical consulting for construction projects of the relevant classes	E141008860	2014-09-23	2009-09-23
57.	Changkan Institute	Construction Enterprise Qualification Certificate	ground and foundation engineering specialized contracting Class A; special engineering contracting qualifications	B1014043010267	—	2011-04-28
58.	Changkan Institute	Geologic Hazards Treatment Engineering Construction Enterprise Qualification	geological hazards treatment engineering Class A construction enterprise	Guo Tu Zi Di Zai Shi Zi Zi Di No. [2008]184004	2014-02-28	2011-03-01
59.	China Nonferrous Metals Changsha Investigation and Design Research Institute Co., Ltd.	Geology Survey Qualification Certificate	solid minerals survey: Class B; hydro-geology, engineering geology and environmental geological survey: Class B	43201121100024	2014-06-04	2011-07-18

No.	Enterprise name	Certificate name	Qualification description	Certificate No.	Expiry date	Grant date
60.	Changkan Institute	Engineering Survey Certificate	engineering survey general Class A	180007-kj	—	2011-04-28
61.	Changkan Institute	Geologic Hazards Treatment Engineering Survey Enterprise Qualification	geological hazards treatment engineering Class A survey enterprise	Guo Tu Zi Di Zai Kan Zi Zi Di No. [2008]182002	2014-02-28	2008-01-10
62.	Changkan Institute	Survey and Mapping Qualification Certificate	cadastral survey and mapping, real estate survey and mapping, geography information system engineering; engineering measurement: control, topography, urban-rural route planning, urban and rural land, planning inspection, sun lighting, municipal engineering, hydraulic engineering, construction engineering, precision engineering, line engineering, underground pipeline, bridges and tunnels, deformation (sediment) monitoring, deformation, completion survey; marine survey and mapping	Jia Ce Zi Zi Di No. 43002008	2014-12-31	2011-04-27
63.	Changkan Institute	Geologic Hazards Treatment Engineering Design Enterprise Qualification	geological hazards treatment engineering Class A design enterprise	Guo Tu Zi Di Zai She Zi Zi [2008] No. 183002	2014-02-28	2008-01-10
64.	Changkan Institute	Engineering Design Qualification Certificate	construction industry (construction engineering) Class A, permitted to undertake construction projects engineering general contracting, project management and related technical and management business within the scope of qualification certificate	A143000348	2013-06-23	2011-04-28
65.	Changkan Institute	Geologic Disaster Risk Assessment Enterprise Qualification	Class A geologic disaster risk assessment enterprise	Guo Tu Zi Di Zai Ping Zi Zi No. 2008181002	2014-02-28	2011-03-01

No.	Enterprise name	Certificate name	Qualification description	Certificate No.	Expiry date	Grant date
66.	China Nonferrous Metals Changsha Investigation and Design Research Institute Co., Ltd. (named to be changed)	Engineering Supervision Qualification Certificate	building construction project, municipal utilities supervision Class B, permitted to undertake project management and technology consultation for construction projects of the relevant classes	E243000345	2014-07-09	2011-05-18
67.	Changkan Institute	Construction Engineering Quality Inspection Institution Qualification Certificate	foundation infrastructure inspection, evidential testing	Xiang Jian Jian Zi No. 2007006	2013-12-30	2011-01-31
68.	Surveying Branch Company of China Nonferrous Metals Changsha Investigation and Design Research Institute Co., Ltd.	Metrology Accreditation Qualification Certificate	issue evidential data and results to the society within the permitted scope of the certificate	2009180775R	2012-09-10	2011-04-22
69.	Testing Centre of China Nonferrous Metals Changsha Investigation and Design Research Institute Co., Ltd.	Metrology Accreditation Qualification Certificate	issue evidential data and results to the society within the permitted scope of the certificate	2009181117R	2012-08-20	2011-04-22

