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 2015

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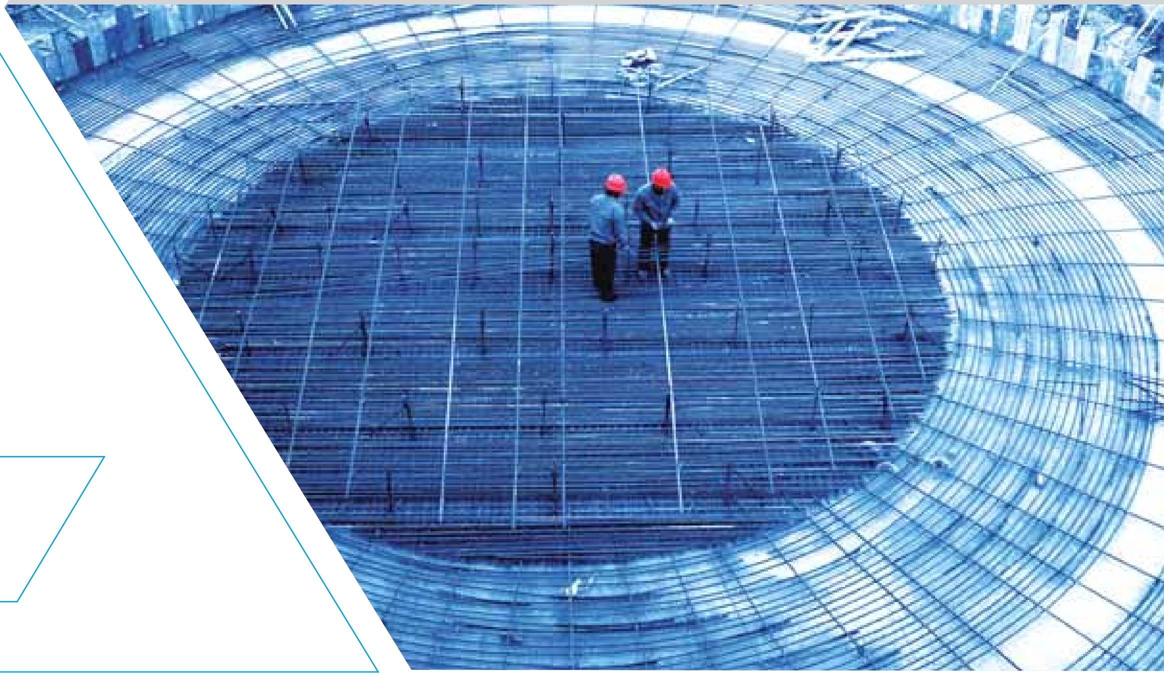


This interim report is printed on environmental friendly paper.

PRESIDENT'S STATEMENT

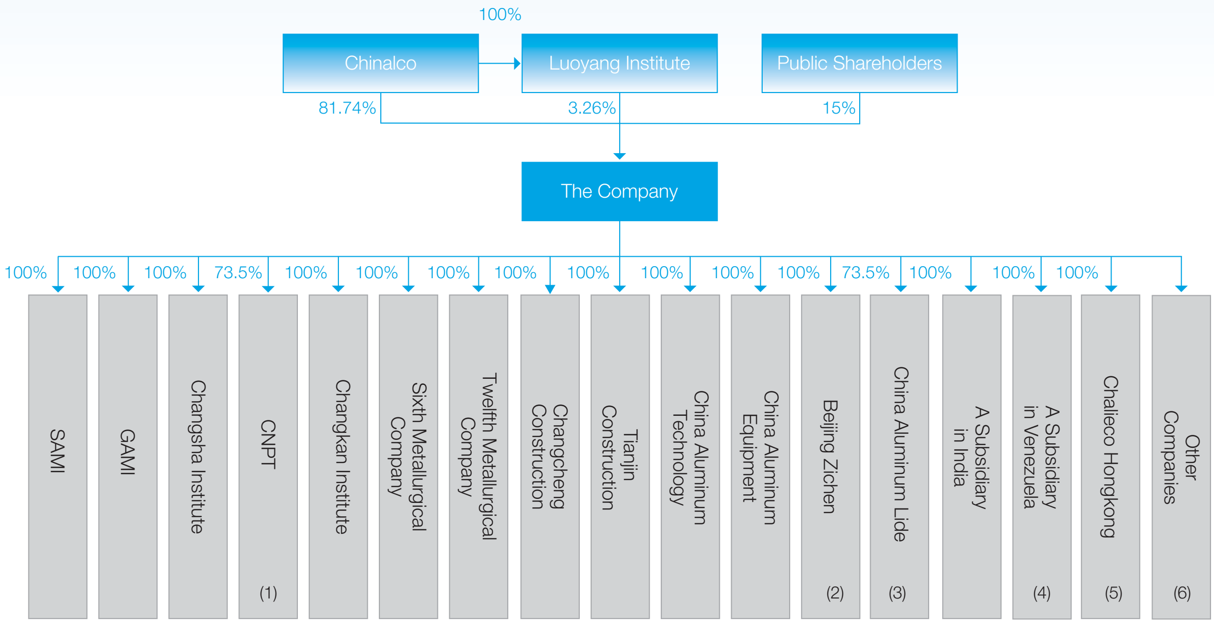
Dear Shareholders,

In the first half of 2015, despite the intensifying downward pressure on domestic economy and complicating business situations and severe industry challenges, the management team of China Aluminum International Engineering Corporation Limited ("Chalieco") formulated development strategies and seized the market opportunities. With our innovative operation model focusing on diversified business development, we hit a record high in terms of operation results, creating new momentum for its growth. The Group enjoys an increasing awareness in the industry. Recently, the Fortune China announced the list of Top 500 Enterprises of China in 2015, where Chalieco ranked 213rd, up by 54 ranks as compared with last year. We ranked 14th among 26 enterprises engaging in infrastructure and construction.

Under the market principle of "Compete for the Survival of the Fittest" and facing the difficulties and challenges in terms of the sharp shrinkage of our principal business, we call for responsibilities and undertakings rooted in every employee, who shall assume responsibilities in relation to our strategic transformation and structural adjustment and take up the mission to break new ground and achieve new results. We understand the philosophy of "sale against the current and forge ahead". In spite of our historical achievement, Chalieco is forging ahead. In the face of new opportunities and challenges, we will assume greater responsibilities for our clients, employees, Shareholders and the society with a more mature and stable strategy to create more value.

Dear Shareholders, we shall seize every minute to accomplish the Group's annual target with a sense of urgency. Taking advantage of an opportunity on the national strategy of "One Belt, One Road", we will create and grow new momentum, timely adjust the business layout in both domestic and foreign markets as well as insist in leading the market exploration by scientific and technological achievements, so as to reward our Shareholders, employees and the society with new bright achievement.

CORPORATE PROFILE



(1) The remaining 26.5% of the equity interest is held by Suzhou Changguang Enterprises Development Co., Ltd. (蘇州長光企業發展有限公司) (17.5%), China Nonferrous Engineering Co., Ltd. (中國有色工程有限公司) (6%), Beijing General Research Institute for Nonferrous Metals (北京有色金屬研究總院) (2%) and Powder Metallurgy Engineering Research Centre of Central South University Co., Ltd (中南大學粉末冶金工程研究中心有限公司) (1%), all of which are independent third parties.

(2) Beijing Zichen Investment Co., Ltd.

(3) China Aluminum Lide Construction (Suzhou) Co., Ltd.

(4) Chalieco Venezuela C.A

(5) Chalieco Hongkong Co., Ltd.

(6) Including Duyun Tongda, Wenzhou Tonggang, Wenzhou Tongrun and etc..

FINANCIAL SUMMARY

1. KEY OPERATION RESULTS

	January to June 2015 (RMB'000)	January to June 2014 (RMB'000)	Amount of Change (RMB'000)	Percentage of Change %
Revenue	**9,513,808**	7,843,191	1,670,617	21.3
Gross profit	**999,909**	1,014,765	(14,856)	(1.5)
Operating profit	**446,121**	492,408	(46,287)	(9.4)
Total profit	**374,237**	374,318	(81)	–
Net profit	**290,585**	273,870	16,715	6.1
Net profit attributable to the parent company	**229,622**	237,907	(8,285)	(3.5)
Basic earnings per share	**0.09**	0.09		
Diluted earnings per share	**0.09**	0.09		

Note: The basic earnings per share of the Group for the six months ended 30 June 2015 was RMB0.09 per share (equivalent to HK$0.11 per share, based on the middle exchange rates for RMB to HKD as published by the People's Bank of China on 30 June 2015).

2. SEGMENT RESULTS

	January to June 2015 (RMB'000)	January to June 2014 (RMB'000)	Amount of Change (RMB'000)	Percentage of Change %
Segment revenue				
Engineering design and consultancy	**684,520**	680,221	4,299	0.6
Engineering and construction contracting	**4,703,145**	5,064,444	(361,299)	(7.1)
Equipment manufacturing	**341,762**	290,571	51,191	17.6
Trading	**4,897,715**	1,890,341	3,007,374	159.1
Subtotal	**10,627,142**	7,925,577	2,701,565	34.1
Inter-segment elimination	**(1,113,334)**	(82,386)		
Total revenue	**9,513,808**	7,843,191	1,670,617	21.3

3. ASSETS AND LIABILITIES

	As at 30 June 2015 (RMB'000)	As at 31 December 2014 (RMB'000)	Amount of Change (RMB'000)	Percentage of Change %
Total assets	**32,727,005**	33,032,892	(305,887)	(0.9)
Total liabilities	**24,095,436**	24,344,991	(249,555)	(1.0)
Total equity of owners	**8,631,569**	8,687,901	(56,332)	(0.6)
Equity attributable to equity owners of the Company	**6,608,946**	6,664,916	(55,970)	(0.8)

4. FINANCIAL HIGHLIGHT

The Group maintained a good momentum of development in its business in the first half of this year, generating revenue of RMB9.514 billion, 21.3% up over that of the same period last year.

Currently the Group has maintained a strong ability to raise and manage its capital. The Group had cash and cash equivalent balance of RMB3.651 billion as at the end of June, which accounted for 11.2% of the total asset.

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY OVERVIEW FOR THE FIRST HALF OF 2015

(1) Nonferrous metals industry

Affected by the macro-economic situation at home and abroad, China's nonferrous metals industry is faced with increasing pressure on resources, energy and environment. It is expected that demand is difficult to increase rapidly in the short term and the problem of excess capacity is difficult to solve effectively. As the national policies in respect of steady growth and structure adjustment implemented pace by pace, the market demand for nonferrous metals has been improving gradually. The industry is anticipated to remain in a steady operation in the second half of the year.

For the first half of the year, the national output of 10 nonferrous metals was 25.2658 million tons, representing an increase of 9.32% over the corresponding period of last year and an increase of 3.92% in growth rate compared to the corresponding period of last year. The output of refined copper was 3.7783 million ton, representing an increase of 9.39% over the corresponding period of last year;the output of crude aluminum was 15.6082 million ton, representing an increase of 11.69% over the corresponding period of last year; the output of copper product was 8.7608 million ton, representing an increase of 4.23% over the corresponding period of last year; the output of aluminum product was 24.6757 million ton, representing an increase of 10.18% over the corresponding period of last year; the output of aluminum product was 24.6757 million ton, representing an increase of 10.18% over the corresponding period of last year; the output of aluminum oxide was 28.2201 million ton, representing an increase of 13.05% over the corresponding period of last year. From January to June, nonferrous metals industry(gold industry excluded) realized accumulated fixed assets investment of RMB310.048 billion, representing an increase of 2.19% over the corresponding period of last year and a decrease of 4.39% in growth rate over the corresponding period of last year. Fixed assets investment of nonferrous metals mining project decreased 7.31% over the corresponding period of last year; fixed assets investment of nonferrous metals smelting projects decreased 3.50% over the corresponding period of last year; fixed assets investment of nonferrous metals processing projects increased 7.76% over the corresponding period of last year.

(2) Construction industry

In the first half of the year, the output value of the construction industry in the PRC amounted to RMB7.23 trillion, representing a growth of 4.3% over the corresponding period of the previous year. The growth has been slowed down since 2013. In the first half of the year, area of building construction of the construction industry in the PRC was 9.191 billion sq. m., up 3.1% year on year. From January to June, the investment in fixed assets (farmers exclusive) in the PRC amounted to RMB23.7 trillion. After pricing factors, real growth rate was 12.5%, which is approximately to that of the period from January to May. The total investment in the new construction project amounted to RMB19.2 trillion, representing an increase of 1.6% over the corresponding period to the previous year and an increase of 1.1 percentage points in growth rate compared to the period from January to May.

From January to June, China's enterprise took up overseas engineering contracting project in 60 countries along the route of "One Belt, One Road", representing an increase of the new contract value of China's overseas engineering contracting business over the corresponding period of the previous year. Such strategy brought development opportunities for construction enterprises to "go global".

