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


# Interim Report 2012

# Contents

# PRESIDENT'S STATEMENT

**Dear Shareholders and Friends,**

To begin with, I would like to express the deepest gratitude on behalf of Chalieco, to all parties who have long been paying close attention to, and supporting, Chalieco's development.

In the first half of the year, Chalieco calmly sized up to the situation to tide over the complexities and difficulties surrounding China's and the world's economies through deepened strategic transformation, restructuring and management innovation. Catering to the operational characteristics of the nonferrous metals industry and strengthening its established core business, the Company unswervingly expanded into related fields and the global market. Against continuous recession of the international capital market, Chalieco surprised the market by its successful listing in Hong Kong on July 6, 2012. The listing signaled the Company's transformation into an industry technology service group with global competence.

As at June 30, 2012, the total assets of Chalieco amounted to RMB17,187 million, with total liabilities of RMB13,674 million and net assets of RMB3,513 million. Its revenue for the first half of 2012 was RMB6,876 million, 55.9% up as compared with the same period of the pervious year. Net profit was RMB556 million, representing a growth of 22.5% over the same period of the previous year.

In the second half of the year, Chalieco will leverage its successful listing to improve its corporate governance structure, innovate new regimes and mechanisms for standardized management and efficient operations. It will take the initiative to enhance management over operations and transformation so as to seek the expansion of its business spectrum and quicken its pace of industrialization. It will leverage its edges over technology and financing to further reinforce and improve project management, and boost profitability and its core competence. Against an external backdrop of difficulties and challenges, the Company is nevertheless confident and determined to achieve its business targets set for the year and open up new horizon, under the strong leadership of the Board, the supervision, guidance and support of parties from all circles, as well as the aspiration and innovation of all staff.

Embarking on its new development, Chalieco will remain committed to establishing itself as a world-class engineering company and subscribing to the philosophy of creating value for property owners. Through reforms, painstaking efforts and an enterprising spirit, it will continue to reward its shareholders, customers and the society with more outstanding performance for their trust and care, and fulfill its responsibility to contribute to economic development and social harmony!

**He Zhihui**
*President of the Company*

# COMPANY PROFILE

The Company was incorporated in the PRC on December 16, 2003, with Chinalco as its controlling shareholder. It was listed on the main board of the Stock Exchange on July 6, 2012.

Chalieco is 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. The businesses of the Company include engineering design and consultancy, engineering and construction contracting and equipment manufacturing.

Chalieco regards technological innovation as its core competency, and has developed a series of proprietary technologies relating to mining, ore-dressing, smelting and metal material processing.

As at the Latest Practicable Date, the Company had the following 14 principal subsidiaries under the direct shareholding of the Company:

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)

Changsha Engineering & Research Institute Limited for Nonferrous Metallurgy
(長沙有色冶金設計研究院有限公司)

China Nonferrous Metals Processing Technology Co., Ltd.
(中色科技股份有限公司)

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)

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)

China Nonferrous Metals Industry's 12th Metallurgical Construction Co., Ltd.
(中色十二冶金建設有限公司)

# COMPANY PROFILE

Tianjin Jinlv Construction Co., Ltd.
(天津晉鋁建設有限公司)

China Aluminum Great Wall Construction Co., Ltd.
(中鋁長城建設有限公司)

Shandong Aluminum Engineering Co., Ltd.
(山東鋁業工程有限公司)

China Aluminum International Technology Development Co., Ltd.
(中鋁國際技術發展有限公司)

China Aluminum International Engineering Equipment (Beijing) Co., Ltd.
(中鋁國際工程設備(北京)有限公司)

Duyun Development Zone Tongda Construction Co., Ltd.
(都勻開發區通達建設有限公司)

Chongqing Tongye Construction Engineering Co., Ltd.
(重慶通冶建設工程有限公司)

# FINANCIAL SUMMARY

## 1. KEY OPERATING RESULTS

| | For the six months ended June 30, 2012 **(RMB'000)** **(unaudited)** | 2011 *(RMB'000)* (unaudited) | **Amount of Change** *(RMB'000)* | **% of Change** % |
|---|---|---|---|---|
| Revenue | **6,875,766** | 4,410,443 | 2,465,323 | 55.9 |
| Gross profit | **1,272,165** | 984,983 | 287,182 | 29.2 |
| Operating profit | **770,437** | 610,758 | 159,679 | 26.1 |
| Profit before tax | **717,613** | 581,584 | 136,029 | 23.4 |
| Profit for the period | **555,976** | 453,941 | 102,035 | 22.5 |
| Profit attributable to owners of the Company | **535,335** | 426,771 | 108,564 | 25.4 |
| Basic earnings per share *(RMB)* | **0.23** | 0.19 | 0.04 | 21.1 |

*Note:* Basic earnings per share were calculated on the basis of the total share capital of 2,300.0 million shares as at June 30, 2012, without taking into account the 363.16 million H shares issued on July 6, 2012. Basic earnings per share for the six months ended June 30, 2012 of the Group were RMB0.23 per share, equivalent to HK$0.28 per share (with reference to the middle exchange rate of RMB to Hong Kong dollars as announced by the People's Bank of China on June 29, 2012).

# FINANCIAL SUMMARY

## 2. SEGMENT RESULTS

| | For the six months ended June 30, **2012** **(RMB'000)** **(unaudited)** | 2011 (RMB'000) (unaudited) | **Amount of Change** (RMB'000) | **% of Change** % |
|---|---|---|---|---|
| Segment revenue | | | | |
| Engineering design and consultancy | **849,044** | 669,088 | 179,956 | 26.9 |
| Engineering and construction contracting | **5,550,977** | 3,383,495 | 2,167,482 | 64.1 |
| Equipment manufacturing | **518,701** | 435,397 | 83,304 | 19.1 |
| **Subtotal** | **6,918,722** | 4,487,980 | 2,430,742 | 54.2 |
| Inter-segment elimination | **(42,956)** | (77,537) | 34,581 | (44.6) |
| **Total** | **6,875,766** | 4,410,443 | 2,465,323 | 55.9 |

## 3. ASSETS AND LIABILITIES

| | **As at June 30, 2012** **(RMB'000)** **(unaudited)** | As at December 31, 2011 (RMB'000) (audited) | **Amount of Change** (RMB'000) | **% of Change** % |
|---|---|---|---|---|
| Total assets | **17,187,276** | 14,134,600 | 3,052,676 | 21.6 |
| Total liabilities | **13,673,605** | 11,170,653 | 2,502,952 | 22.4 |
| Total equity | **3,513,671** | 2,963,947 | 549,724 | 18.5 |
| Consolidated equity attributable to owners of the Company | **3,413,502** | 2,884,419 | 529,083 | 18.3 |

## 4. FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2012:

- revenue of the Group amounted to RMB6,875.8 million, representing an increase of RMB2,465.3 million or 55.9% over the same period of the previous year;
- profit for the period amounted to RMB556.0 million, representing an increase of RMB102.0 million or 22.5% over the same period of the previous year;
- profit attributable to owners of the Company amounted to RMB535.3 million, representing an increase of RMB108.6 million or 25.4% over the same period of the previous year;
- basic earnings per share were RMB0.23, representing an increase of RMB0.04 or 21.1% over the same period of the previous year;
- total assets as at June 30, 2012 amounted to RMB17,187.3 million, representing an increase of RMB3,052.7 million or 21.6% over the end of the previous year; and
- total equity as at June 30, 2012 amounted to RMB3,513.7 million, representing an increase of RMB549.7 million or 18.5% over the end of the previous year.

During the reporting period, revenues of major business segments of the Group are as follows:

- revenue from the engineering design and consultancy segment amounted to RMB849.0 million, representing an increase of RMB180.0 million or 26.9% over the same period of the previous year;
- revenue from the engineering and construction contracting segment amounted to RMB5,551.0 million, representing an increase of RMB2,167.5 million or 64.1% over the same period of the previous year; and
- revenue from the equipment manufacturing segment amounted to RMB518.7 million, representing an increase of RMB83.3 million or 19.1% over the same period of the previous year.

*Note:* the above data were all before inter-segment elimination.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1. BUSINESS REVIEW

In the first half of 2012, notwithstanding the bleak economies at home and abroad as well as formidable challenges ahead in the market, the Group leveraged a reform on its work planning and innovation on its operating mode to seize market opportunities and expedite enterprise restructuring, thus forging ahead with the expansion in both the international and domestic markets. The Group saw a steady improvement in its operating results and corporate management with a solid momentum in development.

### (1) Strengthened efforts in market expansion

The nonferrous metals industry was up to the industrial reshuffle by shifting its focus to the central and western regions. The Group fully capitalised on such a market opportunity and undertook a number of design projects in the northwestern region in the first half of the year, and design agreements for electrolytic aluminum projects in Xinjiang were mainly carried out by the Group.

In respect of the international market expansion, the projects in traditional overseas bases such as Vietnam, India and Venezuela were under smooth progress in the first half of 2012. The Group also entered into agreements with companies in Turkey, Norway, Peru, the United Arab Emirates and India, and closely followed up with international project contracts in India, Vietnam, Brazil, Venezuela, Russia and other countries and regions. Meanwhile, from a global and long-term perspective, the Group vigorously expanded its overseas layout, sparing no efforts in developing potential markets by setting up branches and subsidiaries in countries such as India, Venezuela and Saudi Arabia.

For the first six months ended June 30, 2012, the new contract value reached RMB16,200 million (including approximately RMB8,500 million framework agreements). As at June 30, 2012, the backlog of the Group reached approximately RMB39,500 million.

### (2) Solid progress in restructuring

In the first half of 2012, the relevant entities of the Group gathered pace in enterprise restructuring. Leveraging on the competitiveness in project design, the design subsidiaries stepped up efforts in industrialisation of technological achievements and the promotion of the design-oriented EPC contracting business, thus optimizing the industrial chain. The construction subsidiaries strived to develop the businesses of equipment manufacturing and overseas projects based on their strength in the roles of construction contractor, in an attempt to shift the focus from the labour-intensive and low-end market of engineering and construction contracting to a capital-intensive and high-end market with high investment return.

### (3) Spurring enterprise development with technological achievements made on the base of a high-standard innovation platform

In the first half of the year, guided by the Group's strategic development objective, the subsidiaries of the Group attached great importance to the establishment of an innovation platform. The "State Technology Research Center of Engineering Equipment of Electrolytic Aluminum and Electrolytic Magnesium" has been officially launched by GAMI; it applied for three key projects under the "863" Program, which were listed among the "First Batch of State Key-technology Projects of Equipment Manufacturing (全國首批重大技術裝備重點項目)" by the MIIT and the Export-Import Bank of China and obtained policy support from the State.

**A batch of key technological research projects are under smooth progress.** The pilot plant of the "600KA Pot Technology Development Project (600kA電解槽技術開發項目)" under the State's "863" Program almost completed construction whilst the "3D Intelligent Mine Safety On-line Monitoring and Early Warning System (礦山安全在線監測與預警應急三維智能系統)", as one of the key technological results in production safety in the nonferrous metals industry, was presented at the "Results Exhibition of Integration of Information Technology and Industrialisation (信息化與工業化融合成果展覽會)" organised by the MIIT, which should be promising in the market of digitalised mine construction.

As at June 30, 2012, the Group had possessed 2,988 domestic patents and an additional 10 overseas patent authorisations obtained in the first half of the year which accumulated to 22 overseas patents.

**(4) Optimisation of management procedures based on enhanced basic management**

In the first half of the year, the Group further enhanced basic management, perfected all the rules and regulations, standardised all the operating procedures and continuously optimised the management procedures, thus keeping risks under effective control.

**Continuous improvement in project management.** In the first half of 2012, the Group streamlined the procedures for project management, formulated project management rules and launched the new project performance assessment mechanism, which fully enhanced the involvement of the relevant parties in the relevant projects.

**Enhanced comprehensive risk management and control.** In the first half of 2012, the Group formulated and implemented 21 regulations (plans or measures), which provided systematic support for the full-scale enhancement of risk management. The Group further intensified the monitoring and audit during production and operation. It conducted investigation, audit and review on the effectiveness of operational management of project departments, project companies and its subsidiaries, and then promptly provided advice and recommendations of rectification on the problems detected in the investigation. Besides, it also formulated the Comprehensive Risk Management Rules (Trial) of Chalieco (中鋁國際全面風險管理辦法(試行)) and complied the 2012 comprehensive risk management report of the Group. As a result, the Group enhanced its management and control over corporate risks, particularly project risks.

**Steady promotion of the information technology development projects.** Currently, the information technology development projects of the scientific research management system, the project management system and the finance management have been launched or on trial run. The proposed launch of phase II of the comprehensive information platform is underway, and the attempts in data docking are in progress.