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No.	Enterprise name	Certificate name	Qualification description	Certificate No.	Expiry date	Grant date
70.	China Nonferrous Metals Changsha Investigation and Design Research Institute Co., Ltd.	Work Safety Permit	permitted scope: construction	(Xiang) JZ An Xu Zheng Zi [2004] No. 000046	2014-01-13	2011-05-05
71.	Hainan Nonferrous Changkan Investigation Institute (named to be changed)	Geologic Hazards Treatment Engineering Enterprise Qualification Certificate	geologic hazards treatment engineering construction Class C	Qiong Tu Huan Zi Di Zai Shi Zi Zi (2009) No. 005	2012-06-11	2009-06-11
72.	Hainan Changkan Investigation and Design Co., Ltd.	Engineering Investigation Certificate	engineering survey (geotechnical engineering) Class A	210032-kj	—	2011-5-16
73.	Hainan Nonferrous Changkan Investigation Institute (named to be changed)	Geologic Hazards Treatment Engineering Enterprise Qualification Certificate	geologic hazards treatment engineering construction and survey Class C	Qiong Tu Huan Zi Di Zai Kan Zi Zi (2009) No. 005	2012-06-11	2009-06-11
74.	Hainan Nonferrous Changkan Investigation Institute (named to be changed)	Geologic Hazards Treatment Engineering Enterprise Qualification Certificate	geologic hazards treatment engineering design Class B	Qiong Tu Huan Zi Di Zai She Zi Zi (2009) No. 005	2012-06-11	2009-06-11
75.	Hainan Nonferrous Changkan Investigation Institute (named to be changed)	Geologic Hazards Treatment Engineering Enterprise Qualification	Class B geologic hazards risk assessment	Qiong Tu Huan Zi Di Zai Ping Zi Zi (2009) No. 003	2012-06-11	2009-06-11

No.	Enterprise name	Certificate name	Qualification description	Certificate No.	Expiry date	Grant date
76.	Shenzhen Changkan Investigation and Design Co., Ltd	Engineering Survey Certificate	engineering survey general Class A	190029-kj	—	2002-07-17
77.	Shenzhen Changkan Investigation and Design Co., Ltd	Survey and Mapping Qualification Certificate	Class A: business scope: Engineering survey: control, topography, urban-rural route planning, urban-rural land, planning inspection, sun lighting, public works, water conservancy project, architecture engineering, precision engineering, line engineering, underground pipeline, bridges, tunnels, deform (sediment), monitoring, deformation, final survey; cadastral survey and mapping; real estate survey and mapping	Jia Ce Zi Zi 44002015	2014-12-31	2010-09-10
78.	Shenzhen Changkan Investigation and Design Co., Ltd	Survey and Mapping Qualification Certificate	Class B: business scope: administrative region boundary survey; geographic information system engineering; photography measurement data processing; space remote sensing geographic information processing; geographic information processing of field collecting, map digitalization, database establishment, specialized geographic information system establishment, field geographic information collecting, the Internet map service, map search, location services, geographic information labeling service	Yi Ce Zi Zi 44122005	2014-12-31	2011-01-19
79.	Shenzhen Changkan Investigation and Design Co., Ltd	Metrology Accreditation Qualification Certificate	issue evidential data and results to the society within the permitted scope of the certificate	2011190650R	2014-08-30	2011-08-31