2. BUSINESS REVIEW FOR THE FIRST HALF OF 2015

In the first half of 2015, in response to the difficulties arising from intensified downward pressure on domestic economy, the Group formulated development strategies and seized the market opportunities. With our innovative business model focusing on diversified development, we made remarkable achievements in work.

(1) New development on the domestic market exploration

Active exploration of new model of cooperative development. Based on the PPP model, the Group made extra efforts to reinforce the cooperation with local governments in improving livelihood and infrastructure. And the Company reached a consensus with Chengdu Tianfu New District, Guizhou Guian New District as well as local governments such as Luoyang and Baotou, and entered into a strategic cooperation framework agreement. Currently, various infrastructures projects as well as redevelopment of shanty areas and municipal projects have entered the stage of substantive negotiation, which reserved resources for the Group to expand the domestic market. SAMI (瀋陽院), a wholly-owned subsidiary of the Group which engages in the engineering business, succeeded to sign a carbon anode project with a company in Shandong Province by leveraging on its strong technical advantages. Changsha Institute (長沙院) entered into a cooperation agreement with private companies by making capital contribution with patent right to accelerate the development of equipment industry with a priority to promote specialized equipments such as zinc removal machine and sand mill, which have been successfully applied to the main contracting project in Huili, Sichuan Province.

(2) New breakthroughs on overseas market exploitation

The "going global" strategy has made new progress. Progressive development in the overseas market is an important operating strategy of the Group as well as the field driving the largest growth of the Group's results. In the first half of the year, the Group has signed an contract amounted to US$207 million with the Venezuela CVG Group on the first phase of the CVG-Bauxilum comprehensive compacity recovering construction, which is another contract of large-scale construction project made in respect of the Sino-Venezuela significant financing protocol after the contract on CVG-Alcasa aluminum industrial compacity recovering comprehensive project signed in 2011 and CVG-Venalum aluminum smelter reconstruction and capacity recovering project signed in 2014. The Group has also signed the project of Balama graphite mining in Mozambique, Africa. In addition, the Group also participated in the constriction of relevant projects in Ethiopia and Equatorial Guinea. The Group's integrated industrial chain is playing a strong competitive advantage.

Adhere to the national strategy and adjust timely the direction of overseas operation. The national strategy "One Belt, One Road" brought new development opportunities to the construction field. In the first half of the year, having seriously studied the framework of such national strategy, the Group has actively mapped out the plans and layout in the overseas business market. After establishing potential markets including Middle East, North Africa, Southeast Asia and Middle Asia, the Group has successfully acquired orders of project in Brazil, Egypt and Mozambique, etc.

(3) The marketization of technology achievement is realizing

In the first half of the year, the Group has further improved the construction of technological platform and the incentive mechanism on science and technology, initially realizing the marketization of science and technology achievement. Following the establishment of 43 projects on technology promotion last year, 49 projects established this year.

The Group attached great attention to the development of new nonferrous technologies and firmly occupied the highest level of technology. In view of the direction of national policies, the development of the industry and the need of business restructuring, the Group has started a series of research and development in respect of "digitalization of factory construction and applications of non-ferrous metals industry – Nonferrous Metals Industry technology upgrade 4.0" to reinforce its core competitiveness on three aspects including the engineering and building capacity, management level of production control and technical supporting services for the purposes of facilitating the restructure of institute business. The overall planning of the projects has now completed.

The main goal of construction (phase 1) of the "Equipment of fully remote monitoring diagnosis system" project independently researched and developed by CNPT, a subsidiary of the Group, has been completed and launched officially, which symbolized CNPT has made a breakthrough in respect of its strategy on "Internet+" that is based on "non-ferrous metal processing industrial technological service platform".

(4) Sensitivity to risks and awareness to risk control significantly enhanced

Identify potential risks comprehensively and resolve potential risks with multi-channels. During the process of business expansion, the Group has summed up the experience and adjusted its strategy to conduct project research, forecast project development, and selected project rigorously; ensured the agreement on the enforcement of pledge and mortgage right, repurchase right and joint liabilities before signing contracts; and at the same time, made multiple sets of contingency plans against variables-may-occur to maximize the risk defense and ensure the safety of the project fundings.

The Group established a comprehensive internal procedure of risk management, developed various systems in respect of capital management, contract management and risk management; clearly defined the responsible subject to the project, obligations, powers and rights of each parties, assessment methods and risk control, and formed a three-level of control and prevention pattern comprising the headquarter, branches and subsidiaries and the project department (the project company).

(5) Trading business has stable development

The Group carried out a series of preferential policies on trading segment to provide support on institution establishment, financial support and risk control. While risks were within control, the wholly-owned subsidiary, China Aluminum International Engineering Equipment Co., Ltd. (中鋁國際工程設備有限公司) relied on the global projects of Chalieco to develop network platform, credit standing and brand advantages with an aim to actively develop the trading business mainly including the import and export of equipment and chemical products etc.

(6) Basic management is gradually strengthening

Declaration of qualification achieved obvious results. In the first half of the year, Twelfth Metallurgical Company, a wholly-owned subsidiary of the Group, successfully obtained premium qualification for general contracting of smelting works construction and Grade A qualification for engineering design of metallurgical industry; CNPT has obtained the certificate to enabled it to undertake the business of maintenance and detection of fire prevention facilities for building; Changcheng Construction has achieved many special qualification certificates including electricity undertaking, the installation and repair and bearing test, laying a solid foundation for the construction industry in the high-end market development.

Project management has improved continuously. To guide the successful implementation of BT and investment and financing construction projects, and the prevention and control of risk, the Group formulated "Work Guidance for mortgage of Sea Area Use Right", "Work Guidance for Registration of mortgage of land use Right" and the "Work Guidance for registration of project company." For the prevention and control of settlement risk and return models of EPC projects, the Company developed a "Provisional regulation for settlement of construction cost."

(7) Results achieved on social responsibility practices

The Group always adheres to the corporate value of "Meticulous, Reliable, Simple and Efficient". Our mission is "focusing on nonferrous metal field; providing excellent services to the industry; maximizing returns to shareholders; associating employees for self-achievement." We actively fulfilled social responsibility, establish state-of-the-art project, civilized project, sunshine project, incorrupted project and deeply promoted the establishment of spiritual construction. By enhancing employee civilization accomplishment, the Group created a harmonious relationship and a good working environment. The headquarter of the Group won the honorary title of "2012–2014 advanced organization in spiritual civilization establishment in the capital".

Contracts

The aggregated value of contracts newly signed in the first half of 2015 amounted to RMB18.4 billion, representing a decrease of 7% as compared with the corresponding period of last year. The contracts backlog of the Group as of 30 June 2015 amounted to RMB67.9 billion, representing a decrease of 5% at the end of 2014.

Credit ratings

The Company was ranked BB+ issuer rating and BB independent rating by Standard & Poor's.

Awards

In the two top lists of the 2015 Engineering Record (ENR), the Group ranked 119 on the Top 150 Global Design Firms list and 189 on the Top 225 International Design Firms list. The Group ranked 213 on the "2015 China top 500 enterprises" list published by the Fortune China, which moved up 54 places in the rankings over the previous year. Under the support from China Nonferrous Metals Industry Association, the Group was honoured to receive the title "Successful enterprise that implemented overseas resources development strategy in the China nonferrous metals industry" in the public selection organized by the magazine "China Nonferrous Metals".

In the first half of 2015, two achievements which the Group involved in their research and development including "Development and application of new structure of cathode of major energy-saving technologies for smelters" and "the pollution reduction and clean production of heavy metal" received the second prize of the National S&T Awards. 5 research and development studies including the "online aquatic environment monitoring and intelligent supervisory system" of the Group passed the technological achievements identification (assessment) organized by the industry association. These studies were highly appreciated by industry experts, among which the overall technologies applied in four studies including "automatic stripping of zinc technology and complete sets of equipment research", "key technology and equipment research and development on hot and warm rolling for large broad molybdenum plate", "development of high-performance Al-Mn alloy in terms of laser welding for lithium-ion battery case" and "online monitoring and intelligent supervisory system for aquatic environment" reached international advanced level and one of the sub-item technologies enjoyed international leading level. All these technological results possess proprietary intellectual property rights and have been successfully applied by various enterprises and in regions nationwide, bringing significant economic and social benefits.

In the first half of 2015, the Group altogether had 122 applied patents and 123 granted patents. As of 30 June 2015, the Group owned 5,932 applied patents and 4,179 granted patents in total.

As at 30 June 2015, the Group accumulated 92 construction methods of provincial level or above, of which 5 are national.

3. BUSINESS OUTLOOK FOR THE SECOND HALF OF 2015

(1) Create new growth by taking advantage of the national strategy of "One Belt, One Road"

By relying on the national strategy of "One Belt, One Road", the Group will focus on the "going global" strategy and adjust the business layout in both domestic and overseas markets in a timely manner. Under the situation of a shrinking traditional domestic market, the Group will further expand its business channel to enhance competitiveness on the market. We will also adopt a selective approach for projects under the premise of risk control. Our major concerns are energy-saving and business opportunities from municipal and infrastructure, in particular actively exploring the PPP business model in respect of projects inclusive in the national policy which are guaranteed with source of funding. In respect of the international business, several project development teams regarding the "One Belt, One Road" project will be established timely to impel the project in different ways. In the meantime, we will stick close to the development strategy on both cooperation with domestic non-ferrous businesses' productivity advantages and global industrial layout as to take the initiative with the basis of advanced technologies and smart equipments.

(2) Maintain scientific and technological achievements to lead the market development

Constant innovation in research and development system. We adhere to selection of research topics and evaluation of research achievements with market criteria. In the meantime, the Group will continue to implement the incentive scheme on science and technology to directly reward our technological employees who have made outstanding contribution in promoting technological advancement and safeguarding intellectual property in order to mobilize the innovation passion and sense of responsibility of the majority of science and technological employees.

Continue to reinforce the magnitude in development of the reserve market by applied technologies. The Group will attach great importance to the development on the reserve market. We will organize the technology strengths in all aspects to promote the application of new technologies.

Accelerate the build-up of informatization system. Focus will be put on the establishment of integrated multi-application systems, production management and monitoring systems for the key project department, technology and market intelligence systems, etc. to improve the Group's own management standard and core competitiveness.

(3) Further expand the financing channels

In the second half of the year, the Group will utilize the advantages of tax saving and financing in the overseas platform, and by constructing a financing platform with Chalieco characteristic, we set to utilize the specialties of diversity and low interest rate of overseas financing in full. The Group will also focus on establishing a two-way money pool in Shanghai free trade zone. The Group will set up a financing platform so as to form an effective link with Shanghai financial institutions and gain more financial support by way of finance leasing or offshore facilities.

(4) Focus on the preparation of the "thirteenth Five-Year Development Plan"

"The thirteenth Five-Year Development Plan" will be a five-year steady and healthy growing path of the Group as well as an essential stage for the Group to becoming one of the Top 100 Construction Companies in the world and moving into the international market under the severe market conditions. In the first half of the year, the Group has initiated the preparation of the "thirteenth Five-Year Development Plan" and certain results in stage were achieved. In the second half of the year, the Group will take "thirteenth Five-Year Development Plan" as the blueprint to establish a comprehensive strategic management system, to enhance the Group's strategic control strength effectively, in order to successfully promote the implementation of the "thirteenth Five-Year Development Plan".

4. FINANCIAL REVIEW

(1) Operation Results and Discussion

For the six months ended 30 June 2015, the Group realized revenue of RMB9,513.8 million, representing an increase of RMB1,670.6 million or 21.3% over the corresponding period of last year. Gross profit was RMB999.9 million, at roughly the same level as the corresponding period of the previous year. Net profit for the period amounted to RMB290.6 million, representing an increase of RMB16.7 million or 6.1% over the corresponding period of the previous year. Among which the net profit for the period attributable to the equity owner of the Company was RMB229.6 million, representing a slight decrease over the corresponding period of last year.

1) Revenue

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

For the six months ended 30 June 2015, the revenue of the Group was RMB9,513.8 million, representing an increase of RMB1,670.6 million or 21.3% over the corresponding period of last year. The growth was mainly due to a substantial growth in trading business. Among which the income before inter-segment elimination derived from engineering design and consultancy, engineering and construction contracting, equipment manufacturing and trading were RMB684.5 million, RMB4,703.1 million, RMB341.8 million and RMB4,897.7 million, respectively.

For the six months ended 30 June 2015, the revenue of the Group generated from China and overseas regions amounted to RMB8,869.9 million and RMB643.9 million, respectively, accounting for 93.2% and 6.8% of the total revenue. The comparison with the data for the corresponding period of the previous year is as below:

	January to June 2015		January to June 2014	
	(RMB'000)	%	(RMB'000)	%
Domestic	8,869,917	93.2	6,790,470	86.6
Overseas				
Vietnam	256,541	2.7	185,063	2.4
India	666	0.01	32,480	0.4
Venezuela	340,246	3.6	759,853	9.6
Others	46,438	0.5	75,325	1.0
Subtotal	643,891	6.8	1,052,721	13.4
Total	9,513,808	100.0	7,843,191	100.0

Note: Others include revenue from countries (regions) such as Malaysia, Brazil, Guinea, Turkey, the U.S. and Indonesia.