## 2. FINANCIAL REVIEW

### (1) Overview

For the six months ended June 30, 2012, the Group saw a surge in its profitability. The net profit for the period amounted to RMB556.0 million, representing an increase of RMB102.0 million or 22.5% over the same period of the previous year. In particular, profit attributable to equity owners of the Company reached RMB535.3 million, representing an increase of RMB108.6 million or 25.4% over the same period of the previous year.

### (2) Condensed Consolidated Results of Operations

#### *1) Revenue*

The Group generated revenue primarily from the engineering design and consultancy, engineering and construction contracting and equipment manufacturing businesses.

For the six months ended June 30, 2012, the revenue of the Group was RMB6,875.8 million, representing an increase of RMB2,465.3 million or 55.9% over the same period of the previous year, which was primarily attributable to the growth in the revenue from the engineering and construction contracting business arising from the increase in the amount of services provided to customers of engineering and construction contracting business. In particular, the revenue from the engineering design and consultancy business amounted to RMB849.0 million; the revenue from the engineering and construction contracting business amounted to RMB5,551.0 million and the revenue from the equipment manufacturing business amounted to RMB518.7 million.

For the six months ended June 30, 2012, the revenue generated in China and overseas regions amounted to RMB5,984.0 million and RMB891.8 million, respectively, accounting for 87.0% and 13.0% of the total revenue. The comparison with the data for the same period of the previous year is as below:

| | **From January 1, to June 30, 2012 (RMB'000) (unaudited)** | **%** | From January 1, to June 30, 2011 (RMB'000) (unaudited) | % |
|---|---|---|---|---|
| China | **5,984,016** | **87.0** | 3,640,446 | 82.5 |
| Overseas | | | | |
| Vietnam | **491,668** | **7.2** | 491,654 | 11.1 |
| India | **123,834** | **1.8** | 269,907 | 6.1 |
| Others | **276,248** | **4.0** | 8,436 | 0.2 |
| Subtotal | **891,750** | **13.0** | 769,997 | 17.5 |
| Total | **6,875,766** | **100.0** | 4,410,443 | 100.0 |

*Note:* Others include revenue from countries such as Azerbaijan, Malaysia, Brazil, Peru, the U.S., the United Arab Emirates, and other countries (regions).

**2) *Cost of Sales***

For the six months ended June 30, 2012, the cost of sales of the Group amounted to RMB5,603.6 million, representing an increase of RMB2,178.1 million or 63.6% over the same period of the previous year, which was due to the increase in line with the growth in revenue, mainly under the impact of higher costs of the engineering and construction contracting business.

**3) *Gross profit***

For the six months ended June 30, 2012, the gross profit of the Group amounted to RMB1,272.2 million, representing an increase of RMB287.2 million or 29.2% over the same period of the previous year, which was primarily due to the increase in the gross profit from the engineering and construction contracting business.

***4) Selling and marketing expenses***

For the six months ended June 30, 2012, the selling and marketing expenses of the Group amounted to RMB174.8 million, representing an increase of RMB50.2 million or 40.3% over the same period of the previous year, which was primarily due to the increase in the business tax and surcharges in line with the increase in revenue.

***5) Administrative expenses***

For the six months ended June 30, 2012, the administrative expenses of the Group amounted to RMB373.0 million, representing an increase of RMB95.0 million or 34.2% over the same period of the previous year, which was primarily due to the increase in research and development expenses, payroll costs as well as amortisation of intangible assets.

***6) Other income***

For the six months ended June 30, 2012, the other income of the Group amounted to RMB23.1 million, representing a decrease of RMB15.1 million or 39.5% over the same period of the previous year.

***7) Other gains or losses - net***

For the six months ended June 30, 2012, the other gains or losses - net of the Group amounted to RMB23.0 million, representing an increase of RMB32.7 million over the same period of the previous year.

***8) Operating profit***

For the six months ended June 30, 2012, the operating profit of the Group amounted to RMB770.4 milion, representing an increase of RMB159.7 million or 26.1% over the same period of the previous year.

***9) Finance income***

For the six months ended June 30, 2012, the finance income of the Group amounted to RMB30.8 million, representing an increase of RMB10.7 million or 53.6% over the same period of the previous year.

***10) Finance expenses***

For the six months ended June 30, 2012, the finance expenses of the Group amounted to RMB82.8 million, representing an increase of RMB34.0 million or 69.8% over the same period of the previous year, which was primarily attributable to increase in interest expense of bank borrowings.

***11) Income tax expense***

For the six months ended June 30, 2012, the income tax expense of the Group amounted to RMB161.6 million, representing an increase of RMB34.0 million over the same period of the previous year, which was primarily due to the increase in profit before tax. Our effective income tax rate basically remained stable with a moderate increase to 22.5% for the first half of this year from 21.9% for the same period of the previous year.

***12) Profit for the period***

For the six months ended June 30, 2012, the profit for the period of the Group amounted to RMB556.0 million, representing an increase of RMB102.0 million or 22.5% over the same period of the previous year.

***13) Profit attributable to equity owners of the Company***

For the six months ended June 30, 2012, the profit attributable to equity owners of the Company amounted to RMB535.3 million, representing an increase of RMB108.6 million or 25.4% over the same period of the previous year.

## (3) Discussion of the 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 half year ended June 30, | | For the half year ended June 30, | | For the half year ended June 30, | | For the half year ended June 30, | | For the half year ended June 30, | |
| | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 |
| | *(RMB'000)* (unaudited) | | *(RMB'000)* (unaudited) | | % | | *(RMB'000)* (unaudited) | | % | |
| Engineering design and consultancy | **849,044** | 669,088 | **390,827** | 325,344 | **46.0** | 48.6 | **184,420** | 150,849 | **21.7** | 22.5 |
| Engineering and construction contracting | **5,550,977** | 3,383,495 | **739,392** | 520,674 | **13.3** | 15.4 | **507,625** | 369,889 | **9.1** | 10.9 |
| Equipment manufacturing | **518,701** | 435,397 | **141,946** | 138,965 | **27.4** | 31.9 | **78,392** | 90,020 | **15.1** | 20.7 |
| Subtotal | **6,918,722** | 4,487,980 | **1,272,165** | 984,983 | | | **770,437** | 610,758 | | |
| Inter-segment elimination | **(42,956)** | (77,537) | **–** | – | | | **–** | – | | |
| Total | **6,875,766** | 4,410,443 | **1,272,165** | 984,983 | **18.5** | 22.3 | **770,437** | 610,758 | **11.2** | 13.8 |

### 1) *Engineering design and consultancy*

The principal segment result data for our engineering design and consultancy business is as follows:

| | For the half year ended June 30, | | | | |
|---|---|---|---|---|---|
| | **2012** | | 2011 | | |
| | **(RMB'000) (unaudited)** | **% of Segment Revenue** | (RMB'000) (unaudited) | % of Segment Revenue | **% of Change** |
| Revenue | **849,044** | **100.0** | 669,088 | 100.0 | 26.9 |
| Cost of sales | **(458,217)** | **(54.0)** | (343,744) | (51.4) | 33.3 |
| Gross profit | **390,827** | **46.0** | 325,344 | 48.6 | 20.1 |
| Selling and marketing expenses | **(55,998)** | **(6.6)** | (45,625) | (6.8) | 22.7 |
| Administrative expenses | **(169,707)** | **(20.0)** | (134,093) | (20.0) | 26.6 |
| Other income and other gains or loss – net | **19,298** | **2.3** | 5,223 | 0.8 | 269.5 |
| Segment result | **184,420** | **21.7** | 150,849 | 22.5 | 22.3 |

**Segment revenue.** Revenue from the engineering design and consultancy business before inter-segment elimination increased by RMB180.0 million or 26.9% over the same period of the previous year, primarily due to the sufficient backlog.

**Cost of sales.** Cost of sales of the engineering design and consultancy business increased by RMB114.5 million or 33.3% over the same period of the previous year, primarily due to increases in employee benefits as a result of the revenue growth of this segment in the first half of 2012.

**Gross profit.** Gross profit of the engineering design and consultancy business increased by RMB65.5 million or 20.1% over the same period of the previous year.

**Selling and marketing expenses.** Selling and marketing expenses of the engineering design and consultancy business increased by RMB10.4 million or 22.7% over the same period of the previous year, primarily due to the increase in business tax and surcharges in line with the business growth.

**Administrative expenses.** Administrative expenses of the engineering design and consultancy business increased by RMB35.6 million or 26.6% over the same period of the previous year, primarily due to the increase in employee benefits as a result of an increase in headcount which was in turn due to the business growth.

**Other income and other gains or loss – net.** Other income and other gains or loss — net derived from the engineering design and consultancy business increased by RMB14.1 million over the same period of the previous year.

**Segment result.** As a result of the foregoing, segment result for the period from the engineering design and consultancy business increased by RMB33.6 million or 22.3% over the same period of the previous year.

### 2) *Engineering and construction contracting*

The principal segment result data for our engineering and construction contracting business is as follows:

| | For the half year ended June 30, | | | | |
|---|---|---|---|---|---|
| | **2012** | | 2011 | | |
| | ***(RMB'000)* (unaudited)** | ***% of Segment Revenue*** | *(RMB'000)* (unaudited) | *% of Segment Revenue* | **% of Change** |
| Segment revenue | **5,550,977** | **100.0** | 3,383,495 | 100.0 | 64.1 |
| Cost of sales | **(4,811,585)** | **(86.7)** | (2,862,821) | (84.6) | 68.1 |
| Gross profit | **739,392** | **13.3** | 520,674 | 15.4 | 42.0 |
| Selling and marketing expenses | **(113,907)** | **(2.1)** | (74,868) | (2.2) | 52.1 |
| Administrative expenses | **(143,920)** | **(2.6)** | (101,113) | (3.0) | 42.3 |
| Other income and other gains or loss — net | **26,060** | **0.5** | 25,196 | 0.7 | 3.4 |
| Segment result | **507,625** | **9.1** | 369,889 | 10.9 | 37.2 |

**Segment revenue.** Revenue of the engineering and construction contracting business before inter-segment elimination increased by RMB2,167.5 million or 64.1% over the same period of the previous year, primarily attributable to the sufficient backlog and our effective management that ensures the project schedule.

**Cost of sales.** Cost of sales of the engineering and construction contracting business increased by RMB1,948.8 million or 68.1% over the same period of the previous year, primarily due to the increase in costs of raw materials and subcontracting costs as a result of the business growth.

**Gross profit.** Gross profit of the engineering and construction contracting business increased by RMB218.7 million or 42.0% over the same period of the previous year.

**Selling and marketing expenses.** Selling and marketing expenses of the engineering and construction contracting business increased by RMB39.0 million or 52.1% over the same period of the previous year, primarily due to the increase in business tax and surcharges as a result of the growth in our business volume.

**Administrative expenses.** Administrative expenses of the engineering and construction contracting business increased by RMB42.8 million or 42.3% over the same period of the previous year, primarily due to the increase in employee benefits as a result of an increase in headcount, which was in turn due to the business growth.

**Other income and other gains and loss — net.** Our other income and other gains or loss — net increased by RMB0.9 million or 3.4% over the same period of the previous year.

**Segment result.** As a result of the foregoing, segment result for the period of the engineering and construction contracting business increased by RMB137.8 million or 37.2% over the same period of the previous year.

### 3) *Equipment manufacturing*

The principal segment result data for the equipment manufacturing business is as follows:

| | For the half year ended June 30, | | | | |
|---|---|---|---|---|---|
| | **2012** | | 2011 | | |
| | **(RMB'000) (unaudited)** | ***% of Segment Revenue*** | *(RMB'000)* (unaudited) | *% of Segment Revenue* | **% of Change** |
| Segment revenue | **518,701** | **100.0** | 435,397 | 100.0 | 19.1 |
| Cost of sales | **(376,755)** | **(72.6)** | (296,432) | (68.1) | 27.1 |
| Gross profit | **141,946** | **27.4** | 138,965 | 31.9 | 2.1 |
| Selling and marketing expenses | **(4,852)** | **(0.9)** | (4,110) | (0.9) | 18.1 |
| Administrative expenses | **(59,410)** | **(11.5)** | (42,839) | (9.8) | 38.7 |
| Other income and other gains or loss — net | **708** | **0.1** | (1,996) | (0.5) | (135.5) |
| Segment result | **78,392** | **15.1** | 90,020 | 20.7 | (12.9) |

**Segment revenue.** Revenue of the equipment manufacturing business before inter-segment elimination increased by RMB83.3 million or 19.1% over the same period of the previous year, primarily attributable to the sufficient backlog.