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<u>No.</u>	<u>Enterprise name</u>	<u>Certificate name</u>	<u>Qualification description</u>	<u>Certificate No.</u>	<u>Expiry date</u>	<u>Grant date</u>
80.	Sixth Metallurgical Construction Company of China Nonferrous Metals Industry	Construction Enterprise Qualification Certificate	metallurgical engineering construction general contracting Class A; house building engineering general contracting Class A; highway construction general contracting Class A; municipal utilities construction general contracting Class A; mechanical and electrical equipment installation engineering specialty contracting Class A; steel structure engineering specialty contracting Class A; furnace and kiln engineering specialty contracting Class A; mine engineering construction general contracting; Class B; petro chemical engineering construction general contracting Class B. power transmission and transformation engineering specialty contracting Class B; pipeline engineering specialty contracting Class B	A1084041010577	—	2011-04-22 (2011-05-11 extended scope)
81.	Sixth Metallurgical Construction Company of China Nonferrous Metals Industry	Certificate of Qualification for Contracting Overseas Projects	1. operating overseas projects matching its capabilities, scope and performance; 2. dispatching workers required to undertake the overseas projects	4100200600088	—	2011-06-22
82.	Sixth Metallurgical Construction Company of China Nonferrous Metals Industry	Work Safety Permit	permitted scope: construction	(Yu) JZ An Xu Zheng Zi (2005) 010014	2014-03-15	2011-05-17
83.	Sixth Metallurgical Construction Company of China Nonferrous Metals Industry	The PRC Electric Installation (maintenance, testing) Permit	undertake the business of electric Installation (maintenance, testing), Installation Class B	53000852007	2013-11-25	2011-05-04

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<u>No.</u>	<u>Enterprise name</u>	<u>Certificate name</u>	<u>Qualification description</u>	<u>Certificate No.</u>	<u>Expiry date</u>	<u>Grant date</u>
84.	Sixth Metallurgical Luoyang Company of China Nonferrous Metals Industry	Specialty Equipment Manufacture Permit (pressure vessel)	rolling welding vessels D1, category 1 pressure vessels in the product line; Class D2, category 2 low- and medium- pressured vessel	TS2241024-2012	2012-03-23	2011-04-18
85.	Mechanical and Electrical Installation Co., Ltd of Sixth Metallurgical Luoyang Construction Company of China Nonferrous Metals Industry	Specialty Equipment Installation, Alteration and Maintenance Permit (pressure conduit)	installation category GB, Class GB2 (2); category GC, Class GC2 pressure conduits	TS3841029-2014	2014-05-24	2011-04-18
86.	Mechanical and Electrical Installation Co., Ltd of Sixth Metallurgical Luoyang Construction Company of China Nonferrous Metals Industry	Specialty Equipment Installation, Alteration and Maintenance Permit (crane machinery)	type: bridge crane, construction type: installation and maintenance, Class A; type: gantry crane, construction type: installation, maintenance, Class C	TS3441027-2015	2015-03-29	2011-05-06
87.	Metal Structure Factory of Sixth Metallurgical Construction Company of China Nonferrous Metals Industry	Specialty Equipment Manufacture Permit (pressure vessel)	manufacture Class D1, category 1 pressure vessel D2 , category 2 low- and medium-pressure vessels	TS2241071-2012	2012-11-10	2011-05-16
88.	Metal Structure Factory of Sixth Metallurgical Construction Company of China Nonferrous Metals Industry	Specialty Equipment Installation, Alteration and Maintenance Permit (pressure conduit)	installation category GB, Class GB1, category GC Class GC2 pressure conduit lines	TS3841084-2012	2012-06-02	2011-05-16