2) Cost of sales

For the six months ended 30 June 2015, the cost of sales of the Group amounted to RMB8,513.9 million, representing an increase of RMB1,685.5 million or 24.7% over the corresponding period of the previous year, which was mainly due to an increase in costs of trading business.

3) **Gross profit**

For the six months ended 30 June 2015, the gross profit of the Group amounted to RMB999.9 million, representing a decrease of RMB14.9 million or 1.5% over the corresponding period of the previous year, which remained almost the same as that of the previous year.

4) **Selling and marketing expenses**

For the six months ended 30 June 2015, the sales and marketing expenses of the Group amounted to RMB41.3 million, representing a decrease of RMB22.3 million or 35.1% over the corresponding period of the previous year, which was mainly due to the decrease in transport costs.

5) **Administrative expenses**

For the six months ended 30 June 2015, the administrative expenses of the Group amounted to RMB463.4 million, representing an increase of RMB45.6 million or 10.9% over the corresponding period of the previous year, which was primarily due to an increase in labour cost and intangible assets amortisation.

6) **Other income**

For the six months ended 30 June 2015, the other income of the Group amounted to RMB37.4 million, representing an increase of RMB13.6 million or 57.0% over the corresponding period of the previous year, which was mainly due to the increase in payables clearing income during the period as compared with that of the corresponding period of last year.

7) **Other gains-net**

For the six months ended 30 June 2015, the other gains-net of the Group amounted to RMB12.9 million, representing a decrease of RMB17.2 million or 57.3% over the corresponding period of the previous year, which was mainly due to an increase in litigation compensation expenses during the period.

8) **Operating profit**

For the six months ended 30 June 2015, the operating profit of the Group amounted to RMB446.1 million, representing a decrease of RMB46.3 million or 9.4% over the corresponding period of the previous year.

9) Finance income

For the six months ended 30 June 2015, the finance income of the Group amounted to RMB178.0 million, representing an increase of RMB47.1 million or 36.0% over the corresponding period of the previous year, which was mainly due to the Group achieved more interests gains from BT projects and projects required advances.

10) Finance costs

For the six months ended 30 June 2015, the finance costs of the Group amounted to RMB254.6 million, representing an increase of RMB3.7 million or 1.5% over the corresponding period of the previous year, which remained almost the same as the previous year.

11) Income tax expense

For the six months ended 30 June 2015, the income tax expense of the Group amounted to RMB83.7 million, representing a decrease of RMB16.8 million over the corresponding period of the previous year, which was mainly due to the increase in the percentage of realized profit of the subsidiaries which was entitled to the preferential income tax rate during the year to profit before taxation of the Group.

12) Profit for the period

For the six months ended 30 June 2015, the profit for the period of the Group amounted to RMB290.6 million, representing an increase of RMB16.7 million or 6.1% over the corresponding period of the previous year.

13) Profit attributable to equity owners of the Company

For the six months ended 30 June 2015, the profit attributable to equity owners of the Company amounted to RMB229.6 million, representing a decrease of RMB8.3 million or 3.5% over the corresponding period of the previous year.

14) Prior year adjustment

In preparing the unaudited interim financial information for the six months ended 30 June 2015, management has identified the following 2 correction and accounting policy change to the previously issued consolidated financial statements. Such correction and accounting policy change have been discussed and agreed with the auditors.

The correction and change made included:

(1) Reclassification of an available-for-sale financial asset to investment in an associate

In July 2007, the Group made an investment in Zhuzhoutianqiao Crane Co., Limited by holding its 17% equity interests. Because the equity investment held is less than 20%, the Group had treated this investment as an available-for-sale financial asset since making the original investment.

The investee became a listed company in 2010 and the equity investment held by the Group was diluted to 11.79%. The board of directors of the investee comprises of 6 executive and non-executive directors and 3 independent directors. One of the 6 executive and non-executive directors was appointed by the Group. In addition, one of the 3 independent directors was recommended by the Group. Furthermore, because a significant portion of the investee's shares are diversely held by the public, even though the Group has reduced its interest held in the investee to 6.81% as of 30 June 2015, the Group remained as the second largest shareholder in terms of the percentage of equity interests held from 2007 up until 30 June 2015. Meanwhile, the Group is one of the key customers of the investee, in which the sales to the Group accounted for 18% of the total sales of the investee in the year 2014.

Even though IAS 28 "Investments in Associates" paragraph 6 refers to a 20% equity interest threshold, paragraph 7 of that standard prescribes that (a) representation on the board of directors; and (c) existence of material transactions between the investor and investee are evidence of existence of significant influence.

During the first half of 2015, the Group noted that they have significant influence on the investees because they have power to participate in the investee's financial and operating policy decisions. Therefore, the Group is of the view that it is more appropriate to account for this investment as an investment in associate rather than as an available-for-sale financial asset.

As a result, as required by IAS 8 "Accounting Policies, Changes in Accounting Estimate and Errors", this restatement has been made retrospectively and as presented in the table as set out in Note 5 of the unaudited interim condensed consolidated financial information. The impact is not material to the unaudited interim condensed consolidated financial information.

(2) Change of accounting for revenue recognition for the Group's trading operation

One of the main activities of the Group's trading operation is to purchase material or product from its suppliers and sell to its customers.

During the six months ended 30 June 2015, the Group has reassessed its policy regarding the recognition of revenue on a gross versus a net basis in relation to its trading operation segment.

To determine whether the Group's trading operation should be recognised at gross or net basis requires judgement and consideration of all relevant facts and circumstances. The guidance from the authoritative accounting literature indicates that evaluating the relevant factors is subject to critical accounting judgement and significant subjectivity.

In the prior year, management of the Group made assessment based on five indicators of (a) who is primarily responsible for providing the goods; (b) who has inventory risk; (c) who has latitude to establish prices; (d) who bears credit risks and (e) whether the amount the entity earns is predetermined. When evaluating all facts and circumstances that existed as at 31 December 2014 and using the policy as at that date, the Group concluded that it was acting more as a principal than an agent based on overall consideration of all above factors, although the Group had avoided the inventory risk normally through certain business arrangement.

During the first half of 2015, by revisiting the trading operations, management of the Group noted that two additional factors should also form part of the overall consideration. First, if time value forms a significant component when determining the pricing of the arrangements, then it could be an indicator that, in substance, the Group is primarily providing financing to receive interests. And hence, the Group considered it is providing financing more than being primarily responsible for providing the goods on trading. Second, if the related party relationships existed between the counter parties, it would significantly limit the Group's power to determine the trading prices, and hence it could be an indicator that the Group is acting as an agent. By adding the above two factors together with other factors such as no inventory risk taken which has taken into accounts in 2014, even though it is not definitive, management of the Group is of the view that it is acting more as an agent than a principal in substance for certain transactions. Consequently, it is more appropriate for revenue to be recognised on a net basis for these transactions. Again, management of the Group fully acknowledges that evaluating the relevant factors in this area is subject to significant subjectivity.

As required by IAS 8 "Accounting Policies, Changes in Accounting Estimate and Errors", this accounting policy change has been made retrospectively and as presented in the table as set out in Note 5 of the unaudited interim condensed consolidated financial information, the impact of the change in revenue recognition is to decrease revenue and corresponding cost of sales, with no impact to gross profit, profit for the period, earnings per share in the unaudited interim condensed consolidated statements of comprehensive income, or to other primary statements at all.

(2) Operating Results by Segment

The following table shows our revenue, gross profit, gross profit margin, segment results and operating profit margin of the business segments for the periods indicated.

	Revenue For the half year ended 30 June		Gross Profit For the half year ended 30 June		Gross Profit Margin For the half year ended 30 June		Segment Result For the half year ended 30 June		Segment Result Margin For the half year ended 30 June	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	(RMB'000)		(RMB'000)		%	%	(RMB'000)		%	%
Engineering design and consultancy	684,520	680,221	128,823	198,873	18.8	29.2	56,839	37,849	8.3	5.6
Engineering and construction contracting	4,703,145	5,064,444	619,780	722,248	13.2	14.3	202,278	401,552	4.3	7.9
Equipment manufacturing	341,762	290,571	49,735	26,341	14.6	9.1	20,611	(3,802)	6.0	(1.3)
Trading	4,897,715	1,890,341	191,872	72,724	3.9	3.8	173,019	68,269	3.5	3.6
Subtotal	10,627,142	7,925,577	990,210	1,020,186			452,747	503,868		
Inter-segment elimination	(1,113,334)	(82,386)	9,699	(5,421)			(6,626)	(11,460)		
Total	9,513,808	7,843,191	999,909	1,014,765	10.5	12.9	446,121	492,408	4.7	6.3

1) Engineering design and consultancy

The principal segment results data for our engineering design and consultancy business are as follows:

	For the half year ended 30 June				
	2015		2014		
	(RMB'000)	Percentage of Segment Revenue	(RMB'000)	Percentage of Segment Revenue	Percentage of Change
Segment revenue	684,520	100.0	680,221	100.0	0.6
Cost of sales	(555,697)	(81.2)	(481,348)	(70.8)	15.4
Gross profit	128,823	18.8	198,873	29.2	(35.2)
Business tax and surcharges	(8,413)	(1.2)	(8,173)	(1.2)	2.9
Selling and marketing expenses	(15,874)	(2.3)	(14,864)	(2.2)	6.8
Administrative expenses	(136,927)	(20.0)	(154,557)	(22.7)	(11.4)
Other income and other gains-net	89,230	13.0	16,570	2.4	438.5
Segment result	56,839	8.3	37,849	5.6	50.2

Segment revenue. Revenue from the engineering design and consultancy business before inter-segment elimination increased by RMB4.3 million, which remained almost the same as the previous year.

Cost of sales. Cost of sales of the engineering design and consultancy business increased by RMB74.3 million or 15.4% over the corresponding period of the previous year, primarily due to an increase in direct material costs, technical consulting fees and labor costs while the scale of the business segment remain constant.

Gross profit. Gross profit of the engineering design and consultancy business decreased by RMB70.1 million or 35.2% over the corresponding period of the previous year, primarily due to a decrease in gross profit resulted from the aforesaid reasons.

Business tax and surcharges. Business tax and surcharges of the engineering design and consultancy business increased by RMB0.2 million, which is mainly due to revenue from the segment increased slightly over the previous year and resulted in a slight increase in the corresponding business tax and surcharges compared to the previous year.

Selling and marketing expenses. The selling and marketing expenses of the engineering design and consultancy business increased by RMB1.0 million or 6.8% over the corresponding period of the previous year, which is mainly due to an increase in burden of labor costs while the scale of the business segment remain constant.

Administrative expenses. Administrative expenses of the engineering design and consultancy business decreased by RMB17.6 million or 11.4% over the corresponding period of the previous year, which is mainly due to a decrease in costs as a result of the strict control on expenditure by the Group.

Other income and other gains-net. Other net income and other gains-net derived from the engineering design and consultancy business increased by RMB72.7 million over the corresponding period of the previous year, which is mainly due to gains from disposal of intangible assets and available-for-sale financial assets by the segment.

Segment results. As a result of the foregoing, segment result for the period from our engineering design and consultancy business increased by RMB19.0 million or 50.2% over the corresponding period of the previous year.

2) Engineering and construction contracting

The principal segment results data for our engineering and construction contracting business are as follows:

	For the half year ended 30 June				
	2015		2014		
	(RMB'000)	Percentage of Segment Revenue	(RMB'000)	Percentage of Segment Revenue	Percentage of Change
Segment revenue	**4,703,145**	**100.0**	5,064,444	100.0	(7.1)
Cost of sales	**(4,083,365)**	**(86.8)**	(4,342,196)	(85.7)	(6.0)
Gross profit	**619,780**	**13.2**	722,248	14.3	(14.2)
Business tax and surcharges	**(86,140)**	**(1.8)**	(85,152)	(1.7)	1.2
Selling and marketing expenses	**(13,553)**	**(0.3)**	(45,492)	(0.9)	(70.2)
Administrative expenses	**(285,684)**	**(6.1)**	(229,772)	(4.5)	24.3
Other income and other gains – net	**(32,125)**	**(0.7)**	39,720	0.8	(180.9)
Segment results	**202,278**	**4.3**	401,552	7.9	(49.6)

Segment revenue. Revenue of engineering and construction contracting business before inter-segment elimination decreased by RMB361.3 million or 7.1% over the same period of the previous year, primarily due to a relatively long preparation of new business which most of the orders on hand had not yet entered into construction peak seasons, leading to a slight decrease in the revenue for the first half of the year.

Cost of sales. Cost of sales of engineering and construction contracting business decreased by RMB258.8 million or 6.0% over the corresponding period of the previous year, primarily due to cost decreased alongside with income.