**Cost of sales.** Cost of sales of the equipment manufacturing business increased by RMB80.3 million or 27.1% over the same period of the previous year, primarily due to the increase in the costs of raw materials.

**Gross profit.** Gross profit of the equipment manufacturing business increased by RMB3.0 million or 2.1% over the same period of the previous year.

**Selling and marketing expenses.** Selling and marketing expenses of the equipment manufacturing business increased by RMB0.7 million or 18.1% over the same period of the previous year, primarily due to the increase in city construction tax and education levy incurred as a result of the increase in revenue.

**Administrative expenses.** Administrative expenses of the equipment manufacturing business increased by RMB16.6 million or 38.7% over the same period of the previous year, primarily attributable to the increase in research and development expenses as a result of our efforts to enhance our research and development capabilities.

**Other income and other gains or loss—net.** Other income and other gains or loss—net derived from the equipment manufacturing business increased by RMB2.7 million over the same period of the previous year.

**Segment result.** As a result of the foregoing, segment result for the year of the equipment manufacturing business decreased by RMB11.6 million or 12.9% over the same period of the previous year, primarily due to the increase in administrative expenses as a result of the increased input in research and development.

## 3. LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2012, the deposits with banks and cash held by the Group amounted to RMB2,488.3 million, representing a decrease of RMB96.4 million as compared with that as at December 31, 2011, primarily due to the purchase of readily liquid wealth management products with a value of RMB321.0 million.

As at June 30, 2012, the current assets of the Group, exclusive of deposits with banks and cash, amounted to RMB10,513.7 million, among which notes and trade receivables, amounts due from customers for contract work, prepayments and other receivables, inventories and available-for-sale financial assets were RMB4,165.0 million, RMB3,780.0 million, RMB1,672.5 milion, RMB575.6 million and RMB321.0 million, respectively.

As at June 30, 2012, the current liabilities of the Group amounted to RMB11,727.9 million, among which trade and other payables and short-term borrowings were RMB9,519.8 million and RMB1,800.9 million, respectively. As at June 30, 2012, the net current assets of the Group, the difference between total current assets and current liabilities, amounted to RMB1,274.1 million, representing an increase of RMB433.9 or 51.6% over that as at December 31, 2011.

As at June 30, 2012, the outstanding borrowings of the Group amounted to RMB1,900.9 million. In particular, short-term borrowings were RMB1,800.9 million and long-term borrowings were RMB100.0 million, the total of which increased by RMB597.9 million over that as at December 31, 2011, including RMB497.9 million from short-term borrowings and RMB100.0 million from long-term borrowings.

### (1) Cash flows

**Cash flows used in operating activities.** For the six months ended June 30, 2012, the net cash flows used in operating activities amounted to RMB445.4 million, representing an increase of RMB109.1 million or 32.4% over the same period of the previous year, primarily due to the payment for project construction and income tax expense.

**Cash flows used in investing activities.** For the six months ended June 30, 2012, the net cash used in investing activities amounted to RMB436.3 million, representing a decrease of RMB149.7 million or 25.5% from the same period of the previous year, primarily due to a slower pace in our acquisition of fixed assets and intangible assets.

**Cash flows generated from financing activities.** For the six months ended June 30, 2012, the net cash generated from our financing activities amounted to RMB610.5 million, representing an increase of RMB365.9 million or 149.6% over the same period of the previous year, primarily due to the increase in loans.

### (2) Security

As at June 30, 2012, we did not have 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 security or material contingent liabilities.

### (3) Gearing ratio

The 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 condensed consolidated balance sheets) less restricted cash, time deposits and cash and cash equivalents. Total capital is calculated as equity, as shown in the condensed consolidated balance sheets, plus net debts less non-controlling interest. We had gearing ratios of approximately 70% and 74% as of December 31, 2011 and June 30, 2012, respectively. The increase of gearing ratio as of June 30, 2012 as compared with that as of December 31, 2011 was primarily due to (i) an increase of bank borrowings amounting to approximately RMB597.9 million and (ii) an increase of RMB2,002.5 million in trade and other payables upon the receipt of the prepayment from the project in Venezuela.

## 4. CONTINGENCIES

The Group has been involved 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 would be 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 such provision.

## 5. COMMITMENTS

### (1) Capital commitments

Our capital commitments as of the dates indicated below are as follows:

| | **June 30, 2012** ***(RMB'000)*** **(unaudited)** | December 31, 2011 *(RMB'000)* |
|---|---|---|
| Contracted but not provided for | | |
| — Property, plant and equipment | **200,511** | 307,875 |
| — Investments | **486,941** | — |
| Authorized but not contracted for | | |
| — Property, plant and equipment | **154,110** | 20,000 |
| — Investments | **45,000** | — |
| Total | **886,562** | 327,875 |

### (2) Operating leasing commitments

We lease various offices, warehouses, residential properties and machinery under irrevocable operating lease agreements. These leases have varying terms, price adjustment clauses and renewal rights. The future aggregate minimum lease payments under irrevocable operating leases are as follows:

| | **June 30, 2012** ***(RMB'000)*** **(unaudited)** | December 31, 2011 *(RMB'000)* |
|---|---|---|
| Less than one year | **6,481** | 6,382 |
| One year to five years | **18,021** | 7,631 |
| Total | **24,502** | 14,013 |

### (3) Loan commitment

In connection with a build-transfer contract entered into with Duyun Company, the Group 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 June 30, 2012, RMB197 million has been provided.

## 6. CAPITAL EXPENDITURE

Our capital expenditures were used mainly for the construction of production facilities and the purchase of equipment. For six months ended June 30, 2011 and June 30, 2012, our capital expenditures were RMB275 million and RMB123 million, respectively.

The following table sets forth our capital expenditures for the periods indicated:

| | **For the six months ended June 30,** | |
|---|---|---|
| | **2012** | 2011 |
| | ***(RMB'000)*** | *(RMB'000)* |
| | **(unaudited)** | (unaudited) |
| Engineering design and consultancy | **26,422** | 25,905 |
| Engineering and construction contracting | **85,064** | 218,169 |
| Equipment manufacturing | **11,745** | 30,930 |
| Total | **123,231** | 275,004 |

# MANAGEMENT DISCUSSION AND ANALYSIS

## 7. RISK FACTORS

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 the Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

### 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. The Group 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 the Group from satisfying sufficient foreign currency demands.

### Interest rate risk

The Group's income and operating cash flows are substantially independent from changes in market interest rates, as the Group has no significant interest-bearing assets and borrowings.

### Price risk

The Group is exposed to equity securities price risk, because the Group'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.

### Credit risk

The Group'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 the Group's time deposits, cash and cash equivalents are deposited in the PRC state-owned/controlled banks, the credit risk of which the Directors believe to be insignificant.

The Group has policies in place to ensure that services are rendered and products are sold to customers with a sound credit record, and the Group performs periodic credit evaluations of its customers. The Group typically does not require collateral from trade debtors. 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.

### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and 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 the Group, which comprises the undrawn borrowing facility and cash and cash equivalents available at each month end in meeting its liabilities.

### 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 reporting period. 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.

## 8. EMPLOYEES AND REMUNERATION POLICY

### Employees

As of June 30, 2012, we had a total of 10,226 employees. The following table shows a breakdown of the employees by business segment as of June 30, 2012:

| | Number of Employees | % of Total |
|---|---|---|
| Engineering technicians | 4,269 | 41.6 |
| Operation and management personnel | 2,408 | 23.5 |
| Production and operation personnel | 3,220 | 31.3 |
| Service and other personnel | 369 | 3.6 |
| Total | 10,266 | 100.0 |

The following table shows a breakdown of the employees by level of education as of June 30, 2012:

| | Number of Employees | % of Total |
|---|---|---|
| Graduate degree | 660 | 6.4 |
| Undergraduate degree | 3,464 | 33.7 |
| Associate degree | 2,596 | 25.4 |
| Others | 3,546 | 34.5 |
| Total | 10,266 | 100.0 |

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 first half of 2012, our employee benefits expenses amounted to RMB520.2 million. We currently have no share option schemes for our employees.

We sign written employment contracts with employees pursuant to Labour 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. The Group has taken a variety of measures to improve its employment relationship management and fulfill its statutory obligations in a practical manner. The Group provides training for employees according to corporation business development strategies, operation objectives and duties and responsibilities, and continuously explores innovative training models.

The Group has established a labour union to protect employee' rights and encourages employee participation in the management of the Group. We have not experienced any strikes or other labour 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.

## 9. SUBSEQUENT EVENTS

The Company raised proceeds of RMB1,080,817,000 (equivalent to HK$1,325,115,000) upon the listing of its H Shares on the Stock Exchange on July 6, 2012. For details of the changes in the issued share capital of the Company, please refer to Note 16 to the unaudited interim condensed consolidated financial information.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

**TO THE BOARD OF DIRECTORS OF CHINA ALUMINUM INTERNATIONAL ENGINEERING CORPORATION LIMITED**
**(incorporated in the People's Republic of China with limited liability)**

## INTRODUCTION

We have reviewed the interim financial information set out on pages 32 to 94, which comprises the interim condensed consolidated balance sheet of China Aluminum International Engineering Corporation Limited (中鋁鋁國際工程股份份有限公司, the "Company") and its subsidiaries (together, the "Group") as at 30 June 2012 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with the International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review off interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware off all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**
*Certified Public Accountants*
Hong Kong, 24 August 2012

# Unaudited Interim Condensed Consolidated Statements of Comprehensive Income

| | Note | Six months ended 30 June 2012 RMB'000 (unaudited) | 2011 RMB'000 (unaudited) |
|---|---|---|---|
| **Revenue** | 7 | **6,875,766** | 4,410,443 |
| Cost of sales | | **(5,603,601)** | (3,425,460) |
| **Gross profit** | | **1,272,165** | 984,983 |
| Selling and marketing expenses | | **(174,757)** | (124,603) |
| Administrative expenses | | **(373,036)** | (278,045) |
| Other income | | **23,065** | 38,122 |
| Other gains or losses — net | | **23,000** | (9,699) |
| **Operating profit** | | **770,437** | 610,758 |
| Finance income | | **30,811** | 20,057 |
| Finance costs | | **(82,751)** | (48,734) |
| Share of losses of associates | | **(884)** | (497) |
| **Profit before income tax** | | **717,613** | 581,584 |
| Income tax expense | 8 | **(161,637)** | (127,643) |
| **Profit for the period** | | **555,976** | 453,941 |
| Fair value losses on available-for-sale financial assets, net of tax | | **(6,252)** | (67,996) |
| **Other comprehensive income for the period, net of tax** | | **(6,252)** | (67,996) |
| **Total comprehensive income for the period** | | **549,724** | 385,945 |

## Unaudited Interim Condensed Consolidated Statements of Comprehensive Income

| | Note | Six months ended 30 June 2012 RMB'000 (unaudited) | 2011 RMB'000 (unaudited) |
|---|---|---|---|
| **Profit for the period attributable to:** | | | |
| Owners of the Company | | **535,335** | 426,771 |
| Non-controlling interests | | **20,641** | 27,170 |
| | | **555,976** | 453,941 |
| **Total comprehensive income for the period attributable to:** | | | |
| Owners of the Company | | **529,083** | 358,775 |
| Non-controlling interests | | **20,641** | 27,170 |
| | | **549,724** | 385,945 |
| **Earnings per share for profit attributable to equity holders of the Company** | | **RMB** | RMB |
| — Basic | | **0.23** | 0.19 |
| — Diluted | | **0.23** | 0.19 |
| **Dividends** | | **—** | — |

The notes on pages 41 to 94 form an integral part of this unaudited interim condensed consolidated financial information.