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No.	Enterprise name	Certificate name	Qualification description	Certificate No.	Expiry date	Grant date
89.	Installation Branch Company of Sixth Metallurgical Construction Company of China Nonferrous Metals Industry	Specialty Equipment Installation, Alteration and Maintenance Permit (crane machinery)	type : bridge crane, gantry crane, construction type: installation, alteration, maintenance, Class A	TS3441017-2012	2012-09-15	2011-07-15
90.	Sixth Metallurgical Construction of China Nonferrous Metals Industry	Customs Declaration Registration Certificate for Consignor or Consignee of Import or Export Goods	customs declaration registration	410911753	2012-09-22	2006-09-22
91.	Twelfth Metallurgical Company	Construction Enterprise Qualification Certificate	metallurgical engineering construction general contracting Class A; housing engineering construction general contracting Class A; mine engineering construction general contracting Class A; municipal utilities construction general contracting Class A; mechanical and electrical equipment installation engineering construction general contracting Class A; foundation and infrastructure engineering construction general contracting Class A; building decoration engineering specialty contracting Class A; steel structure engineering specialty contracting Class A; furnace and kiln engineering specialty contracting Class A; highway engineering construction general contracting Class B; power transmission and transformation engineering specialty contracting Class B; petrochemical engineering construction general contracting Class B	A1084014088265	—	2011-04-26
92.	Twelfth Metallurgical Company	The PRC Certificate of Qualification for Contracting Overseas Projects	1. contracting overseas projects matching its capabilities, scope and performance; 2. dispatching workers required to undertake the overseas projects	1400200600035	—	2011-04-20
93.	Twelfth Metallurgical Company	Work Safety Permit	permitted scope: construction	(Jin) JZ An Xu Zheng Zi [2011]000273	2012-08-19	2011-08-19

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No.	Enterprise name	Certificate name	Qualification description	Certificate No.	Expiry date	Grant date
94.	Twelfth Metallurgical Company	Work Safety Permit	excavation and construction of metal/non-metal mines	(Jin) FM An Xu Zheng Zi [2011] 5526B1	2012-01-05	2011-05-17
95.	Twelfth Metallurgical Company	Specialty Equipment Installation, Alteration and Maintenance Permit (boiler repairing)	undertake the installation, alternation and maintenance of boilers of P≤9.8MPa	TS3114070-2015	2015-07-21	2011-07-22
96.	Twelfth Metallurgical Company	Specialty equipment Installation, Alteration and Maintenance Permit (pressure conduit)	permitted to install the following pressure conduits: GB category: Class GB1, GB2(1); GC category: Class GC1	TS3810297-2015	2015-04-12	2011-04-13
97.	Twelfth Metallurgical Company	Specialty equipment Manufacture Permit (pressure vessel)	permitted to manufacture the following pressure vessels: Class: D1: category 1 pressure vessels Class: D2: category 2 low- and medium-pressure vessels	TS2214010-2013	2013-06-12	2009-06-13
98.	Jinlv Construction	Electric Installation (maintenance, testing)Permit	Class 3 Installation, Class 3 maintenance and Class 3 testing	14000702007	2013-08-14	2007-08-15
99.	Jinlv Construction	Construction Enterprise Qualification Certificate	metallurgical engineering construction general contracting Class A, house building engineering general contracting Class A, mine engineering construction general contracting Class A, mechanical and electrical equipment installation engineering general contracting Class A, steel structure engineering specialty contracting Class A, petrochemical engineering construction general contracting Class B, municipal utilities construction general contracting Class B, furnace and kiln engineering specialty contracting Class B, anticorrosion and thermal insulation engineering general contracting Class B	A1084012010065	—	2011-03-25
100.	Jinlv Construction	Certificate of Qualification for Contracting Overseas Projects	operation: 1. contracting overseas projects matching its capabilities, scale and performance; 2. dispatching workers required to undertake the overseas projects	1200201100001	—	2010-06-09