Gross profit. Gross profit of engineering and construction contracting business decreased by RMB102.5 million or 14.2% over the same period of the previous year. The gross profit margin of engineering and construction contracting business declined from 14.3% in the first half of 2014 to 13.2% in the first half of 2015, primarily due to a shrink in construction market and intensified market competition which led to a lower absolute value of the contract amount and a decline in gross margin.

Business tax and surcharges. Business tax and surcharges of engineering and construction contracting business increased by RMB1.0 million or 1.2% over the corresponding period of the previous year.

Selling and marketing expenses. Selling and marketing expenses of engineering and construction contracting business decreased by RMB31.9 million or 70.2% over the same period of the previous year, primarily due to a significant decrease in project transportation cost.

Administrative expenses. Administrative expenses of engineering and construction contracting business increased by RMB55.9 million or 24.3% over the same period of the previous year, primarily due to an increase in labor costs and intangible assets amortization.

Other income and other gains – net. The other income and other gains-net of the Group decreased by RMB71.8 million or 180.9% over the same period of the previous year, primarily due to an increase in litigation compensation expenses of the segment during the period.

Segment results. As a result of the foregoing, segment results for the period of our engineering and construction contracting business decreased by RMB199.3 million or 49.6% over the same period of the previous year.

3) Equipment Manufacturing

The principal segment results data of equipment manufacturing business are as follows:

	For the half year ended 30 June				
	2015		2014		
	(RMB'000)	Percentage of Segment Revenue	(RMB'000)	Percentage of Segment Revenue	Percentage of Change
Segment revenue	341,762	100.0	290,571	100.0	17.6
Cost of sales	(292,027)	(85.4)	(264,230)	(90.9)	10.5
Gross profit	49,735	14.6	26,341	9.1	88.8
Business tax and surcharges	(2,104)	(0.6)	(949)	(0.3)	121.7
Sales and marketing expenses	(2,264)	(0.7)	(1,237)	(0.4)	83.0
Administrative expenses	(29,859)	(8.7)	(34,398)	(11.8)	(13.2)
Other income and other gains – net	5,103	1.5	6,441	2.2	(20.8)
Segment results	20,611	6.0	(3,802)	(1.3)	642.1

Segment revenue. Revenue of the equipment manufacturing business before inter-segment elimination increased by RMB51.2 million or 17.6% over the same period of the previous year, primarily attributable to an increase in the execution of inter-segment business by the equipment manufacturing segment during the period as compared with that of the previous period. It remained almost the same as the corresponding period of the previous year after deducting the revenue from inter-segment elimination.

Cost of sales. Cost of sales of the equipment manufacturing business increased by RMB27.8 million or 10.5% over the same period of the previous year, primarily attributable to the cost of sales increased alongside with income.

Gross profit. Gross profit of the equipment manufacturing business increased by RMB23.4 million or 88.8% over the same period of the previous year, which the increase in gross profit is mainly due to the foregoing.

Business tax and surcharges. Business tax and surcharges increased by RMB1.2 million or 121.7% over the corresponding period of the previous year, which is mainly due to an increase in business tax and surcharges alongside with revenue.

Selling and marketing expenses. Selling and marketing expenses of the equipment manufacturing business increased by RMB1.0 million or 83.0% over the same period of the previous year, primarily attributable to an increase in marketing expenses with the expansion of the Group.

Administrative expenses. Administrative expenses of the equipment manufacturing business decreased by RMB4.5 million or 13.2% over the same period of the previous year, primarily attributable to a decrease in costs as a result of the strict control on expenditure by the Group.

Other income and other gains-net. The other net income and other gains-net of equipment manufacturing business decreased by RMB1.3 million over the same period of the previous year, representing a decrease of 20.8%.

Segment result. As a result of the foregoing, segment result for the period of equipment manufacturing business increased by RMB24.4 million or 642.1% over the same period of the previous year.

4) Trading

The principal segment results data for trading business are as follows:

	For the half year ended 30 June				
	2015		2014		
	(RMB'000)	Percentage of Segment Revenue	(RMB'000)	Percentage of Segment Revenue	Percentage of Change
Segment revenue	4,897,715	100.0	1,890,341	100.0	159.1
Cost of sales	(4,705,843)	(96.1)	(1,817,617)	(96.2)	158.9
Gross profit	191,872	3.9	72,724	3.8	163.8
Business tax and surcharges	(2,675)	(0.1)	(636)	0.0	320.6
Selling and marketing expenses	(9,567)	(0.2)	(1,951)	(0.1)	390.4
Administrative expenses	(11,281)	(0.2)	(1,868)	(0.1)	503.9
Other income and other gains-net	4,670	0.1	–	–	100.0
Segment result	173,019	3.5	68,269	3.6	153.4

Upon the adjustment of business segments of the Group, the business of trading segment grew rapidly. Each of the indicators has increased significantly as compared with the same period of the previous year.

Segment revenue. Revenue of the trading business before inter-segment elimination increased by RMB3,007.4 million or 159.1% over the same period of the previous year.

Cost of sales. Cost of sales of the trading business increased by RMB2,888.2 million or 158.9% over the same period of the previous year.

Gross profit. Gross profit of the trading business increased by RMB119.1 million or 163.8% over the same period of the previous year.

Business tax and surcharges. Business tax and surcharges of the trading business increased by RMB2.0 million or 320.6% over the same period of the previous year.

Selling and marketing expenses. Selling and marketing expenses of the trading business increased by RMB7.6 million or 390.4% over the same period of the previous year.

Administrative expenses. Administrative expenses of the trading business increased by RMB9.4 million or 503.9% over the same period of the previous year.

Other income and other gains-net. Other income and other gains-net from the trading business increased by RMB4.7 million over the same period of the previous year.

Segment results. As a result of the foregoing, segment result for the period of the trading business increased by RMB104.8 million or 153.4% over the same period of the previous year.

(3) Floating Capital and Capital Resources

As at 30 June 2015, the bank deposit and cash held by the Group amounted to RMB3,651.3 million, representing a decrease of RMB556.6 million as compared with that as at 31 December 2014, primarily due to the repayment of a portion of short-term borrowings by the Group.

As at 30 June 2015, the current assets of the Group, exclusive of bank deposit and cash, amounted to RMB21,999.7 million, among which notes and trade receivables, amounts due from customers for contract work, prepayments and other receivables and inventories were RMB11,074.8 million, RMB5,016.0 million, RMB3,950.9 million and RMB643.6 million, respectively.

As at 30 June 2015, the current liabilities of the Group amounted to RMB21,796.3 million, among which trade and other payables and short-term borrowings were RMB13,630.5 million and RMB7,039.0 million, respectively. As at 30 June 2015, the net current assets of the Group, being the balance between total current assets and current liabilities, amounted to RMB3,854.6 million, representing an decrease of RMB2,250.9 million or 36.9% as compared with that as at 31 December 2014.

As at 30 June 2015, the outstanding borrowings of the Group amounted to RMB8,211.2 million, among which short-term borrowings and long-term borrowings expiring within one year were RMB7,039.0 million and RMB1,172.2 million, respectively, the aggregate amount of which decreased by RMB330.5 million as compared with that as at 31 December 2014, comprising of the decrease of RMB338.3 million in short-term borrowings and an increase of RMB7.8 million in long-term borrowings.

1) Cash flows

Cash flows used in operating activities. For the six months ended 30 June 2015, net cash outflow used in operating activities amounted to RMB77.2 million, representing a decrease of RMB2,213.6 million or 96.6% as compared with the net outflow for the same period of the previous year, primarily due to a substantial increase in receivables from production operation as compared with that of the same period of last year as well as the income tax expense this period substantially decreased as compared with the same period last year.

Cash flows generated from/(used in) investing activities. For the six months ended 30 June 2015, net cash inflow generated from investing activities amounted to RMB321.0 million, representing an increase of RMB1,712.0 million over the same period of the previous year, primarily due to the Group collected some receivables from the BT contracts.

Cash flows (used in)/generated from financing activities. For the six months ended 30 June 2015, net cash outflow generated from the Group's financing activities amounted to RMB798.3 million, representing a decrease of RMB2,996.3 million or 136.3% from net cash inflow over the same period of the previous year, primarily due to the Group received the proceeds of RMB1,818.7 million from the issuance of senior perpetual capital securities during the same period last year and repaid part of the short-term borrowings this period.

2) Security

During the reporting period, the subsidiaries of the Group had pledged fixed assets and land use certificate for short-term borrowings amounting to RMB22.0 million; borrowings amounted to RMB127.32 million was pledged by trade receivables and bank deposits.

3) Gearing ratio

The Group monitors the Group's capital structure on the basis of gearing ratio. This ratio is calculated by dividing net debt by total capital. Net debt is calculated as the total borrowings and other liabilities (including short-term borrowings, long-term borrowings, trade and other payables shown in the consolidated balance sheet) less restricted cash, time deposits and cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt less non-controlling interest. The Group's gearing ratios were approximately 72.85% and 73.81% as of 31 December 2014 and 30 June 2015, respectively. The increase of gearing ratio as of 30 June 2015 as compared with that as of 31 December 2014 was primarily due to the reduction of the balance thus made a slight increase of the net debt, resulting in gearing ratio up slightly, but remained in control of the Company.

Capital expenditure

For the first half of 2015, our capital expenditures amounted to RMB82.1 million, representing a decrease of 18.5% compared to RMB100.7 million for the first half of 2014, among which RMB49.5 million was used for construction of production facilities and the purchase of equipment of Engineering design and consultancy segment; RMB32.5 million was used for construction of production facilities and the purchase of equipment of Engineering and construction contracting segment; RMB0.1 million was used for construction of production facilities and the purchase of Trading segment. Capital resources included internal resources, borrowings from banks and other financial institutions.

5. RISK FACTORS

The Group is 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 minimize potential adverse effects on the financial performance of the Company.

Foreign exchange risk

As the Group operates globally with the majority of our operations located in China, Southeast Asia, South Asia and South America, its financial position and results of operations can be affected by movements of currencies relevant to its operations, which mainly include RMB, US dollar and Euro. The Company is exposed to foreign exchange risk primarily through sales and purchases that give rise to receivables and payables, borrowings and cash balances 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 of changes in market interest rates as the Group does not have substantial interest-bearing assets and borrowings.

Price risk

The Group is exposed to equity securities price risk as the Group's equity securities investments are classified as available-for-sale financial assets and 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 deposits, cash and cash equivalents, trade and other receivables and other current assets.

Substantially all of the Group's time deposits and cash and cash equivalents are deposited in the PRC state-owned/controlled banks, the credit risk of which the Directors believe is 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 credit evaluations on its customers regularly. Trade customers are not required to provide collaterals in general. The Directors consider that the Company does not have a significant concentration of credit risk.

Regarding balances with related parties, the Company assesses the credibility of the related parties by reviewing their operating results and gearing ratios on a regular basis.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet, after deducting any impairment allowance.

Liquidity risk

Prudent liquidity risk management includes 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.

The management monitors the cash flow forecasts of the Group, which comprises the undrawn borrowing facility and cash and cash equivalents available at the end of each month 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 the operations of the Group during the track record 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 the PRC.

6. EMPLOYEES AND REMUNERATION POLICY

Employees

As of 30 June 2015, we had a total of 9,406 employees, among which male employees accounted for 7,108 or 76% and female employees accounted for 2,298 or 24%. Moreover, the Group remained labour relationship with 2,385 former employees.

The following table shows a breakdown of the employees by business segment as of 30 June 2015:

	Number of Employees	**Percentage of Total**
Operation and management personnel	2,389	25%
Engineering technicians	4,655	50%
Production and operation personnel	2,060	22%
Service and other personnel	302	3%
Total	9,406	100%

The following table shows a breakdown of the employees by level of education as of 30 June 2015:

	Number of Employees	**Percentage of Total**
Graduate degree and above	878	9%
Undergraduate degree	4,016	43%
Associate degree	2,136	23%
Secondary school and below	2,376	25%
Total	9,406	100%

In accordance with regulations applicable to enterprises and the relevant requirements of all levels of local governments in areas in which we operate, we established the pension plan, employees' medical insurance, unemployment insurance, maternity insurance and workers' compensation injury insurance. In addition, the Group and some of its subsidiaries also set up a corporate annuity system for providing retired employees with further protection. In accordance with applicable PRC laws and regulations, the amount of contributions to the aforesaid social insurance is strictly based on state, provincial, autonomous region and municipal requirements of the PRC. We also established an employee housing fund in accordance with applicable PRC regulations.

For the first half of 2015, our employee benefits expenses amounted to RMB654.5 million. We do not have employee's share option scheme currently.

Pursuant to the Labour Contract Law, we sign written employment contracts with employees, setting out the probation period and violation penalties, dissolution of labour contracts, payment of remuneration and economical compensation as well as social security premium terms. The Group has taken a variety of measures to improve employment relationship management and fulfill its statutory obligations in a practical manner. The Company provides training for employees according to corporate business development strategies, operation objectives and job responsibilities and keeps exploring innovative training models.

The Group has established a labour union to protect employees' rights and encourage employees to participate in the management of the Group. We have not experienced any strikes or other labour disputes which have interfered with our management and operations.