# Unaudited Interim Condensed Consolidated Balance Sheets

| | Note | At 30 June 2012 RMB'000 (unaudited) | At 31 December 2011 RMB'000 (audited) |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | **1,349,574** | 1,329,329 |
| Land use rights | 11 | **735,099** | 713,515 |
| Investment properties | | **30,713** | 31,190 |
| Notes and trade receivables | 13 | **703,581** | 376,145 |
| Prepayments and other receivables | 14 | **527,265** | 432,747 |
| Intangible assets | 11 | **234,691** | 250,179 |
| Investments in associates | 12 | **49,134** | 50,018 |
| Available-for-sale financial assets | | **222,785** | 230,985 |
| Deferred income tax assets | | **326,965** | 330,282 |
| Other non-current assets | | **5,479** | 6,425 |
| **Total non-current assets** | | **4,185,286** | 3,750,815 |
| **Current assets** | | | |
| Available-for-sale financial assets | | **321,000** | 130,364 |
| Inventories | | **575,630** | 617,908 |
| Notes and trade receivables | 13 | **4,164,962** | 3,762,217 |
| Prepayments and other receivables | 14 | **1,672,469** | 1,026,439 |
| Amounts due from customers for contract work | 15 | **3,779,606** | 2,254,791 |
| Current income tax prepayments | | **–** | 3,553 |
| Financial assets at fair value through profit or loss | | **–** | 3,803 |
| Restricted cash | | **269,390** | 202,653 |
| Time deposits | | **335,889** | 227,592 |
| Cash and cash equivalents | | **1,883,044** | 2,154,465 |
| **Total current assets** | | **13,001,990** | 10,383,785 |
| **Total assets** | | **17,187,276** | 14,134,600 |

| | Note | At 30 June 2012 RMB'000 (unaudited) | At 31 December 2011 RMB'000 (audited) |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 16 | **2,300,000** | 2,300,000 |
| Reserves | | **1,113,502** | 584,419 |
| Consolidated equity attributable to owners of the Company | | **3,413,502** | 2,884,419 |
| Non-controlling interests | | **100,169** | 79,528 |
| **Total equity** | | **3,513,671** | 2,963,947 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Borrowings and loans | 18 | **100,000** | — |
| Deferred income | | **20,381** | 20,850 |
| Retirement and other supplemental benefit obligations | 17 | **1,416,936** | 1,421,426 |
| Deferred income tax liabilities | | **36,924** | 40,970 |
| Trade and other payables | 19 | **371,441** | 143,835 |
| **Total non-current liabilities** | | **1,945,682** | 1,627,081 |

## Unaudited Interim Condensed Consolidated Balance Sheets

| | Note | **At 30 June 2012** **RMB'000** **(unaudited)** | At 31 December 2011 RMB'000 (audited) |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade and other payables | 19 | **9,519,828** | 7,517,357 |
| Dividends payable | 20 | **53,080** | 81,681 |
| Amounts due to customers for contract work | 15 | **149,958** | 388,650 |
| Borrowings and loans | 18 | **1,800,925** | 1,303,045 |
| Current income tax liabilities | | **80,704** | 132,340 |
| Retirement and other supplemental benefit obligations | 17 | **123,428** | 120,499 |
| **Total current liabilities** | | **11,727,923** | 9,543,572 |
| **Total liabilities** | | **13,673,605** | 11,170,653 |
| **Total equity and liabilities** | | **17,187,276** | 14,134,600 |
| **Net current assets** | | **1,274,067** | 840,213 |
| **Total assets less current liabilities** | | **5,459,353** | 4,591,028 |

The notes on pages 41 to 94 form an integral part of this unaudited interim condensed consolidated financial information.

# Unaudited Interim Condensed Consolidated Statements of Changes in Equity

| | | Attributable to equity holders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Paid in capital | Capital reserve | Statutory surplus reserve | Investment revaluation reserve | Special reserve | Retained earnings | Total | Non-controlling interests | Total equity |
| | *Note* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| **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 for the period | | – | – | – | – | – | 426,771 | 426,771 | 27,170 | 453,941 |
| Other comprehensive income: | | | | | | | | | | |
| Fair value change of available-for-sale financial assets - gross | | – | – | – | (91,140) | – | – | (91,140) | – | (91,140) |
| Fair value change of available-for-sale financial assets - tax | | – | – | – | 23,144 | – | – | 23,144 | – | 23,144 |
| Total comprehensive income | | – | – | – | (67,996) | – | 426,771 | 358,775 | 27,170 | 385,945 |
| Dividends | | – | – | – | – | – | (413,612) | (413,612) | (91,472) | (505,084) |
| Capital contributions by Chinalco Group to subsidiaries described in Note 1.2(a) | | – | 5,893 | – | – | – | – | 5,893 | – | 5,893 |
| Capital contributions by non-controlling interest of the subsidiaries described in Note 1.2(a) | | – | – | – | – | – | – | – | 2,967 | 2,967 |
| Acquisition of subsidiaries under common control | | – | (3,301) | – | – | – | – | (3,301) | (2,097) | (5,398) |
| Acquisition of subsidiary | 23 | – | – | – | – | – | – | – | 30,888 | 30,888 |
| Transaction with non-controlling interests | 1.2(d) | – | (1,606) | – | – | – | – | (1,606) | (64,478) | (66,084) |
| Event-driven revaluation | | | 405,368 | – | – | – | – | 405,368 | – | 405,368 |
| Transfer of Excluded Assets and Liabilities (defined in Note 1.2(c)) to Chinalco Group | | – | (309,423) | – | – | – | – | (309,423) | – | (309,423) |
| Appropriation of special reserve | | – | – | – | – | 4,476 | (4,476) | – | – | – |
| Transfer into joint stock company with limited liability | | 2,100,000 | (842,932) | (170,809) | – | – | (1,086,259) | – | – | – |
| **At 30 June 2011** | | 2,300,000 | 852 | – | 243,223 | 40,261 | 66,609 | 2,650,945 | 62,324 | 2,713,269 |

The notes on pages 41 to 94 form an integral part of this unaudited interim condensed consolidated financial information.

# Unaudited Interim Condensed Consolidated Statements of Changes in Equity

| | | Attributable to equity holders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **Share capital** | **Capital reserve** | **Statutory surplus reserve** | **Investment revaluation reserve** | **Special reserve** | **Retained earnings** | **Total** | **Non-controlling interests** | **Total equity** |
| | *Note* | *RMB'000* (unaudited) | *RMB'000* (unaudited) | *RMB'000* (unaudited) | *RMB'000* (unaudited) | *RMB'000* (unaudited) | *RMB'000* (unaudited) | *RMB'000* (unaudited) | *RMB'000* (unaudited) | *RMB'000* (unaudited) |
| **At 1 January 2012** | | 2,300,000 | 1,380 | 7,084 | 144,644 | 49,966 | 381,345 | 2,884,419 | 79,528 | 2,963,947 |
| Profit for the period | | – | – | – | – | – | 535,335 | 535,335 | 20,641 | 555,976 |
| Other comprehensive income: | | | | | | | | | | |
| Fair value change of available-for-sale financial assets - gross | | – | – | – | (8,200) | – | – | (8,200) | – | (8,200) |
| Fair value change of available-for-sale financial assets - tax | | – | – | – | 1,948 | – | – | 1,948 | – | 1,948 |
| Total comprehensive income | | – | – | – | (6,252) | – | 535,335 | 529,083 | 20,641 | 549,724 |
| Appropriation of special reserve | | – | – | – | – | 7,239 | (7,239) | – | – | – |
| **At 30 June 2012** | | 2,300,000 | 1,380 | 7,084 | 138,392 | 57,205 | 909,441 | 3,413,502 | 100,169 | 3,513,671 |

The notes on pages 41 to 94 form an integral part of this unaudited interim condensed consolidated financial information.

# Unaudited Interim Condensed Consolidated Statements of Cash Flows

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2012** | 2011 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| | | **(unaudited)** | (unaudited) |
| **Cash flows from operating activities** | | | |
| Cash used in operations | | **(249,188)** | (207,747) |
| Income tax paid | | **(205,180)** | (138,009) |
| Interest received | | **9,010** | 9,481 |
| **Net cash used in operating activities** | | **(445,358)** | (336,275) |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(85,756)** | (126,372) |
| Purchase of intangible assets | | **(4,222)** | (13,658) |
| Purchase of land use rights | | **(30,721)** | (144,324) |
| Purchase of available-for-sale financial assets | | **(1,090,000)** | (290,000) |
| Acquisition of subsidiary | 23 | **—** | 6,792 |
| Acquisition of non-controlling interest | | **—** | (53,527) |
| Loans and borrowings provided to related parties | | **—** | (175,001) |
| Financing provided to Build-Transfer contract counterparty | 14(ii) | **(39,700)** | — |
| Interest received from available-for-sale financial assets and time deposits | | **6,229** | 11,843 |
| (Increase)/decrease in time deposits | | **(108,297)** | 160,950 |
| Proceeds from disposal of property, plant and equipment | | **4,516** | 25,384 |
| Proceeds from disposal of land use rights | | **—** | 5,760 |
| Proceeds from disposal of available-for-sale financial assets | | **899,364** | — |
| Government grants | | **500** | — |
| Disposal of financial assets at fair value through profit or loss | | **9,866** | 1,624 |
| Net cash inflow from disposal of available-for-sale financial assets | | **—** | 629 |
| Dividends received | | **1,887** | 3,852 |
| **Net cash used in investing activities** | | **(436,334)** | (586,048) |

## Unaudited Interim Condensed Consolidated Statements of Cash Flows

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2012** | 2011 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| | | **(unaudited)** | (unaudited) |
| **Cash flows from financing activities** | | | |
| Capital contributions by Chinalco Group to the subsidiaries described in Note 1.2(a) | | **–** | 6,459 |
| Capital contributions by the non-controlling interests of the subsidiaries described in Note 1.2(a) | | **–** | 2,967 |
| Borrowings and loans received from banks | | **1,702,719** | 524,990 |
| Repayments of borrowings and loans from banks | | **(1,104,838)** | (100,000) |
| Dividends paid to Chinalco Group by subsidiaries described in Note 1.2(a) | | **(8,418)** | (47,330) |
| Dividends paid to equity holders of the Company | | **(18,458)** | – |
| Dividends paid to non-controlling interests | | **(1,725)** | (94,000) |
| Interest paid | | **(54,427)** | (48,509) |
| Advance prepayment received from Build-Transfer contract counterparty | 19(i) | **230,000** | – |
| Repayment of working capital received from related party | | **(134,347)** | – |
| Working capital received from employees | 19(ii) | **101,183** | – |
| Repayment of working capital received from employees | 19(ii) | **(101,183)** | – |
| **Net cash generated from financing activities** | | **610,506** | 244,577 |
| **Net decrease in cash and cash equivalents** | | **(271,186)** | (677,746) |
| **Cash and cash equivalents at beginning of period** | | **2,154,465** | 2,611,456 |
| Exchange losses on cash and cash equivalents | | **(235)** | (297) |
| **Cash and cash equivalents at end of period** | | **1,883,044** | 1,933,413 |

The notes on pages 41 to 94 form an integral part of this unaudited interim condensed consolidated financial information.

# Notes to the Unaudited Interim Condensed Consolidated Financial Information

## 1. GENERAL INFORMATION AND REORGANISATION

### 1.1 General information

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.

The Company was established as a company with limited liability under the name of China Aluminum International Engineering Co., Ltd. (中鋁國際工程責任有限公司) in the People's Republic of China (the "PRC") on 16 December 2003 under the Company Law of the PRC. The address of its registered office is Building C, No. 99 Xingshikou Road, Haidian District, Beijing, the PRC.

The directors of the Company (the "Directors") regard Aluminum Corporation of China (中國鋁業公司, "Chinalco") as being the ultimate holding company of the Group, which is owned and controlled by the State-Owned Assets Supervision and Administration Commission of the State Council of the PRC. The Company has completed its primary listing (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 July 2012.

This interim condensed consolidated financial information is presented in Renminbi ("RMB"), unless otherwise stated.

This interim condensed consolidated financial information has not been audited.

## 1. GENERAL INFORMATION AND REORGANISATION *(CONTINUED)*

### 1.2 Reorganisation

Upon the establishment of the 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 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 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 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");

# 1. GENERAL INFORMATION AND REORGANISATION *(CONTINUED)*

## 1.2 Reorganisation *(Continued)*

(a) Chinalco Group transferred the equity interests in following subsidiaries to the Group: *(Continued)*

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 in 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 Metal Processing Technology Co., Ltd. (中色科技股份有限公司, "China Nonferrous Metal").

(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 and Magnesium Design Institute Co., Ltd. (貴陽鋁鎂審計研究院有限公司), 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.

# 1. GENERAL INFORMATION AND REORGANISATION *(CONTINUED)*

## 1.2 Reorganisation *(Continued)*

(d) The Company acquired an additional 13.5% equity interest in China Nonferrous Metal from the non-controlling equity holders, which increased its equity interest in China Nonferrous Metal from 60% to 73.5%.

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 follow:

| | **Impact on equity attributable to equity owners of the Company** *RMB'000* (unaudited) | **Non-controlling interest acquired** *RMB'000* (unaudited) |
|---|---|---|
| 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 Metal, 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) |
| | (1,606) | (64,478) |

## 1. GENERAL INFORMATION AND REORGANISATION *(CONTINUED)*

### 1.2 Reorganisation *(Continued)*

(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 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 interim condensed consolidated balance sheets as at 31 December 2011 and 30 June 2012, and interim condensed consolidated statements of comprehensive income, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for each of the six months ended 30 June 2011 and 2012 have been presented as if the current group structure had been existence throughout each of the six months ended 30 June 2011 and 2012 or since respective dates of incorporation/establishment or acquisition, whichever is the shorter period.