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No.	Enterprise name	Certificate name	Qualification description	Certificate No.	Expiry date	Grant date
101.	Jinlv Construction Co., Ltd. (name to be changed)	Survey and Mapping Qualification Certificate	engineering survey: control survey, topography survey, urban-rural route planning survey, urban-rural land survey, planning inspection survey, public works survey, architecture engineering survey, line engineering survey, final survey; cadastral survey and mapping	Bing Ce Zi Zi 140110259	2014-12-31	2010-06-23
102.	Jinlv Construction Co., Ltd. (name to be changed)	Engineering Design Qualification Certificate	building decoration engineering design and construction Class B; building intellectualization engineering design and construction Class B	C214000561	2012-01-23	2009-01-23
103.	Jinlv Construction Co., Ltd. (name to be changed)	Specialty Equipment Installation, Alteration and Maintenance Permit(boiler)	installation and alteration of Class A boilers of P≤9.82MPa	TS3114085-2012	2012-01-27	2008-01-28
104.	Jinlv Construction Co., Ltd. (name to be changed)	Specialty Equipment and Maintenance Permit (boiler repairing)	undertake the maintenance of boilers of P≤9.82MPa	TS3114A90-2012	2012-01-27	2008-01-28
105.	Jinlv Construction Co., Ltd. (name to be changed)	Specialty Equipment Installation, Alteration and Maintenance Permit (crane machinery)	installation and maintenance of tower crane Class B, bridge crane Class B, gantry crane Class B, elevator Class B (only for construction use), small light lifting equipment	TS3414036-2012	2012-08-31	2008-09-01
106.	Jinlv Construction Co., Ltd. (name to be changed)	Specialty Equipment Installation, Alteration and Maintenance Permit (pressure conduit)	installation of GB category, Class GB1 and GB2; GC category, Class GC2 and GC3 pressure conduit	TS3814035-2013	2013-01-24	2009-01-25
107.	Jinlv Construction Co., Ltd. (name to be changed)	Specialty Equipment Manufacture Permit (pressure vessel)	manufacture D1 : category 1 pressure vessels D2: category 2 low- and medium-pressure vessels	TS2214038-2012	2012-02-01	2008-02-02

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<u>No.</u>	<u>Enterprise name</u>	<u>Certificate name</u>	<u>Qualification description</u>	<u>Certificate No.</u>	<u>Expiry date</u>	<u>Grant date</u>
108.	Jinlv Construction	Work Safety Permit	permitted scope: construction	(Jin) JZ An Xu Zheng Zi (2011) CY0002728	2014-08-02	2011-08-02
109.	Central Laboratory of Jinlv Construction Co., Ltd. (named to be changed)	Civil Structure Class A Laboratory Qualification Certificate	business to be undertaken within the civil structure Class A (inside the enterprise)	Jin Jin Jian Zi No. 301111083	2012-06-30	2009-06-03
110.	Changlv Construction	Construction Enterprise Qualification Certificate	metallurgical engineering construction general contracting Class A, house building engineering general contracting Class A, steel structure engineering specialty contracting Class A, mechanical and electrical equipment installation engineering specialty contracting Class A, furnace and kiln engineering specialty contracting Class A, concrete prefabricated part specialty Class B, pre-mixed concrete specialty Class C, municipal utilities construction general contracting Class C, mine engineering construction general contracting Class C	A1084041010665	—	2011-04-22
111.	Changlv Construction	Certificate of Qualification for Contracting Overseas Projects	1. contracting overseas projects matching its capabilities, scope and performance; 2. dispatching workers required to undertake the overseas projects	4100200400080	—	2011-07-05
112.	Changlv Construction	Customs Declaration Registration Certificate for Consignor or Consignee of Import or Export Goods	customs declaration registration	4101911153	2014-04-01	2005-04-01
113.	Changlv Construction	Specialty Equipment Manufacture Permit (pressure conduit)	undertake the manufacture of the following pressure conduit components: Class B steel made seamless pipe fittings (limited to seamless elbow and factory-prefabricated pipe bend), forged flange and pipe joint (limited to mechanical processing)	TS2741020-2012	2012-11-03	2008-11-04