We endeavor to provide training for our staff. The scope of our induction and ongoing training programs covers management skills and techniques training, overseas exchange programs and other courses. Through continued payment of education allowance, we also encourage our staff to engage in programs to obtain higher academic and employment qualifications.

H Share Appreciation Rights Scheme

On 10 October 2013, the "Resolution in respect of the implementation of H Share Appreciation Rights Scheme and Initial Grant thereunder by Chalieco Engineering Corporation Limited" was considered and approved at the extraordinary general meeting of the Group, providing medium to long-term incentive to certain Directors, senior management and management officers and key employees who have played a vital role in the development of the Group so as to facilitate the continuous growth of the Group.

As at 30 June 2015, particulars of H Share appreciation rights granted to the directors and senior management of the Group are as follows:

Name	Position	Number of Shares granted (Ten thousand shares)	Proportion of the amount granted to the total number of H Shares in issue of the Company	Proportion of the amount granted to the total number of shares in issue of the Company
He Zhihui	Executive Director and President	68.3649	0.1711%	0.0257%
Qin Qiwu	Vice President	53.8103	0.1347%	0.0202%
Ma Ning	Vice President	49.2457	0.1233%	0.0185%
Wang Jun (Note)	Former Executive Director and Former Chief Financial Officer	49.2457	0.1233%	0.0185%
Total		220.6666	0.5524%	0.0829%

Note: Due to redeployment, Mr. Wang Jun ceased to be the Chief Financial Officer of the Company with effect from 22 May 2015 and his position was changed to a non-executive Director from an executive Director of the Company, he shall not exercise any H Share appreciation rights.

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 83, which comprises the interim condensed consolidated balance sheet of China Aluminum International Engineering Corporation Limited (中鋁國際工程股份有限公司, the "Company") and its subsidiaries (together, the "Group") as at 30 June 2015 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 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 of 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 of 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, 25 August 2015

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2015 RMB'000 (unaudited)	2014 RMB'000 (restated)
Revenue	7	**9,513,808**	7,843,191
Cost of sales		**(8,513,899)**	(6,828,426)
Gross profit		**999,909**	1,014,765
Business tax and surcharges		**(99,332)**	(94,910)
Selling and marketing expenses		**(41,258)**	(63,544)
Administrative expenses		**(463,449)**	(417,816)
Other income		**37,386**	23,810
Other gains – net		**12,865**	30,103
Operating profit		**446,121**	492,408
Finance income		**177,982**	130,902
Finance costs		**(254,585)**	(250,882)
Share of profit of investments accounted for using equity method	12	**4,719**	1,890
Profit before taxation		**374,237**	374,318
Income tax expense	8	**(83,652)**	(100,448)
Profit for the period		**290,585**	273,870
Items that may be reclassified to profit or loss			
Fair value gains on available-for-sale financial assets, net of tax		**9,808**	1,304
Reclassified to profit on disposal of available-for-sale financial assets, net of tax		**(27,443)**	–
Currency translation differences		**(950)**	12,167
Item that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment benefit obligations, net of tax		**(700)**	(44,272)
Other comprehensive income for the period, net of tax		**(19,285)**	(30,801)
Total comprehensive income for the period		**271,300**	243,069
Profit for the period attributable to:			
Equity owners of the Company		**229,622**	237,907
Non-controlling interests		**60,963**	35,963
		290,585	273,870

		Six months ended 30 June	
	Note	**2015** **RMB'000** **(unaudited)**	2014 RMB'000 (restated)
Total comprehensive income for the period attributable to:			
Equity owners of the Company		**210,346**	195,579
Non-controlling interests		**60,954**	47,490
		271,300	243,069
Earnings per share for profit attributable to equity owners of the Company		**RMB**	RMB
– Basic	9	**0.09**	0.09
– Diluted	9	**0.09**	0.09
Dividends	10	**–**	–

The notes on pages 40 to 83 form an integral part of this unaudited interim condensed consolidated financial information.

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (restated)	At 31 December 2013 RMB'000 (restated)
Assets				
Non-current assets				
Property, plant and equipment	11	1,688,409	1,716,449	1,682,332
Land use rights	11	803,460	813,384	834,237
Investment properties		63,312	27,643	28,825
Trade and notes receivables	13	2,249,211	393,260	1,223,760
Prepayments and other receivables	14	1,506,761	1,209,361	774,672
Intangible assets	11	145,689	192,058	221,576
Investments accounted for using the equity method	12	254,629	193,118	153,805
Available-for-sale financial assets		9,973	35,720	63,979
Deferred income tax assets		341,889	357,985	324,778
Other non-current assets		12,710	13,537	15,987
Total non-current assets		7,076,043	4,952,515	5,323,951
Current assets				
Available-for-sale financial assets		–	501,000	11,000
Inventories		643,629	983,493	835,206
Trade and notes receivables	13	11,074,825	10,934,080	7,739,918
Prepayments and other receivables	14	3,950,859	3,470,007	1,493,779
Amounts due from customers for contract work	15	5,015,994	6,978,000	5,989,329
Current income tax prepayments		83,734	31,049	36,690
Financial assets at fair value through profit or loss		645,000	–	–
Restricted cash		361,703	213,387	239,678
Time deposits		223,958	761,504	41,480
Cash and cash equivalents		3,651,260	4,207,857	6,456,158
Total current assets		25,650,962	28,080,377	22,843,238
Total assets		32,727,005	33,032,892	28,167,189
Equity				
Share capital	16	2,663,160	2,663,160	2,663,160
Reserves		3,945,786	4,001,756	3,679,345
Consolidated equity attributable to equity owners of the Company		6,608,946	6,664,916	6,342,505
Non-controlling interests		2,022,623	2,022,985	169,390
Total equity		8,631,569	8,687,901	6,511,895

	Note	**At 30 June 2015 RMB'000 (unaudited)**	At 31 December 2014 RMB'000 (restated)	At 31 December 2013 RMB'000 (restated)
Liabilities				
Non-current liabilities				
Deferred income		**106,610**	99,209	97,066
Long-term Borrowings	19	**1,172,256**	1,164,492	290,152
Retirement and other supplemental benefit obligations	18	**1,019,001**	1,031,573	1,120,579
Deferred income tax liabilities		**861**	919	1,818
Trade and other payables	20	**364**	73,986	239,444
Total non-current liabilities		**2,299,092**	2,370,179	1,749,059
Current liabilities				
Trade and other payables	20	**13,630,452**	13,987,902	10,909,538
Dividends payable	21	**323,899**	57,583	57,240
Amounts due to customers for contract work	15	**588,757**	303,038	726,086
Short-term Borrowings	19	**7,038,974**	7,377,237	7,595,740
Current income tax liabilities		**81,168**	120,934	501,010
Retirement and other supplemental benefit obligations	18	**133,094**	128,118	116,621
Total current liabilities		**21,796,344**	21,974,812	19,906,235
Total liabilities		**24,095,436**	24,344,991	21,655,294
Total equity and liabilities		**32,727,005**	33,032,892	28,167,189
Net current assets		**3,854,618**	6,105,565	2,937,003
Total assets less current liabilities		**10,930,661**	11,058,080	8,260,954

The interim condensed consolidated financial information has been approved by the Board of Directors on 25 August 2015 and was signed on its behalf.

Zhang Chengzhong
Director

Zhang Jian
Director

The notes on pages 40 to 83 form an integral part of this unaudited interim condensed consolidated financial information.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(restated)	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000	Remeasurements of post-employment benefit obligations RMB'000	Currency translation differences RMB'000	Special reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	Attributable to equity owners of the Company										
At 1 January 2014	2,663,160	790,872	60,290	7,656	102,763	(1,030)	30,531	2,688,263	6,342,505	169,390	6,511,895
Profit for the period	–	–	–	–	–	–	–	237,907	237,907	35,963	273,870
Other comprehensive income:											
Fair value change of available -for-sale financial assets – gross	–	–	–	1,534	–	–	–	–	1,534	–	1,534
Fair value change of available-for-sale financial assets – tax	–	–	–	(230)	–	–	–	–	(230)	–	(230)
Remeasurements of post-employment benefit obligations – gross	–	–	–	–	(56,438)	–	–	–	(56,438)	(490)	(56,928)
Remeasurements of post-employment benefit obligations – tax	–	–	–	–	12,582	–	–	–	12,582	74	12,656
Currency translation differences	–	–	–	–		224			224	11,943	12,167
Total comprehensive income	–	–	–	1,304	(43,856)	224	–	237,907	195,579	47,490	243,069
Dividends to equity owners	–	–	–	–	–	–	–	(346,211)	(346,211)	(629)	(346,840)
Net proceeds from offering of senior perpetual capital securities	–	–	–	–	–	–	–	–	–	1,818,733	1,818,733
Capital contributions by non-controlling interest of the subsidiaries	–	411	–	–	–	–	–	–	411	103,287	103,698
Appropriation of special reserve	–	–	–	–	–	–	(4,804)	4,804	–	–	–
At 30 June 2014	2,663,160	791,283	60,290	8,960	58,907	(806)	25,727	2,584,763	6,192,284	2,138,271	8,330,555

The notes on pages 40 to 83 form an integral part of this unaudited interim condensed consolidated financial information.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited)	Attributable to equity owners of the Company										
	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000	Remeasurements of post-employment benefit obligations RMB'000	Currency translation differences RMB'000	Special reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	**2,663,160**	**756,508**	**113,459**	**17,635**	**75,790**	**4,050**	**21,790**	**3,012,524**	**6,664,916**	**2,022,985**	**8,687,901**
Profit for the period	-	-	-	-	-	-	-	229,622	229,622	60,963	290,585
Other comprehensive income:											
Fair value change of available-for-sale financial assets – gross	-	-	-	11,538	-	-	-	-	11,538	-	11,538
Fair value change of available-for-sale financial assets – tax	-	-	-	(1,730)	-	-	-	-	(1,730)	-	(1,730)
Reclassified to profit on disposal of available-for-sale financial assets – gross	-	-	-	(32,286)	-	-	-	-	(32,286)	-	(32,286)
Reclassified to profit on disposal of available-for-sale financial assets – tax	-	-	-	4,843	-	-	-	-	4,843	-	4,843
Remeasurements of post-employment benefit obligations – gross	-	-	-	-	(833)	-	-	-	(833)	(11)	(844)
Remeasurements of post-employment benefit obligations – tax	-	-	-	-	142	-	-	-	142	2	144
Currency translation differences	-	-	-	-	-	(950)	-	-	(950)	-	(950)
Total comprehensive income	-	-	-	(17,635)	(691)	(950)	-	229,622	210,346	60,954	271,300
Dividends to equity owners	-	-	-	-	-	-	-	(266,316)	(266,316)	(63,945)	(330,261)
Capital contributions by non-controlling interest of the subsidiaries	-	-	-	-	-	-	-	-	-	2,629	2,629
Appropriation of special reserve	-	-	-	-	-	-	3,397	(3,397)	-	-	-
At 30 June 2015	**2,663,160**	**756,508**	**113,459**	**-**	**75,099**	**3,100**	**25,187**	**2,972,433**	**6,608,946**	**2,022,623**	**8,631,569**

The notes on pages 40 to 83 form an integral part of this unaudited interim condensed consolidated financial information.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Six months ended 30 June 2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Cash flows from operating activities			
Cash used in operations		**(680)**	(1,786,826)
Income tax paid		**(104,150)**	(530,526)
Interest received		**27,607**	26,498
Net cash used in operating activities		**(77,223)**	(2,290,854)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(120,407)**	(89,269)
Purchase of intangible assets		**–**	(5,053)
Purchase of financial assets at fair value through profit or loss		**(3,909,000)**	(96,000)
Acquisition of a subsidiary under common control		**–**	1,855
Investment in associate		**(26,000)**	(9,000)
Financing provided for proprietors	14	**(500,000)**	(1,400,000)
Repayment of financing provided for contract owner and others	14	**395,390**	110,000
Interest received from financial assets at fair value through profit or loss and time deposits		**28,481**	30,965
Decrease in time deposits		**537,545**	34,140
Proceeds from disposal of property, plant and equipment		**5,641**	3,597
Proceeds from disposal of financial assets at fair value through profit or loss		**3,765,000**	14,609
Proceeds from disposal of available-for-sale financial assets		**40,753**	–
Receipt of government grants		**12,700**	11,191
Interest received from Build-Transfer contract counterparty		**89,806**	–
Dividends received		**1,132**	1,962
Net cash generated from/(used) in investing activities		**321,041**	(1,391,003)

	Note	Six months ended 30 June 2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Cash flows from financing activities			
Capital contributions made by the non-controlling interests of the subsidiaries		**2,629**	103,297
Draw down of bank borrowings		**3,669,021**	5,199,348
Repayments of bank borrowing		**(3,441,488)**	(4,627,202)
Borrowings received from related parties	19(iv)	**380,000**	70,000
Repayment of borrowings received from related parties	19(iv)	**(430,000)**	(220,000)
Net proceeds from issue of senior perpetual capital securities	22	**–**	1,818,733
Interest paid		**(266,176)**	(146,144)
Net payment for bills deposits		**(148,316)**	–
Dividends paid to non-controlling interests		**(63,945)**	–
Issuing of short-term bonds		**2,000,000**	–
Repayment of short-term bonds		**(2,500,000)**	–
Net cash (used in)/generated from financing activities		**(798,275)**	2,198,032
Net decrease in cash and cash equivalents		**(554,457)**	(1,483,825)
Cash and cash equivalents at beginning of period		**4,207,857**	6,456,158
Exchange (losses)/gains on cash and cash equivalents		**(2,140)**	10,114
Cash and cash equivalents at end of period		**3,651,260**	4,982,447

The notes on pages 40 to 83 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, equipment manufacturing and trading.