## 2. BASIS OF PRESENTATION *(CONTINUED)*

2.2 The interim condensed consolidated 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 interim condensed consolidated 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.

## 3. BASIS OF PREPARATION

This unaudited interim condensed consolidated financial information for the six months ended 30 June 2012 has been prepared in accordance with IAS 34, "Interim financial reporting". The unaudited interim condensed consolidated financial information should be read in conjunction with the consolidated financial information for the years ended 31 December 2009, 2010 and 2011 as set out in the accountant's report (the "Accountant's Report") included in Appendix I to the prospectus of the Company in connection with the initial public offering of the Company's shares on the Stock Exchange dated 22 June 2012.

## 4. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the consolidated financial information for the years ended 31 December 2009, 2010 and 2011 as set out in the Accountant's Report, included in Appendix I to the prospectus of the Company in connection with the initial public offering of the Company's shares on the Stock Exchange dated 22 June 2012.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following amendment to standard is effective for the annual periods beginning on or after 1 January 2012:

- 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 of 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. The adoption of IAS 12 (Amendment) did not result any significant impact to the Group.

## 5. ESTIMATES

The preparation of the condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial information for the years ended 31 December 2009, 2010 and 2011 as set out in the Accountant's Report.

## 6. FINANCIAL RISK 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.

### 6.1 Financial risk factors

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.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the Accountant's Report, and should be read in conjunction with the consolidated financial information for the year ended 31 December 2009, 2010 and 2011 as set out in the Accountant's Report.

There have been no changes in the risk management policies since 31 December 2011 or in any risk management policies.

## 6. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

### 6.2 Liquidity risk

Compared to 31 December 2011, there was no material change in the contractual undiscounted cash flows for financial liabilities.

### 6.3 Fair value estimation

**Fair value measurements**

The Group 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).

## 6. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

### 6.3 Fair value estimation *(Continued)*

**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 30 June 2012 and 31 December 2011.

The following table presents the Group's assets that are measured at fair value as at 30 June 2012 and 31 December 2011.

| | **At 30 June 2012 *RMB'000* *(unaudited)*** | At 31 December 2011 *RMB'000* (audited) |
|---|---|---|
| Level 1 | | |
| Available-for-sale financial assets | | |
| — Listed equity securities | **212,601** | 220,801 |
| Level 2 | | |
| Financial assets at fair value through profit or loss | **—** | 3,803 |
| | **212,601** | 224,604 |

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 are of the opinion that their fair value cannot be measured reliably.

## 7. REVENUE AND SEGMENT INFORMATION

### (a) Revenue

The Group's revenue is set out below:

| | Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Engineering design and consultancy | **822,446** | 626,022 |
| Engineering and construction contracting | **5,550,977** | 3,383,495 |
| Equipment manufacturing | **502,343** | 400,926 |
| | **6,875,766** | 4,410,443 |

### (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.

## 7. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

### (b) Segment information *(Continued)*

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 11), land use rights (Note 11), investment properties, intangible assets (Note 11) and other non-current assets, including additions resulting from acquisitions through business combinations (Note 23).

**The segment information provided to the Senior Management for the reportable segments is as follow:**

#### (i) For the six months end 30 June 2011:

| | Engineering design and consultancy<br>*RMB'000*<br>(unaudited) | Engineering and construction contracting<br>*RMB'000*<br>(unaudited) | Equipment manufacturing<br>*RMB'000*<br>(unaudited) | Inter-segment elimination<br>*RMB'000*<br>(unaudited) | Total<br>*RMB'000*<br>(unaudited) |
|---|---|---|---|---|---|
| **Segment revenue and results** | | | | | |
| Segment revenue | 669,088 | 3,383,495 | 435,397 | (77,537) | 4,410,443 |
| Inter-segment revenue | (43,066) | – | (34,471) | 77,537 | – |
| Revenue | 626,022 | 3,383,495 | 400,926 | – | 4,410,443 |
| Segment result | 150,849 | 369,889 | 90,020 | – | 610,758 |
| Finance income | 3,673 | 15,617 | 767 | – | 20,057 |
| Finance cost | (13,887) | (30,728) | (4,119) | – | (48,734) |
| Share of loss of associates | – | (497) | – | – | (497) |
| Profit before income tax | 140,635 | 354,281 | 86,668 | – | 581,584 |
| Income tax expense | | | | | (127,643) |
| Profit for the period | | | | | 453,941 |
| **Other segment items** | | | | | |
| Amortisation | 11,765 | 4,168 | 2,200 | – | 18,133 |
| Depreciation | 19,932 | 25,493 | 9,485 | – | 54,910 |
| Provision for | | | | | |
| – foreseeable losses on construction contracts | – | 2,227 | – | – | 2,227 |
| – impairment on trade and other receivables | 9,517 | (10,704) | 2,909 | – | 1,722 |

# 7. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

## (b) Segment information *(Continued)*

### (ii) The segment assets and liabilities as at 31 December 2011 were 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* |
| | (audited) | (audited) | (audited) | (audited) | (audited) |
| **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** | | | | | 14,134,600 |
| **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** | | | | | 11,170,653 |

# 7. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

## (b) Segment information *(Continued)*

### (iii) As at and for the six months ended 30 June 2012:

| | Engineering design and consultancy *RMB'000* (unaudited) | Engineering and construction contracting *RMB'000* (unaudited) | Equipment manufacturing *RMB'000* (unaudited) | Inter-segment elimination *RMB'000* (unaudited) | Total *RMB'000* (unaudited) |
|---|---|---|---|---|---|
| **Segment revenue and results** | | | | | |
| Segment revenue | 849,044 | 5,550,977 | 518,701 | (42,956) | 6,875,766 |
| Inter-segment revenue | (26,598) | – | (16,358) | 42,956 | - |
| Revenue | 822,446 | 5,550,977 | 502,343 | – | 6,875,766 |
| Segment result | 184,420 | 507,625 | 78,392 | – | 770,437 |
| Finance income | 5,321 | 24,217 | 1,273 | – | 30,811 |
| Finance expenses | (18,699) | (57,598) | (6,454) | – | (82,751) |
| Share of loss of associates | – | (884) | – | – | (884) |
| Profit before income tax | 171,042 | 473,360 | 73,211 | – | 717,613 |
| Income tax expense | | | | | (161,637) |
| Profit for the period | | | | | 555,976 |
| **Other segment items** | | | | | |
| Amortisation | 20,264 | 5,887 | 2,695 | – | 28,846 |
| Depreciation | 24,641 | 34,282 | 5,617 | – | 64,540 |
| Provision for/(reversal of) | | | | | |
| – impairment on trade and other receivables | (80) | (552) | 831 | – | 199 |
| – foreseeable losses on inventories | – | (198) | – | – | (198) |

# 7. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

## (b) Segment information *(Continued)*

### (iii) As at and for the six months ended 30 June 2012: *(Continued)*

| | Engineering design and consultancy | Engineering and construction contracting | Equipment manufacturing | Inter-segment elimination | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| **Assets** | | | | | |
| Segment assets | 3,297,165 | 15,178,461 | 1,552,790 | (3,168,105) | 16,860,311 |
| Unallocated assets | | | | | |
| – Deferred income tax assets | | | | | 326,965 |
| **Total assets** | | | | | 17,187,276 |
| **Liabilities** | | | | | |
| Segment liabilities | 1,753,546 | 11,643,877 | 1,053,468 | (894,914) | 13,555,977 |
| Unallocated liabilities | | | | | |
| – Deferred income tax liabilities | | | | | 36,924 |
| – Current income tax liabilities | | | | | 80,704 |
| **Total liabilities** | | | | | 13,673,605 |
| **Capital expenditure** | 26,422 | 85,064 | 11,745 | – | 123,231 |

# 7. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

## (b) Segment information *(Continued)*

### (iv) Analysis of information by geographical regions

**Revenue**

| | Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| The PRC | **5,984,016** | 3,640,446 |
| Other countries | **891,750** | 769,997 |
| | **6,875,766** | 4,410,443 |

**Non-current assets, other than financial instruments and deferred tax assets**

| | At 30 June | At 31 December |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| The PRC | **3,617,280** | 3,126,956 |
| Other countries | **18,256** | 12,574 |
| | **3,635,536** | 3,139,530 |

## 7. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

### (b) Segment information *(Continued)*

#### (iv) Analysis of information by geographical regions *(Continued)*

**Total assets**

| | **At 30 June 2012 RMB'000 (unaudited)** | At 31 December 2011 RMB'000 (audited) |
|---|---|---|
| The PRC | **16,842,055** | 13,788,191 |
| Other countries | **18,256** | 12,574 |
| Unallocated assets | **326,965** | 333,835 |
| | **17,187,276** | 14,134,600 |

*Note:* Total assets are allocated based on the location of the assets.

**Capital expenditures**

| | **Six months ended 30 June** | |
|---|---|---|
| | **2012 RMB'000 (unaudited)** | 2011 RMB'000 (unaudited) |
| The PRC | **123,115** | 273,802 |
| Other countries | **116** | 1,202 |
| | **123,231** | 275,004 |

(v) **Revenue of approximately RMB1,000 million and RMB967 million were derived from one single largest related party and one third party customer for the six months ended 30 June 2011 and 2012, respectively. These revenues are attributable to the engineering and construction contracting segment.**

## 8. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| **Current tax** | | |
| PRC enterprise income tax for the period *(i)* | **161,839** | 138,006 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **(202)** | (10,363) |
| **Income tax expense** | **161,637** | 127,643 |

*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 and the applicable income tax rate was adjusted from 33% to 25%.

Certain subsidiaries of the Company located in special regions of the PRC were granted tax concessions including referential 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 all 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 six months ended 30 June 2011 and 2012.

## 8. INCOME TAX EXPENSE *(CONTINUED)*

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:

| | Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Profit before taxation | **717,613** | 581,584 |
| Taxation calculated at the statutory tax rate | **179,403** | 145,396 |
| Income tax effects of: | | |
| Preferential income tax treatments of certain companies | **(21,209)** | (17,887) |
| Expenses not deductible for tax purpose | **1,728** | 6,219 |
| Income not subject to tax | **(608)** | (944) |
| Tax losses for which no deferred income tax asset was recognised | **2,717** | 193 |
| Tax refund *(i)* | **—** | (2,440) |
| Others | **(394)** | (2,894) |
| Income tax expense | **161,637** | 127,643 |
| Effective income tax rate | **23%** | 22% |

*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.

## 9. EARNINGS PER SHARE

### (a) Basic

The basic earnings per share for the six months ended 30 June 2011 and 2012 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 2011.

| | Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***(unaudited)*** | (unaudited) |
| Profit attributable to equity holders of the Company *(RMB'000)* | **535,335** | 426,771 |
| Weighted average number of ordinary shares in issue | **2,300,000,000** | 2,300,000,000 |
| Basic earnings per shares *(RMB)* | **0.23** | 0.19 |

### (b) Diluted

As the Company had no dilutive ordinary shares for the six months ended 30 June 2011 and 2012, dilutive earnings per share for the six months ended 30 June 2011 and 2012 is the same as basic earnings per share.

## 10. DIVIDENDS

No dividends were declared by the Company during each of the period ended 30 June 2012 and 2011.