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<u>No.</u>	<u>Enterprise name</u>	<u>Certificate name</u>	<u>Qualification description</u>	<u>Certificate No.</u>	<u>Expiry date</u>	<u>Grant date</u>
114.	Changlv Construction	Specialty Equipment Installation, Alteration and Maintenance Permit (pressure conduit)	undertake the installation of the following pressure conduits: GB category: Class GB1, Class GB2 GC category: Class GC2	TS3841075-2012	2012-03-25	2008-03-26
115.	Changlv Construction	Specialty Equipment Installation, Alteration and Maintenance Permit (crane machinery)	installation and maintenance of bride crane Class B, gantry crane Class B, tower crane Class A, portal crane Class A, jib crane Class A, elevator Class B	TS3441061-2014	2014-02-03	2010-02-04
116.	Changlv Construction	Specialty Equipment Manufacture Permit (pressure vessel)	undertake the manufacture of the following pressure vessels: D1 (class A pressure vessels) and D2 (Class B pressure vessels)	TS2241104-2013	2013-11-21	2009-11-22
117.	Changlv Construction	Specialty Equipment Installation, Alteration and Maintenance Permit (boiler)	installation, alternation and maintenance of Class A boilers of rated outlet pressure $\leq 9.8\text{Mpa}$ and capacity $\leq 410\text{t/h}$	TS3141086-2012	2012-01-15	2008-01-16
118.	Changlv Construction	Work Safety Permit	permitted scope: construction	(Yu) JZ An Xu Zheng Zi (2005) 010406	2014-06-17	2011-06-17
119.	Changlv Construction	Road Transportation Operation Permit	road general cargo transportation and cargo special transportation (tank container)	Yu Jiao Yun Guan Xu Ke Zheng Zi 410106000297	2013-05-23	2011-04-13
120.	China Great Wall Aluminum Corporation Construction Corporation (named to be changed)	Qualification Certificate of Henan Welder Examination Committee for Boiler, Pressure Vessel & Pressure conduit	scope of examination: welding methods: shielded metal arc welding, gas metal arc welding, gas tungsten arc welding, submerged arc welding; material types: steel of Class I, II, III and IV	YHK01-09-01	2012-08-31	2009-09-01

No.	Enterprise name	Certificate name	Qualification description	Certificate No.	Expiry date	Grant date
121.	Changlv Construction	Self-inspection Enterprise Registration Certificate	—	4100600805	—	2011-06-09
122.	Shanlv Construction	Construction Enterprise Qualification Certificate	metallurgical engineering construction general contracting Class A, mechanical and electrical equipment installation engineering, house building engineering, building decoration engineering, steel structure engineering, anticorrosion and thermal insulation engineering, petro chemical equipment, pipeline installation engineering	A1084037030301	—	2002-01-06
123.	Shanlv Construction	Certificate of Qualification for Contracting Overseas Projects	operation: 1. contracting overseas projects matching its capabilities, scale and performance; 2. dispatching workers required to undertake the overseas projects	3700201000010	—	2010-02-05
124.	Shanlv Construction	Specialty Equipment Installation, Alteration and Maintenance Permit (crane machinery)	installation and maintenance of tower crane Class A, bridge crane, gantry crane Class B	TS3437282-2013	2013-05-05	2009-05-06
125.	Shanlv Construction	Specialty Equipment Manufacture Permit (pressure vessels)	manufacture of D1:category 1 pressure vessels; D2:category 2 low-and medium-pressure vessels	TS2237109-2014	2014-01-26	2010-01-27
126.	Shanlv Construction	Specialty Equipment Installation, Alteration and Maintenance Permit (pressure conduit)	installation of GB category and GC category, Class GB2 and Class GC3 pressure conduit	TS3837207-2012	2012-01-08	2008-01-09

No.	Enterprise name	Certificate name	Qualification description	Certificate No.	Expiry date	Grant date
127.	Shanlv Construction	Work Safety Permit	permitted scope: construction	(Lu) JZ An Xu Zheng Zi [2005] 180097	2014-05-02 (in the process of application for certificate renewal)	2008-05-30
128.	Shanlv Construction	National Industrial Product Production Permit	construction of outer window	Lu XK 21-002-00329	2013-09-21	2008-09-22

4. DISCLOSURE OF INTEREST

A. Substantial shareholders

Information on the persons (not being a Director, Supervisor or chief executive of the Company) who will, immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, have interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to our Company under the provision of Division 2 and 3 of Part XV of the SFO is set out in the section headed “Substantial Shareholders” of this prospectus.