The Company was established as a company with limited liability under the name of China Aluminum International Engineering Co., Ltd. (中鋁國際工程有限責任公司) in the People's Republic of China (the "PRC") on 16 December 2003 under the Company Law of the PRC. 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.

1.2 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 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 Organisation"), 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.

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 PREPARATION

These unaudited interim condensed consolidated financial information for the six months ended 30 June 2015 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 annual consolidated financial statements of the Group for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

Amendments to IFRSs effective for the financial year ending 31 December 2015 do not have a material impact on the Group.

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

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

4. ESTIMATES

The preparation of the interim condensed consolidated 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 interim condensed consolidated 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 statements for the year ended 31 December 2014.

5. PRIOR YEAR ADJUSTMENT

In preparing the unaudited interim financial information for the six months ended 30 June 2015, management has identified the following two corrections and accounting policy changes in the presentation and disclosure in certain transactions and balances in previously issued consolidated financial statements.

The corrections made included:

(1) Reclassification of an available-for-sale financial asset to investment in an associate as the Group has appointed a director in the investee entity, which indicates significant influence by the Group.

(2) Change of accounting on revenue recognition for the Group's trading operation

One of the main activities of the Group's trading operation is to purchase material or product from its suppliers and sell to its customers.

During the six months period, the Group has reassessed its policy regarding the recognition of revenue on a gross versus a net basis in relation to its trading operation segment.

To determine whether the Group's trading operation should be recognised at gross or net basis requires judgement and consideration of all relevant facts and circumstances. The guidance from the authoritative accounting literature indicates that evaluating the relevant factors is subject to critical accounting judgement and significant subjectivity. Management has conducted a comprehensive review for this matter and determined that it is more appropriate and in line with current market practices for the revenue to be recognised at net basis for some of the Group's trading transactions as the Group is acting as agent more than principle obligator. As required by IAS 8 "Accounting Policies, Changes in Accounting Estimate and Errors", this restatement has been made retrospectively and as presented in the table below, the impact of the change in revenue recognition is to decrease revenue and corresponding cost of sales, with no impact to gross profit, profit for the period, earnings per share in the unaudited interim condensed consolidated statements of comprehensive income, or to other primary statements at all.

Consequently, the Group's consolidated balance sheet as at 31 December 2014 and the unaudited interim condensed consolidated statements of comprehensive income for the six months ended 30 June 2014, and certain explanatory notes have been restated to reflect this prior period adjustment.

5. PRIOR YEAR ADJUSTMENT (Continued)

Impact on the consolidated balance sheet as at 31 December 2014 and 2013:

	As at 31 December 2014		
	The Group Previously reported RMB'000	Adjustment RMB'000	Restated RMB'000
Investments accounted for using the equity method	115,217	77,901	193,118
Available-for-sale financial assets	184,518	(148,798)	35,720
Deferred income tax assets	329,907	28,078	357,985
Reserves	(4,044,575)	42,819	(4,001,756)

	As at 31 December 2013		
	The Group Previously reported RMB'000	Adjustment RMB'000	Restated RMB'000
Investments accounted for using the equity method	21,801	132,004	153,805
Available-for-sale financial assets	259,042	(195,063)	63,979
Deferred income tax assets	300,887	23,891	324,778
Deferred income tax liabilities	(11,635)	9,817	(1,818)
Reserves	(3,708,696)	29,351	(3,679,345)

5. PRIOR YEAR ADJUSTMENT (Continued)

Impact on the unaudited interim condensed consolidated statement of comprehensive income for six months ended 30 June 2014:

	For the six months ended 30 June 2014		
	The Group Previously reported RMB'000	Adjustment RMB'000	Restated RMB'000
Revenue	(8,850,244)	1,007,053	(7,843,191)
Cost of sales	7,835,479	(1,007,053)	6,828,426
Other income	(84,678)	60,868	(23,810)
Financial income	(70,034)	(60,868)	(130,902)
Share of losses/(profit) of investments accounted for using the equity method	172	(2,062)	(1,890)
Income tax expense	99,932	516	100,448
Fair value gains on available for sale financial assets, net of tax	(30,487)	29,183	(1,304)
Total comprehensive income attributable to:			
Equity owners of the Company	(223,216)	27,637	(195,579)

The directors considered that the impact of above prior year adjustments on earnings per share is immaterial.

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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 interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

There have been no changes in the risk management department since 31 December 2014 or in any risk management policies since 31 December 2014.

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

6.2 Liquidity risk

Compared to 31 December 2014, there was no material change in the contractual undiscounted cash flows for financial liabilities.

6.3 Fair value estimation

The table below analyses the financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- 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).

The following table presents the Group's assets that are measured at fair value as at 30 June 2015 and 31 December 2014.

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (restated)
Level 1		
Available-for-sale financial assets		
– Listed equity securities	**–**	25,747
Level 3		
Available-for-sale financial assets		
– Unlisted equity securities	**9,973**	9,973
Short-term investment	**645,000**	501,000
Total	**654,973**	536,720

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

6.3 Fair value estimation (continued)

There were no transfers between Levels 1 and 2; no changes in valuation techniques during the period.

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the quoted prices from an exchange. These instruments are included in level 1. Instruments included equity investments in Aluminum Corporation of China Limited, which are classified as available-for-sale financial assets.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument included in level 3. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

6.3 Fair value estimation (continued)

(c) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the period ended 30 June 2015:

30 June 2015	**Available-for-sale financial assets and financial assets at fair value through profit or loss**	
	Unlisted equity securities RMB'000 (unaudited)	**Short-term investment RMB'000 (unaudited)**
Beginning of period	**9,973**	**501,000**
Additions to short-term investment	**–**	**3,909,000**
Settlement on expiration	**–**	**(3,765,000)**
End of period	**9,973**	**645,000**

The following table presents the changes in level 3 instruments for the period ended 30 June 2014:

30 June 2014	Available-for-sale financial assets and financial assets at fair value through profit or loss	
	Unlisted equity securities RMB'000 (unaudited)	Short-term investment RMB'000 (unaudited)
Beginning of period	9,973	11,000
Additions to short-term investment	–	1,360,000
Settlement on expiration	–	(1,275,000)
End of period	9,973	96,000

7. REVENUE AND SEGMENT INFORMATION

(a) Revenue

The Group's revenue is set out below:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(restated)
Engineering design and consultancy	**645,212**	641,913
Engineering and construction contracting	**4,665,884**	5,042,354
Equipment manufacturing	**269,526**	270,421
Trading	**3,933,186**	1,888,503
	9,513,808	7,843,191

(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 four reportable operating segments: (i) engineering design and consultancy; (ii) engineering and construction contracting; (iii) equipment manufacturing and (iv) trading.

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, investments accounted for using the equity method, other non-current assets, inventories, amounts due from customers for contract work, trade and notes receivables, prepayments and other receivables, restricted cash, time deposits and cash and cash equivalents. Unallocated assets comprise deferred income tax assets, prepaid income tax and investments accounting for using the equity method.

Segment liabilities comprise operating liabilities and borrowings. Unallocated liabilities comprise items such as current income tax liabilities and deferred income tax liabilities.

7. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (continued)

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.

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

(i) For the six months ended 30 June 2014:

The segment results for the six months ended 30 June 2014 are as follows:

(restated)	Engineering design and consultancy RMB'000	Engineering and construction contracting RMB'000	Equipment manufacturing RMB'000	Trading RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Segment revenue and results						
Segment revenue	680,221	5,064,444	290,571	1,890,341	(82,386)	7,843,191
Inter-segment revenue	(38,308)	(22,090)	(20,150)	(1,838)	82,386	–
Revenue	641,913	5,042,354	270,421	1,888,503	–	7,843,191
Segment result	37,849	401,552	(3,802)	68,269	(11,460)	492,408
Finance income	4,112	126,590	682	48	(530)	130,902
Finance expense	(30,816)	(207,866)	(17,265)	(88)	5,153	(250,882)
Share of profit of associates	–	1,890	–	–	–	1,890
Profit before income tax	11,145	322,166	(20,385)	68,229	(6,837)	374,318
Income tax expense						(100,448)
Profit for the period						273,870
Other segment items						
Amortisation	21,439	7,152	1,262	–	–	29,853
Depreciation	27,517	31,022	7,961	14	–	66,514
Provision for/(reversal of)						
– impairment on trade and other receivables	455	34,844	680	–	–	35,979
– provision of inventories	–	(9,400)	–	–	–	(9,400)

7. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (continued)

(ii) The segment assets and liabilities as at 31 December 2014 are as follows:

(restated)	Engineering design and consultancy RMB'000	Engineering and construction contracting RMB'000	Equipment Manufacturing RMB'000	Trading RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Assets						
Segment assets	6,031,390	24,425,937	1,909,729	2,697,761	(2,614,077)	32,450,740
Unallocated assets						
– Deferred income tax assets						357,985
– Current income tax prepayments						31,049
– Investment in associates						137,514
– Investment in joint venture						55,604
Total assets						33,032,892
Liabilities						
Segment liabilities	3,582,251	20,343,121	1,438,443	1,078,103	(2,218,780)	24,223,138
Unallocated liabilities						
– Deferred income tax liabilities						919
– Current income tax liabilities						120,934
Total liabilities						24,344,991
Capital expenditure	160,070	46,080	69,428	34	(5,986)	269,626

7. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (continued)

(iii) As at and for the six months ended 30 June 2015:

(unaudited)	Engineering design and consultancy RMB'000	Engineering and construction contracting RMB'000	Equipment manufacturing RMB'000	Trading RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Segment revenue and results						
Segment revenue	684,520	4,703,145	341,762	4,897,715	(1,113,334)	9,513,808
Inter-segment revenue	(39,308)	(37,261)	(72,236)	(964,529)	1,113,334	–
Revenue	645,212	4,665,884	269,526	3,933,186	–	9,513,808
Segment result	56,839	202,278	20,611	173,019	(6,626)	446,121
Finance income	12,525	162,092	3,990	10,704	(11,329)	177,982
Finance expenses	(44,639)	(217,726)	(16,574)	(1,540)	25,894	(254,585)
Share of losses of associates	(1,067)	(416)	–	–	–	(1,483)
Share of profit of joint venture	–	6,202	–	–	–	6,202
Profit before income tax	23,658	152,430	8,027	182,183	7,939	374,237
Income tax expense						(83,652)
Profit for the period						290,585
Other segment items						
Amortisation	48,715	2,871	2,918	3,860	–	58,364
Depreciation	32,896	27,468	9,708	1,805	–	71,877
Provision for/(reversal of)						
– impairment on trade and other receivables	25,001	(19,015)	1,231	(181)	–	7,036
– provision of inventories	–	13,130	–	–	–	13,130

7. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (continued)

(iii) As at and for the six months ended 30 June 2015: (continued)

(unaudited)	Engineering design and consultancy RMB'000	Engineering and construction contracting RMB'000	Equipment Manufacturing RMB'000	Trading RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Assets						
Segment assets	5,177,156	23,719,063	2,639,116	3,262,081	(2,750,663)	32,046,753
Unallocated assets						
– Deferred income tax assets						341,889
– Current income tax prepayments						83,734
– Investment in associates						192,823
– Investment in joint venture						61,806
Total assets						32,727,005
Liabilities						
Segment liabilities	2,786,793	20,185,138	2,054,616	1,278,603	(2,291,743)	24,013,407
Unallocated liabilities						
– Deferred income tax liabilities						861
– Current income tax liabilities						81,168
Total liabilities						24,095,436
Capital expenditure	49,524	32,441	–	99	–	82,064

7. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (continued)

(iv) Analysis of information by geographical regions

Revenue

	Six months ended 30 June	
	2015 **RMB'000** **(unaudited)**	2014 RMB'000 (restated)
The PRC	**8,869,917**	6,790,470
Other countries	**643,891**	1,052,721
	9,513,808	7,843,191

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

	At 30 June **2015** **RMB'000** **(unaudited)**	At 31 December 2014 RMB'000 (restated)
The PRC	**4,457,857**	4,147,811
Other countries	**27,086**	17,739
	4,484,943	4,165,550

Total assets

	At 30 June **2015** **RMB'000** **(unaudited)**	At 31 December 2014 RMB'000 (restated)
The PRC	**32,019,667**	32,433,001
Other countries	**27,086**	17,739
Unallocated assets	**680,252**	582,152
	32,727,005	33,032,892

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

7. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (continued)

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

Capital expenditures

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The PRC	**71,981**	92,615
Other countries	**10,083**	8,060
	82,064	100,675

(v) Revenue of approximately RMB787 million and RMB748 million were derived from one single largest third party and one related party customer for the six months ended 30 June 2015 and 2014, respectively. These revenues are attributable to the trading segment and engineering and construction contracting segment, respectively.