## 11. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND LAND USE RIGHTS

| | Property, plant and equipment *RMB'000* (unaudited) | Intangible assets *RMB'000* (unaudited) | Land use rights *RMB'000* (unaudited) |
|---|---|---|---|
| **Six months ended 30 June 2011** | | | |
| Opening net book amount at 1 January 2011 | 1,217,206 | 23,389 | 451,617 |
| Transfers | (951) | — | — |
| Additions | 105,838 | 21,317 | 136,666 |
| Event-driven revaluation *(i)* | 98,882 | 211,710 | 209,007 |
| Attributable to acquisition of subsidiaries *(Note 23)* | 1,462 | 2,586 | 7,659 |
| Depreciation and amortisation | (54,044) | (10,154) | (7,979) |
| Transfer to Chinalco Group upon completion of the Reorganisation *(Note 1.2 (c))* | (91,666) | — | (90,478) |
| Disposals | (27,795) | — | (17,607) |
| **Closing net book amount at 30 June 2011** | 1,248,932 | 248,848 | 688,885 |

## 11. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND LAND USE RIGHTS *(CONTINUED)*

| | **Property, plant and equipment**<br>*RMB'000*<br>(unaudited) | **Intangible assets**<br>*RMB'000*<br>(unaudited) | **Land use rights**<br>*RMB'000*<br>(unaudited) |
|---|---|---|---|
| **Six months ended 30 June 2012** | | | |
| Opening net book amount at 1 January 2012 | 1,329,329 | 250,179 | 713,515 |
| Additions | 91,429 | 4,421 | 30,721 |
| Depreciation and amortisation | (66,322) | (19,709) | (9,137) |
| Disposals | (4,862) | (200) | — |
| **Closing net book amount at 30 June 2012** | 1,349,574 | 234,691 | 735,099 |
| **At 30 June 2012** | | | |
| Cost | 2,037,033 | 339,287 | 785,718 |
| Accumulated depreciation | (686,542) | (104,596) | (50,619) |
| Impairment | (917) | — | — |
| **Net book amount** | 1,349,574 | 234,691 | 735,099 |

## 11. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND LAND USE RIGHTS *(CONTINUED)*

*Note:*

(i) As described in Note 1.2(a), 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 costs of the assets and liabilities of these subsidiaries as allowed under IFRS. The revaluation surplus, being the excess of fair value over carrying value, net of the deferred tax liability resulted, is recognised in the consolidated balance sheet as "capital reserve".

## 12. INVESTMENTS IN ASSOCIATES

| | **At 30 June 2012** | At 31 December 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Investments in associates | **49,134** | 50,018 |

## 12. INVESTMENTS IN ASSOCIATES *(CONTINUED)*

The movements of investments in associates for the six-month period ended 30 June are as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Beginning of period | **50,018** | 52,721 |
| Transfer from investments in subsidiaries | **—** | 187 |
| Share of loss | **(884)** | (497) |
| Disposals | **—** | (681) |
| At end of period | **49,134** | 51,730 |

The Group's share of the results of its associates, all of which are unlisted, and its share of the aggregated assets and liabilities are as follows:

| Name | Place and date of incorporation/ establishment | Registered and fully paid capital | Effective interest held Direct held | Effective interest held Indirect held | Principal activities and place of operations |
|---|---|---|---|---|---|
| Shenzhen Hengtong Development Co., Ltd. (深圳恆通實業發展有限公司) | The PRC/26 October 1982 | 115,737 | – | 46% | Consulting/The PRC |
| Shanxi Jinlv Information Technology Co., Ltd. (山西晉鋁信息技術有限公司) | The PRC/14 June 2002 | 2,000 | – | 30% | Engineering and Research/ The PRC |

## 12. INVESTMENTS IN ASSOCIATES *(CONTINUED)*

The Group's share of the results of its associates, its aggregated assets and liabilities, are as follows:

| | **At 30 June 2012** | At 31 December 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Assets | **58,342** | 60,691 |
| Liabilities | **(9,208)** | (10,673) |
| Equity | **49,134** | 50,018 |

| | **Six months ended 30 June** | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Revenue | **3,144** | 6,706 |
| Loss for the period | **(884)** | (497) |

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.

## 13. NOTES AND TRADE RECEIVABLES

| | **At 30 June 2012** | At 31 December 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Trade receivables | **4,789,387** | 3,817,456 |
| Less: Provision for impairment | **(194,049)** | (194,602) |
| | **4,595,338** | 3,622,854 |
| Notes receivable | **273,205** | 515,508 |
| | **4,868,543** | 4,138,362 |
| Less: Non-current portion *(i)* | **(703,581)** | (376,145) |
| Current notes and trade receivables | **4,164,962** | 3,762,217 |

(i) On 27 January 2011, the Group entered into a build-transfer contract ("Build-Transfer Contract") with Duyun Company to construct a road in Duyun, the PRC. 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 30 June 2012 and 31 December 2011, the non-current trade receivables amounted to RMB349.87 million and RMB275.47 million, respectively, 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. In connection with the Build-Transfer Contract, the Group also provided and received certain financing to and from Duyun Company (Notes 14(ii) and 19(i)).

## 13. NOTES AND TRADE RECEIVABLES *(CONTINUED)*

(ii) The carrying amounts of the notes and trade receivables approximate their fair value.

All notes receivable of the Group are bank's acceptance bills and usually collected within six months from the date of issue.

The Group has policies in place to ensure that services are rendered and products are sold to customers with appropriate credit history and the Group reforms periodic credit evaluations of its customers. Normally the Group does not require collaterals from trade debtors.

However, the Group requested an advance payment from the proprietor of the specific Build-Transfer Contract to minimise the credit risk involved in a Build-Transfer 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.

Ageing analysis of trade receivables is as follows:

| | **At 30 June 2012** *RMB'000* **(unaudited)** | At 31 December 2011 *RMB'000* (audited) |
|---|---|---|
| Within 1 year | **3,395,501** | 3,121,689 |
| Between 1 and 2 years | **965,569** | 246,198 |
| Between 2 and 3 years | **247,938** | 270,982 |
| Between 3 and 4 years | **60,686** | 57,540 |
| Between 4 and 5 years | **24,549** | 29,322 |
| Over 5 years | **95,144** | 91,725 |
| Trade receivables — gross | **4,789,387** | 3,817,456 |
| Less: Provision for impairment | **(194,049)** | (194,602) |
| Trade receivables — net | **4,595,338** | 3,622,854 |

## 14. PREPAYMENTS AND OTHER RECEIVABLES

| | At 30 June 2012 RMB'000 (unaudited) | At 31 December 2011 RMB'000 (audited) |
|---|---|---|
| **Prepayments** | | |
| Prepayments to suppliers | **1,211,430** | 712,853 |
| Prepayments to property developer *(i)* | **317,390** | 250,434 |
| **Other receivables** | | |
| Financing provided to Duyun Company *(ii)* | **196,700** | 157,000 |
| Interest receivable | **1,287** | 2,283 |
| Amounts due from related parties *(iii)* | **56,178** | 32,507 |
| Prepayment for front-end engineering | **13,059** | 154 |
| Receivables of export tax refund | **21,464** | 18,159 |
| Staff advance | **105,628** | 64,435 |
| Bid security | **86,585** | 106,382 |
| Deposit | **17,823** | 13,304 |
| Payment on behalf of third parties | **50,149** | 33,022 |
| Deductible value-added tax | **23,659** | 16,262 |
| Deposit for wages of migrant workers *(iv)* | **23,380** | — |
| Others | **140,336** | 117,871 |
| | **736,248** | 561,379 |
| **Total prepayments and other receivables** | **2,265,068** | 1,524,666 |
| Less: Provision for impairment | **(65,334)** | (65,480) |
| Prepayments and other receivables — net | **2,199,734** | 1,459,186 |
| Less: Non-current portion *(v)* | **(527,265)** | (432,747) |
| Current portion | **1,672,469** | 1,026,439 |

## 14. PREPAYMENTS AND OTHER RECEIVABLES *(CONTINUED)*

(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 RMB150 million (Note 21). On 22 September 2011, Changsha Institute entered into a sale 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 RMB167.39 million.

(ii) In connection with the Build-Transfer Contract (Note 13(i)), the Group is required to provide financing to Duyun Company not exceeding 345 million before completion of the construction of the road. As of 30 June 2012 and 31 December 2011, RMB196.7 million and RMB157 million had been provided, respectively. 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 13 (i) and 19 (i)).

(iii) The amounts due from related parties are unsecured, interest free and repayable on demand.

(iv) In certain districts in the PRC, such as Chongqing municipality, a deposit has to be paid to the proprietor or local administrative department for labour to guarantee the payment of the wages of migrant workers according to the regulation of local government. As of 30 June 2012, the Group has paid RMB23.38 million as the deposit for wages of migrant workers.

(v) The non-current portion mainly comprised of the prepayments to property developers and the financing provided to Duyun Company.

The carrying amounts of the prepayments and other receivables approximate their fair value.

## 14. PREPAYMENTS AND OTHER RECEIVABLES *(CONTINUED)*

Ageing analysis of other receivables is as follows:

| | **At 30 June 2012** | At 31 December 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Within 1 year | **407,871** | 439,982 |
| Between 1 and 2 years | **241,086** | 27,724 |
| Between 2 and 3 years | **16,206** | 13,686 |
| Between 3 and 4 years | **9,200** | 19,095 |
| Between 4 and 5 years | **11,112** | 6,303 |
| Over 5 years | **50,773** | 54,589 |
| Other receivables — gross | **736,248** | 561,379 |
| Less: Provision for impairment | **(65,334)** | (65,480) |
| Other receivables — net | **670,914** | 495,899 |

The Group does not hold any collateral as security.

## 15. AMOUNTS DUE TO/(FROM) CUSTOMERS FOR CONTRACT WORK

| | **At 30 June 2012** | At 31 December 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Contract cost incurred plus recognised profit less recognised losses | **38,730,357** | 34,845,440 |
| Less: Progress billings | **(35,100,709)** | (32,979,299) |
| Contract work-in-progress | **3,629,648** | 1,866,141 |
| Representing: | | |
| Amounts due from customers for contract work | **3,786,956** | 2,273,286 |
| Less: Provision | **(7,350)** | (18,495) |
| Net amounts due from customers for contract work | **3,779,606** | 2,254,791 |
| Amounts due to customers for contract work | **(149,958)** | (388,650) |
| | **3,629,648** | 1,866,141 |

| | **Six months ended 30 June** | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Contract revenue recognised as revenue for the six months period | **5,550,977** | 3,383,495 |

## 16. 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 RMB1.00 each.

| | **At 30 June 2012** *RMB'000* **(unaudited)** | At 31 December 2011 *RMB'000* (audited) |
|---|---|---|
| Number of shares | **2,300,000,000** | 2,300,000,000 |
| Share capital *(RMB'000)* | **2,300,000** | 2,300,000 |

Subsequent to the period end, the Listing has been completed on 6 July 2012 and the ordinary share capital of the Company was enlarged from 2,300,000,000 ordinary shares to 2,663,160,000 ordinary shares by way of new issue of 363,160,000 ordinary shares. The ordinary shares from the new issue rank pari passu in all respects with the then existing issued shares.

From the share premium account of the Company arising from the new issue of 363,160,000 ordinary shares at an offer price of HK$3.93 per share, an amount of RMB717,657,000 was capitalised.

## 17. RETIREMENT AND OTHER SUPPLEMENTAL BENEFIT OBLIGATIONS

### (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.

The total cost charged to the unaudited interim condensed consolidated statements of comprehensive income during the six-month period ended 30 June 2011 and 2012 are as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Contributions to state-managed retirement plans | **53,942** | 41,912 |

At each balance sheet date, the following amounts due in respect of the reporting period had not been paid to the state-managed retirement plans:

| | **At 30 June** | At 31 December |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Amounts due to state-managed retirement plans included in trade and other payables | **7,681** | 4,868 |

## 17. RETIREMENT AND OTHER SUPPLEMENTAL BENEFIT OBLIGATIONS *(CONTINUED)*

### (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 30 June 2012** | At 31 December 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Present value of defined benefits obligations | **1,578,633** | 1,552,846 |
| Unrecognised actuarial losses | **(38,269)** | (10,921) |
| Liability arising from defined benefit obligation | **1,540,364** | 1,541,925 |
| Less: current portion | **(123,428)** | (120,499) |
| Non-current portion | **1,416,936** | 1,421,426 |

## 17. RETIREMENT AND OTHER SUPPLEMENTAL BENEFIT OBLIGATIONS *(CONTINUED)*

### (b) Early retirement and supplemental benefit obligations *(Continued)*

The movements of the Group's early retirement and supplemental benefit obligations for the six-month period ended 30 June 2011 and 2012 are as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| At beginning of period | **1,541,925** | 1,580,197 |
| For the period | | |
| — interest cost | **26,234** | 29,953 |
| — payment | **(53,509)** | (58,699) |
| — actuarial losses | **296** | 1 |
| — past service cost | **25,418** | 23,698 |
| At end of period | **1,540,364** | 1,575,150 |

The above obligations were determined based on actuarial valuations performed by an independent qualified actuarial firm, Towers Watson Consulting Company Limited (韜睿惠悅咨詢公司), incorporated in Shanghai, the PRC, using the projected unit credit actuarial cost method.

## 17. RETIREMENT AND OTHER SUPPLEMENTAL BENEFIT OBLIGATIONS *(CONTINUED)*

### (b) Early retirement and supplemental benefit obligations *(Continued)*

The material actuarial assumptions used in valuing these obligations are as follows:

(i) Discount rates adopted (per annum):

| | **At 30 June 2012** | At 31 December 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Discount rate | **3.40%** | 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.