So far as our Directors are aware, as at the date of this prospectus, the following persons (not being a Director, Supervisor or chief executive of the Company) are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our subsidiaries:

Member of our Company	Person with 10% or more interests (Other than us)	Percentage of that person's interest
Shenyang Gina Advanced Materials Co., Ltd.	Liaoning Technology Venture Capital Co., Ltd. (遼寧科技創業投資有限責任公司)	10.00%
CNPT	Suzhou Changguang Enterprise Development Co., Ltd. (蘇州長光企業發展有限公司)	17.50%
Luoyang Jinyan Nonferrous Metals Processing Equipment Co., Ltd	Shaanxi Rolling Equipment Plant (陝西壓延設備廠)	13.68%
Beijing Huayu Tiankong Technology Co., Ltd.	Beijing Huabang Tiankong Technology Development Co., Ltd.	28.36%
China Aluminum Huada Technology Corporation Limited	Luo Longfu (羅隆福)	17.214%

B. Disclosure of the Directors', Supervisors' and chief executive's interests in the registered capital of associated corporations of the Company

Immediately following completion of the Global Offering and assuming the Over-allotment Option is not exercised, none of our Directors, Supervisors and chief executive of our Company has any interest and/or short position in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Issuers to be notified to us and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors).

C. Particulars of service contracts

Each of the executive Directors, non-executive Directors and independent non-executive Directors has entered into a service contract with our Company on December 22, 2011. The principal particulars of these service agreements are (a) the service agreements are for an initial term of three years commencing from the Listing Date and (b) the service agreements are subject to termination in accordance with their respective terms. The service agreements may be renewed in accordance with our Articles of Association and the applicable rules.

Each of the Supervisors has entered into a contract with our Company on December 22, 2011 in respect of, among others, compliance of the relevant laws and regulations, observations of the Articles of Association and provisions on arbitration.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with us (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

D. Directors' and Supervisors' remuneration

For each of the three years ended December 31, 2009, 2010 and 2011, the aggregate amounts of remuneration and benefits in kind granted to the Directors and the Supervisors were approximately RMB1.2 million, RMB2.0 million and RMB2.5 million respectively. No Director or Supervisor received other remuneration or benefits in kind from the Company for each of the three financial years ended December 31, 2009, 2010 and 2011.

Under the current arrangements, the Directors will be entitled to receive compensation (including remuneration and benefits in kind) from our Company for the year ending December 31, 2012 under arrangement in force as at the date of this prospectus which is expected to be approximately RMB2.5 million in aggregate.

Under the current arrangements, the Supervisors will be entitled to receive compensation (including remuneration and benefits in kind) from our Company for the year ending December 31, 2012 under arrangement in force as at the date of this prospectus which is expected to be approximately RMB0.8 million in aggregate.

E. Personal guarantees

The Directors and Supervisors have not provided personal guarantees in favor of lenders in connection with banking facilities granted to us.

F. Agency fees or commissions paid or payable

Save as disclosed in the section headed “Underwriting” in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries within the two years ended on the date of this prospectus.

G. Related party transactions

During the two years preceding the date of this prospectus, we have engaged in the material related party transactions as described in Note 42 to the Accountant’s Report set out in Appendix I to this prospectus.