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
PRC enterprise income tax for the period (i)	**64,384**	108,185
Deferred tax		
Origination/(reversal) of temporary differences	**19,268**	(7,737)
Income tax expense	**83,652**	100,448

8. INCOME TAX EXPENSE (Continued)

Note:

(i) PRC enterprise income tax

Certain subsidiaries of the Group located in special regions of the PRC were granted tax concessions including referential tax rates of 15%.

Other certain subsidiaries of the Group 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 2015 and 2014.

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for six months ended 30 June 2015 is 22% (the estimated average tax rate for the six months ended 30 June 2014 was 27%).

9. EARNINGS PER SHARE

(a) Basic

The basic earnings per share are calculated by divided the profit attribute to equity owners of the Company by the weighted average number of shares in issue during the period.

	Six months ended 30 June	
	2015 (unaudited)	2014 (unaudited)
Profit attributable to equity owners of the Company (RMB'000)	**229,622**	237,907
Weighted average number of ordinary shares in issue	**2,663,160,000**	2,663,160,000
Basic earnings per share (RMB)	**0.09**	0.09

(b) Diluted

As the Company had no dilutive ordinary shares for the six months ended 30 June 2015 and 2014, dilutive earnings per share for the six months ended 30 June 2015 and 2014 is the same as basic earnings per share.

10. DIVIDENDS

Pursuant to a resolution of board of directors on 12 March 2015, the Company has proposed a dividend of RMB0.1 per share totalling RMB266.316 million for the year of 2014, which was approved at the Annual General Meeting on 9 June 2015, and has been recognized as a liability in this unaudited interim condensed consolidated financial information.

No interim dividend was proposed by the Directors of the Company for the six months ended 30 June 2015 and 2014.

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 2014			
Opening net book amount at 1 January 2014	1,682,332	221,576	834,237
Additions	95,666	7,912	–
Depreciation and amortisation	(66,514)	(18,917)	(10,489)
Disposals	(12,845)	(286)	–
Closing net book amount at 30 June 2014	1,698,639	210,285	823,748
Six months ended 30 June 2015			
Opening net book amount at 1 January 2015	**1,716,449**	**192,058**	**813,384**
Additions	**80,512**	**1,367**	**800**
Depreciation and amortisation	**(65,274)**	**(46,655)**	**(10,724)**
Disposals	**(7,132)**	**(1,081)**	**–**
Transfer to investment property	**(36,146)**	**–**	**–**
Closing net book amount at 30 June 2015	**1,688,409**	**145,689**	**803,460**
At 30 June 2015			
Cost	**2,651,658**	**387,833**	**917,266**
Accumulated depreciation	**(962,332)**	**(242,144)**	**(113,806)**
Impairment	**(917)**	**–**	**–**
Net book amount (i)	**1,688,409**	**145,689**	**803,460**

(i) As of 30 June 2015, the Group secured certain house property with net book value amounting to RMB12 million and land use rights with net book value amounting to RMB6 million for borrowings amounting to RMB22 million (Note 19).

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investment in associates

	Six months ended 30 June 2015 RMB'000 (unaudited)
Beginning of the period	137,514
Addition	57,924
Dividend	(1,132)
Share of post-tax losses of associates	(1,483)
End of the period	192,823

Nature of investment in associates to the Group as at 30 June 2015:

Name	Place and date of incorporation/ establishment	Registered and fully paid capital	Effective interest held		Principal activities and place of operations
		('000)	Direct held	Indirect held	
Henan Qianhai Shidai Engergy and Enveriment Technology Co. Ltd. (河南前海時代節能環保科技有限公司)	The PRC/ 16 October 2013	RMB5,000	–	36%	Energin saving technology/ The PRC
Xin chengtong Investment Management (Tianjin) Company Limited (鑫城通投資管理（天津）有限公司)	The PRC/ 3 April 2013	RMB50,000	–	40%	Investment/ The PRC
Xi'an Overall Urban-rural Construction and Investment Co., Ltd. (西安市統籌城鄉建設投資發展股份有限公司)	The PRC/ 30 September 2010	RMB50,000	–	18%	Construction/ The PRC
Suzhou Zhongsezhongyan Power Technology Co., Ltd. (蘇州中色眾焱動力科技有限公司)	The PRC/ 20 May 2014	RMB20,000	–	25%	Power technology/ The PRC

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investment in associates (Continued)

Name	Place and date of incorporation/ establishment	Registered and fully paid capital ('000)	Effective interest held Direct held	Effective interest held Indirect held	Principal activities and place of operations
Zhuzhoutianqiao Crane Co., Ltd. (株洲天橋起重機股份有限公司)	The PRC/ 26 November 1999	RMB432,640	6.81%	–	Crane equipment/ The PRC
Zhongji Sunward Intelligent Technology Co., Ltd. (中際山河科技有限責任公司)	The PRC/ 15 April 2015	RMB80,000	–	49%	Metallurgical equipment/ The PRC
Hunan Australia Commercial Plaza Development Co.,Ltd. (湖南澳洲商業廣場開發有限公司)	The PRC/ 5 July 2005	USD15,580	–	25%	Real estate/ The PRC
Suzhou Zhongseyanda Metal Technology Co., Ltd. (蘇州中色研達金屬技術有限公司)	The PRC/ 3 February 2015	RMB20,000	–	25%	Metallurgical material/ The PRC
Jiangsu Nonferrous Metal Rabliy Industrial Co.,Ltd. (江蘇中色鋭畢利實業有限公司)	The PRC/ 8 November 2007	RMB75,000	–	33%	Power technology/ The PRC
Guiyang Yiwei Technology Co., Ltd. (貴陽一微科技有限公司)	The PRC/ 23 October 2014	RMB5,000	–	20%	Equipment sales/ The PRC

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investment in associates (Continued)

Summarised of financial information for associates

Set out below are the summerised financial information for Xin chengtong Investment Management (Tianjin) Company Limited, Jiangsu Nonferrous Metal Rabliy Industrial Co.,Ltd, Xi'an Overall Urban-rural Construction and Investment Co., Ltd, Hunan Australia Commercial Plaza Development Co.,Ltd, Zhongji Sunward Intelligent Technology Co., Ltd, Zhuzhou tianqiao Crane Co., Ltd and other associates which are accounted for using the equity method.

Summarised balance sheet as at 30 June 2015

(unaudited)	Xin chengtong Investment Management (Tianjin) Company Limited RMB'000	Jiangsu Nonferrous Metal Rabliy Industrial Co., Ltd RMB'000	Xi'an Overall Urban-rural Construction and Investment Co., Ltd RMB'000	Hunan Australia Commercial Plaza Development Co., Ltd RMB'000	Zhongji Sunward Intelligent Technology Co., Ltd RMB'000	Zhuzhoutianqiao Crane Co., Ltd RMB'000	Others RMB'000	Total RMB'000
Current								
Total current assets	15,089	77,665	109,850	6,775	36,137	1,158,271	4,994	1,408,781
Total current liabilities	(16,729)	(79,118)	(63,451)	(21,036)	(16,140)	(343,123)	(1,036)	(540,633)
Non-current								
Total non-current assets	200,000	74,407	14	103,351	26,906	330,414	5,221	740,313
Total non-current liabilities	(150,000)	-	-	(20,000)	-	(4,587)	-	(174,587)
Net assets	48,360	72,954	46,413	69,090	46,903	1,140,975	9,179	1,433,874

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investment in associates (Continued)

Summarised of financial information for associates (Continued)

Summarised statements of comprehensive income statements for six months ended 30 June 2015

(unaudited)	Xin chengtong Investment Management (Tianjin) Company Limited RMB'000	Jiangsu Nonferrous Metal Rabliy Industrial Co., Ltd RMB'000	Xi'an Overall Urban-rural Construction and Investment Co., Ltd RMB'000	Hunan Australia Commercial Plaza Development Co., Ltd RMB'000	Zhongji Sunward Intelligent Technology Co., Ltd RMB'000	Zhuzhoutianqiao Crane Co., Ltd RMB'000	Others RMB'000	Total RMB'000
Revenue	8,850	49,154	-	-	-	93,891	-	151,895
Post-tax (loss)/ profit from continuing operations	(367)	(3,632)	(1,195)	(2,670)	(3)	2,771	(1,026)	(6,122)
Total comprehensive (expense)/income	(367)	(3,632)	(1,195)	(2,670)	(3)	2,771	(1,026)	(6,122)

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 itself.

(b) Investment in joint venture

	Six months ended 30 June 2015 RMB'000 (unaudited)
Beginning of the period	55,604
Share of post-tax profits of joint venture	6,202
End of the period	61,806

Summarised of financial information for joint venture

Set out below are the summerised financial information for Shanghai Fengtong Equity Investment Fund Partnership (Limited Partner), which is the only joint venture of the Group and accounted for using the equity method.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investment in joint venture (Continued)

Summarised of financial information for joint venture (Continued)

Summarised balance sheet as at 30 June 2015

	Shanghai Fengtong Equity Investment Fund Partnership (Limited Partner) RMB'000 (unaudited)
Current	
Total current assets	348,481
Total current liabilities	–
Non-current	
Total non-current assets	1,170,003
Total non-current liabilities	(1,363,743)
Net assets	154,741

Summarised statement of comprehensive income for six months ended 30 June 2015

	Shanghai Fengtong Equity Investment Fund Partnership (Limited Partner) RMB'000 (unaudited)
Revenue	101,550
Profit before tax (i)	12,389

(i) According to relevant tax law and regulations of the PRC, as a limited partnership, Shanghai Fengtong Fund was not subject to corporate income tax. When receiving dividend from the Limited partnership, the partner need to pay the individual income tax or corporate income tax depending on the legal forms of the partner.

(ii) Besides the contingency liability disclosed in Note 24, there are no other contingency liability to joint venture.

13. TRADE AND NOTES RECEIVABLES

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Trade receivables	13,230,697	11,275,164
Less: Provision for impairment	(460,056)	(590,687)
	12,770,641	10,684,477
Notes receivable	553,395	642,863
	13,324,036	11,327,340
Less: Non-current portion (i)	(2,249,211)	(393,260)
Current trade and notes receivables	11,074,825	10,934,080

(i) According to the contracts, the Group is required to provide a series of financial support to the proprietors or its contractors during the projects' contracting period, the principle and interest will be paid within a certain period of time. As at 30 June 2015, the non-current trade receivables are amounted to RMB2.25 billion.

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

(iii) As of 30 June 2015, the Group pledged trade receivables amounting to RMB140 million for borrowing amounting to RMB40 million (Note 19).

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

13. TRADE AND NOTES RECEIVABLES (Continued)

The contracts governing provision of the Group's service would not include specific credit terms. For the settlement of trade receivables from provision of services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account of factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management. Trade receivables from sales of goods are with credit terms of 30 to 90 days in accordance with sales contracts.

The Group requires collaterals from the proprietors of the Build-Transfer ("BT") contracts to minimise the credit risk involved in these contracts where the Group would normally undertake the financing of the project.

The trade receivables, that were past due but not impaired relate to a number of independent customers with no recent history of default.

Ageing analysis of trade receivables is as follows:

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Within 1 year	**7,319,367**	8,227,550
Between 1 and 2 years	**3,919,679**	1,550,225
Between 2 and 3 years	**1,374,201**	613,955
Between 3 and 4 years	**201,715**	612,630
Between 4 and 5 years	**174,620**	72,678
Over 5 years	**241,115**	198,126
Trade receivables – gross	**13,230,697**	11,275,164
Less: Provision for impairment	**(460,056)**	(590,687)
Trade receivables – net	**12,770,641**	10,684,477

14. PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Prepayments		
Prepayments to suppliers	1,774,710	1,290,443
Prepayments to property developer (i)	339,520	308,520
Other receivables		
Financing provided to proprietor (ii)	2,472,610	1,975,531
Interest receivable	6,397	71,717
Amounts due from related parties (iii)	55,844	42,797
Retention fund	–	32,934
Receivables of export tax refund	53,342	12,621
Staff advance	76,608	63,716
Bid security	536,773	415,745
Deposit	14,412	293,665
Payment on behalf of third parties	84,186	116,161
Deductible value-added tax	91,005	135,969
Others	61,297	14,849
	3,452,474	3,175,705
Total prepayments and other receivables	5,566,704	4,774,668
Less: Provision for impairment	(109,084)	(95,300)
Prepayments and other receivables – net	5,457,620	4,679,368
Less: Non-current portion (iv)	(1,506,761)	(1,209,361)
Current portion	3,950,859	3,470,007

14. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

(i) 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. As at 30 June 2015 and 31 December 2014, amounts of RMB339.52 million and RMB308.52 million, respectively, have been paid as prepayment.