## 18. BORROWINGS AND LOANS

| | At 30 June 2012 RMB'000 (unaudited) | At 31 December 2011 RMB'000 (audited) |
|---|---|---|
| Bank borrowings | | |
| — guaranteed by the Company to its subsidiaries | 750,000 | 630,000 |
| — guaranteed by the fellow subsidiaries *(Note 24(c))* | — | 20,000 |
| — secured by trade receivables | — | 80,000 |
| — unsecured | 1,150,925 | 573,045 |
| | 1,900,925 | 1,303,045 |
| Less: non-current portion | (100,000) | — |
| Current portion | 1,800,925 | 1,303,045 |

As at 30 June 2012 and 31 December 2011, the Group's borrowings were repayable as follows:

| | At 30 June 2012 RMB'000 (unaudited) | At 31 December 2011 RMB'000 (audited) |
|---|---|---|
| Within one year | 1,800,925 | 1,303,045 |
| Between 1 and 2 years | 72,500 | — |
| Between 2 and 5 years | 27,500 | — |
| | 1,900,925 | 1,303,045 |

## 18. BORROWINGS AND LOANS *(CONTINUED)*

The carrying amounts of the Group's borrowings are denominated in the following currencies:

| | **At 30 June 2012** | At 31 December 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| RMB | **1,704,350** | 1,250,363 |
| EURO (RMB equivalent) | **20,115** | — |
| USD (RMB equivalent) | **176,460** | 52,682 |
| | **1,900,925** | 1,303,045 |

The estimated fair values of borrowings and loans are approximate their carrying amounts.

The effective interest rates of borrowings and loans are 6.1%-7.57% and 4.78%-8.00% as at 30 June 2012 and 31 December 2011, respectively.

The Group has the following undrawn borrowing facilities:

| | **At 30 June 2012** | At 31 December 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| — Expiring within one year | **2,749,014** | 1,670,680 |
| — Expiring beyond one year | **10,527,103** | 11,140,985 |
| | **13,276,117** | 12,811,665 |

The facilities expiring within one year are annual facilities subject to review at various dates during the respective period/year.

## 19. TRADE AND OTHER PAYABLES

| | **At 30 June 2012** | At 31 December 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| **Trade and notes payable** | | |
| Trade payables | **4,463,962** | 4,278,393 |
| Notes payable | **173,748** | 110,087 |
| | **4,637,710** | 4,388,480 |
| **Other payables** | | |
| Advance payment from Duyun Company *(i)* | **361,971** | 123,525 |
| Provision for litigation *(Note 22)* | **9,439** | 20,279 |
| Advances from customers | **3,821,931** | 1,823,885 |
| Staff welfare payable | **184,884** | 202,922 |
| Tax payable | **196,113** | 211,213 |
| Deposit payable | **91,089** | 120,332 |
| Housing funds raised by employees | **39,075** | 42,650 |
| Amounts paid by other parties on behalf of the Group | **153,648** | 161,043 |
| Equipment payables | **5,191** | 1,732 |
| Amounts due to related parties | **41,917** | 161,683 |
| Working capital provided by related parties | **—** | 52,345 |
| Others | **348,301** | 351,103 |
| | **5,253,559** | 3,272,712 |
| Total trade and other payables | **9,891,269** | 7,661,192 |
| Less: Non-current portion | **(371,441)** | (143,835) |
| Current portion | **9,519,828** | 7,517,357 |

## 19. TRADE AND OTHER PAYABLES *(CONTINUED)*

*Notes:*

(i) The advance payment from Duyun Company mainly related to an advance repayment arranged in accordance with the Build-Transfer Contract entered into between the Group and Duyun Company in relation to construction of a road in Duyun, the PRC (Note 13 (i)). The Group requested for advance repayment in accordance with its financial risk management policy to better manage the credit risk. As of 30 June 2012 and 31 December 2011, the Group had received RMB350 million and RMB120 million from Duyun Company, respectively. This effective interest rate of the advance repayment approximately 4.12% and the advance repayment will be repaid between 2013 to 2015.

(ii) On 8 March 2012, China Nonferrous Metal entered into an arrangement with 1,174 employees where China Nonferrous Metal borrowed an amount of RMB101,182,500 from these employees which had been recognised as other payables, at an interest rate of 7.2% to be repayable by 7 March 2013. This amount had been fully repaid by 22 May 2012.

The carrying amounts of the Group's trade and other payables at 30 June 2012 and 31 December 2011 approximate their fair values.

## 19. TRADE AND OTHER PAYABLES *(CONTINUED)*

Ageing analysis of trade payables is as follows:

| | **At 30 June 2012** | At 31 December 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Within 1 year | **3,617,465** | 3,218,778 |
| Between 1 and 2 years | **503,466** | 492,440 |
| Between 2 and 3 years | **169,137** | 341,009 |
| Over 3 years | **173,894** | 226,166 |
| | **4,463,962** | 4,278,393 |

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

| | **At 30 June 2012** | At 31 December 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| RMB | **7,853,774** | 6,817,146 |
| US dollar | **1,751,933** | 799,763 |
| Others | **285,562** | 44,283 |
| | **9,891,269** | 7,661,192 |

## 20. DIVIDENDS PAYABLE

| | **At 30 June 2012** | At 31 December 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Chinalco | **—** | 5,922 |
| Luoyang Institute | **—** | 20,954 |
| Equity owners of the subsidiaries before transferred to the Group | **53,080** | 54,805 |
| | **53,080** | 81,681 |

## 21. COMMITMENTS

### (a) Capital commitments

Capital commitments for the purchase of property, plant and equipment outstanding at each year/period-end not provided for in the financial statement were as follows:

| | **At 30 June 2012** | At 31 December 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Contracted but not provided for | | |
| — Property, plant and equipment *(i)* | **200,511** | 307,875 |
| — Investment *(ii)* | **486,941** | — |
| Authorised but not contracted for | | |
| — Property, plant and equipment | **154,110** | 20,000 |
| — Investment *(iii)* | **45,000** | — |
| | **886,562** | 327,875 |

## 21. COMMITMENTS *(CONTINUED)*

### (a) Capital commitments *(Continued)*

*Note:*

(i) According to the contract signed between Twelfth Metallurgical, a wholly owned subsidiary of the Company, and Taiyuan China National Nonferrous Metal 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 RMB150 million to the Developer and the final purchase price will depend on the prevailing market price at the point of sale (Note 14(i)). As at 31 December 2011, the final purchase price cannot be ascertained, hence the amount was not reflected in the above capital commitments.

(ii) The Group had signed a contract with Henan province local government to invest RMB500 million in the manufacturing of heavy machinery in Henan province. As at 30 June 2012, RMB13.06 million had been incurred.

(iii) The authorised but not contracted for investment as at 30 June 2012 comprised of the following:

(a) In June 2012, a resolution has been passed to authorise the Company to enter into a partnership with a third party Shanghai Juneng Investment Co., Ltd. ("上海鉅能股權投資管理有限公司") to invest RMB40 million in a limited partnership tentatively known as Shanghai Fengtong Investment Partnership (limited partnership) ("上海豐通投資管理合夥企業(有限合夥)"). This contract has been signed on 11 July 2012.

(b) In June 2012, a resolution has been passed to authorise the Group to invest RMB5 million with Shanghai Fengtong Investment Partnership (limited partnership) to set up a new company. This contract has not been signed as of the date of this report.

## 21. COMMITMENTS *(CONTINUED)*

### (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 30 June 2012** | At 31 December 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Less than 1 year | **6,481** | 6,382 |
| 1 year to 5 years | **18,021** | 7,631 |
| Total | **24,502** | 14,013 |

### (c) Loan commitments

In connection with the Build-Transfer contract (Note 13(i)), the Group is required to provide the financing to the Duyun Company not exceeding RMB345 million. As at 30 June 2012, RMB196.7 million had been provided.

## 22. CONTINGENCIES

The 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 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.

In addition, the Group had 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 financial information, 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.

It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for (Note 19).

## 23. 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 RMB45 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 | 45,239 |

| **Recognised amounts of identifiable assets acquired and liabilities assumed** | **Fair value** *RMB'000* |
|---|---|
| Cash and cash equivalents | 52,031 |
| Property, plant and equipment | 1,462 |
| Land use rights | 7,659 |
| Trade and other receivables | 10,931 |
| Inventories | 12,132 |
| Trade and other payables | (9,481) |
| Deferred tax liabilities | (1,193) |
| Total identifiable net assets | 73,541 |
| Non-controlling interests | (30,888) |
| Goodwill | 2,586 |
| | 45,239 |
| Less: Cash inflow from the acquiree | (52,031) |
| Net cash inflow on acquisition | (6,792) |

## 23. BUSINESS COMBINATION *(CONTINUED)*

The goodwill of RMB2.586 million is attributable to the profitability of some acquired businesses and the synergies expected to arise after the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

The acquired business contributed revenues of RMB23.78 million and net profit of RMB0.52 million to the Group for the six months ended 30 June 2012.

## 24. 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 six-month period ended 30 June 2011 and 2012, and balances as at 31 December 2011 and 30 June 2012 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.

## 24. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES *(CONTINUED)*

### (a) Significant related party transactions arising with Chinalco and its subsidiaries and jointly controlled entity

| | For the Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Sales of goods or provision of service to: | | |
| — Fellow subsidiaries | **1,234,068** | 1,122,963 |
| — A jointly controlled entity of ultimate holding company | **673** | 4,670 |
| | **1,234,741** | 1,127,633 |
| Purchases of goods and service from fellow subsidiaries | **195,744** | 86,639 |
| Rental expense | **5,400** | 3,017 |

* General contracting services includes services of project constructions and projects designs.

## 24. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES *(CONTINUED)*

### (a) Significant related party transactions arising with Chinalco and its subsidiaries and jointly controlled entity *(Continued)*

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 include 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.

## 24. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES *(CONTINUED)*

### (b) Period/year end balances arising from Chinalco and its subsidiaries and jointly controlled entity

| | At 30 June 2012 RMB'000 (unaudited) | At 31 December 2011 RMB'000 (audited) |
|---|---|---|
| **Trade receivables** | | |
| — Fellow subsidiaries | **1,571,562** | 1,588,858 |
| — A jointly controlled entity of ultimate holding company | **33,110** | 46,579 |
| | **1,604,672** | 1,635,437 |
| **Prepayments to suppliers** | | |
| — Fellow subsidiaries | **196,209** | 17,730 |
| **Other receivables** | | |
| — Fellow subsidiaries | **80,722** | 50,966 |
| **Trade payables** | | |
| — Fellow subsidiaries | **202,164** | 234,221 |

## 24. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES *(CONTINUED)*

### (b) Period/year end balances arising from Chinalco and its subsidiaries and jointly controlled entity *(Continued)*

| | **At 30 June 2012** | At 31 December 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| **Advance from customers** | | |
| — Ultimate holding company | **–** | 3,985 |
| — Fellow subsidiaries | **186,785** | 192,171 |
| — A jointly controlled entity of ultimate holding company | **–** | 17,393 |
| | **186,785** | 213,549 |
| **Other payables** | | |
| — Ultimate holding company | **–** | 82,002 |
| — Fellow subsidiaries | **102,608** | 183,383 |
| | **102,608** | 265,385 |

*Notes:*

(i) Trade receivables, prepayments and other receivables due from ultimate holding company, subsidiaries, a jointly controlled entity of ultimate holding company are unsecured, interest free and repayable on demand.

(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 trade receivables and payables will be settled accordingly to the terms agreed with the parties involved.

## 24. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES *(CONTINUED)*

### (c) Financial guarantees

| | At 30 June 2012 RMB'000 (unaudited) | At 31 December 2011 RMB'000 (audited) |
|---|---|---|
| **Short-term borrowings guaranteed by:** | | |
| — Fellow subsidiaries | – | 20,000 |

| | At 30 June 2012 RMB'000 (unaudited) | At 31 December 2011 RMB'000 (audited) |
|---|---|---|
| **Guarantee provided to:** | | |
| — Chinalco Henan Aluminum Fabrication Co., Ltd. (中鋁河南鋁業有限公司) | – | 48,340 |

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.

## 24. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES *(CONTINUED)*

### (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:

| | Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Salaries and other allowances | **1,169** | 882 |
| Discretionary bonus | **—** | — |
| Retired benefits | **96** | 98 |
| | **1,265** | 980 |

## 25. EVENTS AFTER THE BALANCE SHEET DATE

Other than the subsequent events disclosed elsewhere in this report and below, no other significant subsequent events took place subsequent to 30 June 2012:

— The Listing of the Company's shares on the Stock Exchange was completed on 6 July 2012 and net proceeds approximately RMB1,080,817,000 (equivalent to HK$1,325,115,000) were raised by the Company. For details of the changes in issued share capital of the Company, please refer to Note 16.