H. Disclaimers

Save as disclosed in this prospectus:

- a) none of the Directors, Supervisors or chief executive of our Company has any interests and short positions in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Issuers to be notified to us and the Stock Exchange, in each case once our H Shares are listed. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors;
- b) none of the Directors or Supervisors nor any of the parties listed in the paragraph headed “Qualification of experts” of this Appendix is interested in our promotion, or in any assets which have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company within the two years immediately preceding the issue of this prospectus;
- c) none of the Directors or Supervisors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the H Shares are listed on the Stock Exchange;
- d) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed “Qualification of experts” of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities;
- e) save as disclosed in this prospectus or in connection with the Underwriting Agreements, none of the Directors or Supervisors nor any of the parties listed in paragraph headed “Qualification of experts” of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

- f) save as referred to above, there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation) between any member of our Company and any of the Directors or Supervisors;
- g) no cash, securities or other benefit has been paid, allotted or given to our Controlling Shareholder nor is any such cash, securities or other benefit proposed to be paid, allotted or given within the two years immediately preceding the date of this prospectus; and
- h) none of the Directors or Supervisors or their respective associates or any shareholders of our Company (who to the knowledge of the Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

6. OTHER INFORMATION

A. Estate duty

We have been advised that no material liability for estate duty under PRC law is likely to fall upon us.

B. Litigation

As at the Latest Practicable Date, our Company is not involved in any material litigation, arbitration or administrative proceedings. So far as we are aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

C. Sole Sponsor

The Sole Sponsor has declared their independence pursuant to Rule 3A.07 of the Listing Rules. The Sole Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, our H Shares, including any Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

D. Preliminary expenses

Our estimated preliminary expenses are approximately RMB83.0 million. All preliminary expenses and all expenses relating to the Global Offering will be borne by the Company.

E. Qualification of experts

The qualifications of the experts who have given opinions in this prospectus are as follows:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under SFO
PricewaterhouseCoopers	Certified Public Accountants, Hong Kong
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer and consultant
Jia Yuan Law Firm	PRC legal advisors

F. No material adverse change

The Directors confirm that there has been no material adverse change in our financial or trading position since December 31, 2011.

G. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

H. Bilingual prospectus

The English language and Chinese language version of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

I. Miscellaneous

Save as disclosed in this prospectus:

- a) within the two years preceding the date of this prospectus, we have not issued or agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;
- b) no share or loan capital of our Company, if any, is under option or is agreed conditionally or unconditionally to be put under option;
- c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;
- d) the Company or any of its subsidiaries has no outstanding convertible debt securities or debentures;
- e) within the two years immediately preceding the date of this prospectus, no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any capital of the Company;
- f) there is no arrangement under which future dividends are waived or agreed to be waived;
- g) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months;
- h) none of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and
- i) we currently do not intend to apply for the status of a Sino-foreign joint stock limited company and do not expect to be subject to the PRC Sino-Foreign Joint Venture Law.

J. Consents

Each of the experts as referred to in the paragraph headed “Qualification of experts” in this Appendix has given, and has not withdrawn, their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

Save as disclosed in this prospectus, none of the experts named above has any shareholding interests in any member of our Group or the rights (other than the penal provisions) of sections 44A and 44E of the Companies Ordinance so far as applicable.

K. Promoters

The Promoters of our Company are Chinalco and Luoyang Institute.

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given to the Promoters named above in connection with the Hong Kong Public Offering or the related transactions described in this prospectus.

APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus registered by the Registrar of Companies in Hong Kong were copies of the **WHITE, YELLOW, and GREEN** Application Forms, the written consents referred to in the paragraph entitled “Consents” in Appendix V to this prospectus, and copies of the material contracts referred to in the paragraph entitled “Material contracts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Clifford Chance at 28th Floor, Jardine House, One Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Articles of Association;
- (b) the Accountant’s Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;
- (d) the material contracts referred to in the paragraph headed “Material contracts” in Appendix V to this prospectus;
- (e) the service contracts referred to in the paragraph headed “Particulars of service contracts” in Appendix V to this prospectus;
- (f) the written consents referred to in the paragraph headed “Consents” in Appendix V to this prospectus;
- (g) the PRC legal opinions issued by Jia Yuan Law Firm, the PRC legal advisors of the Company; and
- (h) the Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translation.