## 26. SEASONALITY OF OPERATIONS

The business of the Group is affected by seasonality, particularly in the engineering and construction contracting business. The Group typically achieves lower revenue for the first six months as compared to the second half of the year. Such seasonality is due to impact of natural environment and other external factors. Most of the projects are located in China, where winter weather affects 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 products and services is typically lower in the first quarter of a year. In the financial year ended 31 December 2011, 36% of revenue was generated in the first half of the year, with 64% generated in the second half of the year.

## 27. APPROVAL OF THE FINANCIAL INFORMATION

The interim condensed consolidated financial information has been approved for issue by the Board of Directors on 24 August 2012.

# CORPORATE GOVERNANCE

The Company has committed to enhancing corporate governance standard and regarded it as an indispensable part to creating values for shareholders. The Company has established a modern corporate governance structure which comprises a number of effectively balanced and independently operated bodies including general meetings of shareholders, the Board, the board of supervisors and senior management with reference to the code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules. The Company has also adopted the Corporate Governance Code as the Company's own corporate governance practices.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has strictly complied with the principles and code provisions, and some of the recommended best practices as set out in the Corporate Governance Code. As at the Latest Practicable Date the Company has complied with the requirements as set out in the Corporate Governance Code without any deviation from the code provisions.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct and rules governing dealings by all of our Directors, supervisors, and relevant employees in the securities of the Company. The Company made specific enquiries of the Directors and supervisors of the Company. All Directors and supervisors have confirmed that they have strictly complied with the required standard set out in the Model Code as at the Latest Practicable Date.

The Board will examine the corporate governance practices and operation of the Company from time to time so as to ensure the compliance with relevant requirements under the Listing Rules and to protect shareholders' interests.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has appointed a sufficient number of independent non-executive Directors with appropriate professional qualifications, or appropriate accounting or related financial management expertise in accordance with the requirements of the Listing Rules. The Company appointed a total of three independent non-executive Directors, including Mr. Sun Chuanyao, Mr. Cheung Hung Kwong and Mr. Jiang Jianxiang.

## AUDIT COMMITTEE

The Company has established the audit committee in accordance with the requirements of the Listing Rules. The primary responsibilities of the audit committee include communication with, supervision and inspection of external audit on behalf of the Company, regulation of internal audit, evaluation and improvement of the Company's internal control system, and risk analysis of the significant investment projects under operation. The specific responsibilities include: to make proposals to the Board on the appointment, or removal of the external audit firms, review and monitor the external auditor's independence and objectivity and the effectiveness of the audit procedures in accordance with the applicable standards, and approve the remuneration and terms of engagement of the external auditor; to supervise the internal auditing mechanism of the Company and its implementation, and ensure that the internal audit function is adequately resourced within the Company, and to review and monitor its effectiveness; to communicate between the internal audit and the external auditors; to audit financial information of the Company and its disclosure and examine the Company's accounting practices and policies; to examine the Company's internal control system, and make comments and suggestions for the improvement and perfection of the Company's internal control system; to oversee the Company's internal control and risk management system, and study important investigation results on internal control issues and the response from the management; to make comments and suggestions for the appraisal and replacement of the person in charge of the audit committee of the Company; to review any letters issued by the external auditor to the management, including any vital queries raised by the auditor in respect of accounting records, financial statements or internal control systems as well as the management's response; to review whether the mechanism allowing employees to report on or complain about, by way of whistle-blowing, any misconduct in respect of the Company's financial reports, internal control or other matters is well established, and ensure a proper arrangement of the Company which may enable fair and independent investigation and follow-up procedures for relevant issues; to set up relevant procedures to deal with the complaints within the scope of duties and conduct fair and independent investigation and adopt appropriate actions; to keep regular contact with the Board, senior management and external auditors.

The audit committee of the Board consists of three Directors: Mr. Cheung Hung Kwong (independent non-executive Director), Mr. Jiang Jianxiang (independent non-executive Director) and Mr. Zhang Zhankui (non-executive Director). Mr. Cheung Hung Kwong serves as the chairman of the audit committee.

On August 23, 2012, the audit committee reviewed and confirmed the announcement of interim results of the Group for the six months ended June 30, 2012 and the 2012 interim report (which contained the unaudited interim condensed consolidated financial information prepared under International Accounting Standard 34 "Interim Financial Reporting").

# OTHER INFORMATION

## 1. EQUITY INTERESTS:

Prior to the listing of the Company on July 6, 2012, the share capital of the Company was RMB2,300,000,000, divided into 2,300,000,000 Domestic Shares with a nominal value of RMB1.00 each.

As of July 26, 2012, the over-allotment option had not been exercised, and the share capital of the Company was RMB2,663,160,000, divided into 2,663,160,000 Domestic Shares and H Shares with a nominal value of RMB1.00 each.

## 2. SUBSTANTIAL SHAREHOLDERS

At the time of the listing of the Company's H shares on July 6, 2012, so far as known to the Directors of the Company, the following persons (other than the Directors, supervisors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance:

| Name of Shareholder | Class of Share | Capacity/Nature of interest | Number of Shares Held *(Share)* | Approximate percentage of shareholding in the relevant class of Shares *(%)* | Approximate percentage of shareholding in the total share capital of our Company *(%)* |
|---|---|---|---|---|---|
| Chinalco [1] | Domestic Share | Beneficial owner/interest of controlled corporation | 2,263,684,000 (Long Position) | 100.00 | 85.00 |
| The Seventh Metallurgical Construction Corp. Ltd. | H Shares | Beneficial owner | 69,096,000 (Long Position) | 17.30 | 2.60 |
| CNMC Trade Company Limited | H Shares | Beneficial owner | 59,225,000 (Long Position) | 14.83 | 2.22 |
| Peaktrade Investments Limited | H Shares | Beneficial owner | 59,225,000 (Long Position) | 14.83 | 2.22 |
| National Council for Social Security Fund of the People's Republic of China | H Shares | Beneficial owner | 36,316,000 (Long Position) | 9.09 | 1.36 |
| China XD Group | H Shares | Beneficial owner | 29,612,000 (Long Position) | 7.41 | 1.11 |
| Yunnan Tin (Hong Kong) Yuan Xin Company Limited | H Shares | Beneficial owner | 29,612,000 (Long Position) | 7.41 | 1.11 |
| Leading Gaining Investments Limited [2] | H Shares | Nominee holder | 29,612,000 (Long Position) | 7.41 | 1.11 |

(1) Chinalco is beneficially interested in 2,176,758,534 Domestic Shares, representing approximately 81.74% of the total share capital of the 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 the Company. Chinalco is deemed to be interested in the Domestic Shares held by Luoyang Institute as well under the Securities and Futures Ordinance.

(2) Leading Gaining Investments Limited acts as the nominee holder for Beijing Jundao Technology Development Co., Ltd. (北京君道科技發展有限公司).

## 3. INTERESTS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at the listing date of the Company, July 6, 2012, none of the Directors, supervisors and chief executive of the Company had any interest and/or short position in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests and short positions which they were taken or deemed to have under such provisions of Securities and Futures Ordinance) or which will be required, pursuant to section 352 of the Securities and Futures Ordinance, 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.

## 4. CHANGES IN DIRECTORS AND SUPERVISORS

In April 2012, Mr. Wu Yuewu, a Director of the Company, began to serve as an executive director of China Aluminum Development Limited (中鋁置業發展有限公司), which is a wholly-owned subsidiary of Chinalco, the controlling shareholder of the Company.

In June 2012, Mr. Sun Chuanyao, a Director of the Company, began to serve as an independent non-executive director of China Nonferrous Mining Corporation Limited, a company listed on the Stock Exchange (Stock Code: 01258. HK).

In June 2012, Mr. Ou Xiaowu, a Supervisor of the Company, ceased to serve as a director of Jiaozuo Wanfang Aluminum Manufacturing Co., Ltd. (焦作萬方鋁業股份有限公司), a Company listed on the Shenzhen Stock Exchange (Stock Code: 000612.SZ)

## 5. PURCHASE, SELL AND REDEEM THE LISTING SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the period from the Listing Date and up to the Latest Practicable Date.

## 6. LITIGATION AND ARBITRATION OF MATERIAL IMPORTANCE

As at the Latest Practicable Date, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

## 7. BUSINESS IN CONNECTION WITH SANCTIONED COUNTRIES

As at the Latest Practicable Date, the risk management committee of the Company confirmed that, the proceeds raised from the global offering of the Company had been deposited with a designated bank account, and no such proceeds had been used in business in connection with Sanctioned Countries or used as payment for the compensation under the Iran Contracts.

From the beginning of the reporting period to the Latest Practicable Date, the Company did not enter into any new business in connection with Sanctioned Countries, nor did it have any business planning or arrangement for transactions with Sanctioned Countries. The Board has no intention to enter into any business with Sanctioned Countries.

# DEFINITIONS

| | |
|---|---|
| "Board" | the board of directors of the Company |
| "Chinalco" | Aluminum Corporation of China (中國鋁業公司) |
| "Chalieco", "Company", "the Company", "we" or "us" | China Aluminum International Engineering Corporation Limited (中鋁國際工程股份有限公司), (formerly known as Aluminum International Engineering Co., Ltd. (as the context may require)), a joint stock limited company incorporated under the laws of the PRC |
| "Director(s)" | director(s) of the Company |
| "Domestic Shares" | ordinary shares of the share 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. (都勻工業聚集區資本運營有限公司), an independent third party |
| "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 the Company, and (when the context requires) its subsidiaries |
| "Global Offering" | has the same meaning as defined in the Prospectus |
| "Group" | the Company and its subsidiaries from time to time |

# DEFINITIONS

| | |
|---|---|
| "H Share(s)" | the overseas listed foreign invested shares, with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are subscribed for and traded in Hong Kong dollars and have been approved for the granting of listing, and permission to deal, on the Stock Exchange |
| "Iran Contracts" | shall have the meaning as defined under the chapter headed "Iran Contracts" in the Prospectus |
| "Latest Practicable Date" | August 20, 2012 |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited |
| "MIIT" | the Ministry of Industry and Information Technology of the People's Republic of China |
| "PRC" | the People's Republic of China |
| "Prospectus" | the prospectus of the Company dated June 22, 2012 |
| "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 |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |

# CORPORATE INFORMATION

## THE CHINESE AND ENGLISH NAMES OF THE COMPANY

中鋁國際工程股份有限公司
China Aluminum International Engineering Corporation Limited

## LEGAL REPRESENTATIVE

Mr. Zhang Chengzhong

## REGISTERED OFFICE

Building C, No. 99, Xingshikou Road
Haidian District
Beijing
PRC

## HEAD OFFICE IN THE PRC

Building C, No. 99, Xingshikou Road
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PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

## COMPANY'S WEBSITE

www.chalieco.com.cn

## STOCK CODE

2068

# CORPORATE INFORMATION

## DIRECTORS

### Non-executive Directors

Mr. Zhang Chengzhong
Mr. Zhang Zhankui
Ms. Ma Xiaoling

### Executive Directors

Mr. He Zhihui
Mr. Wu Yuewu
Mr. Wang Jun

### Independent non-executive Directors

Mr. Sun Chuanyao
Mr. Cheung Hung Kwong
Mr. Jiang Jianxiang

## THE COMMITTEES OF THE BOARD

### 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

### Risk Management Committee

Mr. Zhang Chengzhong *(Chairman)*
Mr. Jiang Jianxiang
Mr. He Zhihui

## SUPERVISORS

Mr. Long Chaosheng
Mr. Dong Hai
Mr. Ou Xiaowu

## 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

# CORPORATE INFORMATION

## ACCOUNTANT

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

## LEGAL ADVISORS TO THE COMPANY

### As to Hong Kong law

Clifford Chance
28th Floor, Jardine House
One Connaught Place
Central
Hong Kong

### As to PRC law

Jia Yuan Law Offices
F407-408, Ocean Plaza
Fuxingmengnei Avenue
Beijing
PRC

## COMPLIANCE ADVISOR

China International Capital Corporation Hong Kong Securities Limited
29th Floor, One International Finance Centre
1 Habour 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

# CORPORATE INFORMATION

### Bank of Communication Co., Ltd.

Beijing Branch
1st Floor, Tongtai Building
No. 33, Finance Street
Xicheng District
Beijing
PRC

### China Merchants Bank Co., Ltd.

Beijing Capital Indoor Stadium Sub-branch
1st Floor, Block A, Kaixuan Building,
No. A143, Xiwai Avenue
Xicheng District
Beijing
PRC