(ii) As at 30 June 2015, in connection with the Build-Transfer contract, the Group provided financing amounted to RMB2.47 billion to the owner or its contractors to support their construction projects, at an interest rate between 7.41% and 12%.

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

(iv) Other than the prepayments to property developers, the remaining non-current prepayments and other receivables mainly relate to financing providing to the proprietor or its contractors and the quality assurance.

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

Ageing analysis of other receivables is as follows:

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Within 1 year	**3,137,626**	2,406,733
Between 1 and 2 years	**164,497**	621,797
Between 2 and 3 years	**43,220**	41,804
Between 3 and 4 years	**35,720**	31,424
Between 4 and 5 years	**11,101**	13,261
Over 5 years	**60,310**	60,686
Other receivables – gross	**3,452,474**	3,175,705
Less: Provision for impairment	**(109,084)**	(95,300)
Other receivables – net	**3,343,390**	3,080,405

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

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Contract cost incurred plus recognised profit less recognised losses	69,094,342	61,782,356
Less: Progress billings	(64,667,105)	(55,107,394)
Contract work-in-progress	4,427,237	6,674,962
Representing:		
Amounts due from customers for contract work	5,029,689	6,978,035
Less: Provision	(13,695)	(35)
Net amounts due from customers for contract work	5,015,994	6,978,000
Amounts due to customers for contract work	(588,757)	(303,038)
	4,427,237	6,674,962

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Contract revenue recognised as revenue for the six months period	4,665,884	5,042,354

16. SHARE CAPITAL

	At 30 June 2015 (unaudited)	At 31 December 2014 (audited)
Number of shares	**2,663,160,000**	2,663,160,000
Share capital (RMB'000)	**2,663,160**	2,663,160

17. CASH-SETTLED SHARE-BASED PAYMENT

The Group had adopted a cash-settled shared-based payment arrangement, also known as Share Appreciation Rights (the "SAR") scheme (the "Scheme"), which was approved by the first extraordinary general meeting on 10 October 2013. The Scheme provides for the grant of the SAR to eligible participants as approved by the Company's Board of Directors. The validity of the plan is ten years.

Under the plan, the holders of the SAR are entitled the rights to receive an amount in respect of the appreciation in market value of the Company's H shares from the date of grant of the SAR to the date of exercise. No shares will be issued under the Scheme and therefore the Company's equity interest will not be diluted as a result of the SAR.

The total amount of the SAR granted under the Scheme shall not exceed 10% of the total share capital of the Company, and the SAR granted to any eligible participant pursuant to any share incentive scheme with full affected, in aggregate, shall not exceed 1% of the total issued share capital. During the exercise period of each batch, only if the return on equity, sales growth rate and profit growth rate all meet or exceeds the target rate, the batch of SAR could be exercised, otherwise it is forfeited. Up to 30 June 2015, the first batch of SAR which is 33% of total granted SAR has been forfeited due to the target rate was not met.

17. CASH-SETTLED SHARE-BASED PAYMENT (Continued)

The Board of the Directors of the Company granted approximately 21,326,365 of the SAR of the Company on 24 October 2014. The expiry date of the SAR is 23 October 2020. Movements in the number of the SAR granted by the Company during the period ended 30 June 2015 and year ended 31 December 2014 are set out as follows:

		For the period ended 30 June 2015 Number of units of SAR					
Category	**Exercised price**	**Outstanding as at 1 January 2015**	**Granted during the period**	**Exercised during the period**	**Expired during the period**	**Forfeited during the period**	**Outstanding as at 30 June 2015**
Directors and senior management	**HKD2.83**	**2,206,666**	**–**	**–**	**–**	**(1,842,546)**	**364,120**
Management officers and key employees	**HKD2.83**	**17,289,269**	**–**	**–**	**–**	**(6,156,480)**	**11,132,789**
		19,495,935	**–**	**–**	**–**	**(7,999,026)**	**11,496,909**

		For the year ended 31 December 2014 Number of units of SAR					
Category	Exercised price	Outstanding as at 1 January 2014	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding as at 31 December 2014
Directors and senior management	HKD2.83	3,428,418	–	–	–	(1,221,752)	2,206,666
Management officers and key employees	HKD2.83	17,897,947	–	–	–	(608,678)	17,289,269
		21,326,365	–	–	–	(1,830,430)	19,495,935

The Company engaged Tower Watson Consulting (Shenzhen) Company limited to assess the fair value of the SAR. The fair value of the SAR as at 30 June 2015 and 31 December 2014 was determined using the binomial valuation model amounting to RMB1.0998 per unit and RMB0.6638 per unit, respectively. The significant inputs into the model were spot price HKD3.10 (equivalent approximately RMB2.4447) as at 30 June 2015, vesting period, volatility of underlying stock, risk-free interest rate, employee turnover rate, dividend yield and early exercise factor. The expected volatility of 50% per year is estimated based on the historical volatility of the 13 benchmarking companies that listed in HK main board and engaged in construction and engineering with the same business scale as of 30 June 2015.

17. CASH-SETTLED SHARE-BASED PAYMENT (Continued)

The amount that was credited to the unaudited interim condensed consolidated statement of comprehensive income and included in the employee expense for the six months ended 30 June 2015 in relation to the SAR transaction was RMB3.40 million.

As at 30 June 2015 and 31 December 2014, the total carrying amount of the liabilities arising from the SAR transaction included in other payables in the consolidated balance sheet amounting to RMB6.23 million and RMB2.83 million, respectively. There was no exercise in six months period ended 30 June 2015.

As at 30 June 2015, the weighted average remaining contractual life was 4.52 years.

18. RETIREMENT AND OTHER SUPPLEMENTAL BENEFIT OBLIGATIONS

(a) State-managed retirement plan

The Chinese employees of the Group participate in employee social security plans organised and administrated by the PRC government authority. The PRC companies are required to contribute from 20% to 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 2015 and 2014 are as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Contributions to state-managed retirement plans	**68,927**	73,778

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 2015	At 31 December 2014
	RMB'000	RMB'000
	(unaudited)	(audited)
Amounts due to state-managed retirement plans included in trade and other payables	**3,691**	4,658

18. 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 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Current portion of defined benefits obligations	133,094	128,118
Non-current portion of defined benefits obligations	1,019,001	1,031,573
Present value of defined benefits obligations	1,152,095	1,159,691

The movements of the Group's early retirement and supplemental benefit obligations for the six-month period ended 30 June 2015 and 2014 are as follows:

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
At beginning of period	1,159,691	1,237,200
For the period		
– interest cost	20,550	26,533
– payment	(51,631)	(45,822)
– actuarial losses	844	56,928
– past service cost	22,496	3,188
– current service cost	145	233
At end of period	1,152,095	1,278,260

18. RETIREMENT AND OTHER SUPPLEMENTAL BENEFIT OBLIGATIONS (Continued)

(b) Early retirement and supplemental benefit obligations (continued)

The above obligations were determined based on actuarial valuations performed by an independent qualified actuarial firm, Towers Watson Consulting (Shenzhen) Company Limited, using the projected unit credit actuarial cost method.

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

(i) Discount rates adopted (per annum):

	At 30 June 2015	At 31 December 2014
Discount rate	**3.75%**	3.75%

(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.

19. BORROWINGS

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Bank borrowings		
– guaranteed by the Company to its subsidiaries	843,840	580,000
– secured by property, plant and equipment (i)	22,000	22,000
– secured by trade receivables and certificates of deposits (ii)	127,316	50,000
– unsecured	4,156,820	4,269,641
Short-term bonds (iii)		
– unsecured	2,029,254	2,537,049
Borrowings from related party		
– unsecured (iv)	1,032,000	1,083,039
	8,211,230	8,541,729
Less: non-current portion	(1,172,256)	(1,164,492)
Current portion	7,038,974	7,377,237

(i) As of 30 June 2015, the Group secured certain house property with net book value amounting to RMB12 million and land use rights with net book value amounting to RMB6 million for borrowings amounting to RMB22 million (Note 11).

(ii) As of 30 June 2015, the Group pledged trade receivables amounting to RMB140 million and US dollar certificates of deposit amounting to RMB87.317 million for borrowing amounting to RMB140 million and RMB87.317 million, respectively (Note 13(iii)).

(iii) Short-term bonds

The Company has issued the 2015-first tranche and 2015-second tranche of non-public debt financing instruments on 10 February 2015 and 21 May 2015 with issuance amounts of RMB1,500 million and RMB500 million respectively and with maturity period of 180 days. The unit par value is RMB100 with an interest rate of 5.05% per annum.

19. BORROWINGS (Continued)

(iii) Short-term bonds (continued)

Outstanding bonds as at 30 June 2015 are summarised as follows:

	Face value (RMB'000)/ maturity	Effective interest rate	30 June 2015 (RMB'000)
2015 first tranche short-term bonds	1,500,000/2015	5.05%	1,526,727
2015 second tranche short-term bonds	500,000/2015	5.05%	502,527
			2,029,254

(iv) On 24 August 2012, the Group and Chinalco Finance Company Limited ("Chinalco Finance") entered into a financial service agreement, pursuant to which Chinalco Finance has agreed to provide the Group with deposit services, settlement services, credit lending services and miscellaneous financial services. The credit lending services are on normal commercial terms and do not require security or collaterals.

During the six months period ended 30 June 2015, the Group borrowed RMB370 million from Chinalco Finance and repaid 360 million.

During the six months period ended 30 June 2015, the Group repaid RMB70 million to Luoyang Institute.

During the six months period ended 30 June 2015, the Group repaid the interest amounting to RMB1.039 million to Guiyang Aluminum Magnesium Asset Management Ltd. (貴陽鋁鎂資產管理有限公司) and then borrowed 10 million from it.

As at 30 June 2015 and 31 December 2014, the Group's borrowings were repayable as follows:

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Within 1 year	7,038,974	7,377,237
Between 1 and 2 years	1,124,256	318,039
Between 2 and 5 years	48,000	846,453
	8,211,230	8,541,729

19. BORROWINGS (Continued)

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

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
RMB	6,776,598	6,777,328
USD (RMB equivalent)	1,434,632	1,764,401
	8,211,230	8,541,729

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

The effective interest rates of borrowings and loans are 1.34% to 9.84% and 2.93% to 9.00% as at 30 June 2015 and 31 December 2014, respectively.

The Group has the following undrawn borrowing facilities:

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
– Expiring within one year	10,750,933	9,750,775
– Expiring beyond one year	1,848,909	2,377,760
	12,599,842	12,128,535

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

20. TRADE AND OTHER PAYABLES

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Trade and notes payable		
Trade payables	8,391,260	8,564,957
Notes payable	1,126,796	773,928
	9,518,056	9,338,885
Other payables		
Payment in advance received from Duyun (i)	441,731	441,731
Provision for potential claim (ii)	364	40,364
Advances from customers	2,193,672	2,793,060
Staff welfare payable	124,943	113,558
Tax payable	262,649	340,114
Deposit payable	447,908	495,588
Amounts paid by other parties on behalf of the Group	337,307	305,124
Amounts due to related parties	77,216	85,645
Others	226,970	107,819
	4,112,760	4,723,003
Total trade and other payables	13,630,816	14,061,888
Less: Non-current portion	(364)	(73,986)
Current portion	13,630,452	13,987,902

Notes:

(i) 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, the Group received advance from Duyun Company amounted to RMB442 million as 30 June 2015. The Group requested for payment in advance in accordance with the financial risk management policy to better manage the credit risk. This effective annual interest rate of the advance repayment approximately 4.12% and the advance repayment will be repaid between 2014 to 2016.

20. TRADE AND OTHER PAYABLES (Continued)

Notes: (Continued)

(ii) The Company signed a contract with one proprietor, for the design conversion of the main parts, procurement and construction of a project in Sichuan Province, the PRC. On 16 September 2011, the Company completed the whole project and transferred it to the proprietor. All of the progress billing has been completed between the Company and the proprietor by the end of 2012.

On 7 May 2014, the Company applied for arbitration for the payment of remaining receivables amounting to RMB160 million; and on 25 July 2014, the proprietor applied for a cross-claim for the quality defect and delay delivery amounting to RMB208 million, so RMB40 million of provision was made. The Company and the proprietor has reached an agreement under the mediation by arbitration institute, under which the proprietor was required to pay RMB131 million in 2015.

The carrying amounts of the Group's trade and other payables at 30 June 2015 and 31 December 2014 approximate their fair values.

Ageing analysis of trade payables is as follows:

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Within 1 year	**5,824,899**	5,893,027
Between 1 and 2 years	**1,305,294**	1,797,147
Between 2 and 3 years	**886,838**	497,590
Over 3 years	**374,229**	377,193
	8,391,260	8,564,957

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

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
RMB	**12,941,732**	11,937,343
USD (RMB equivalent)	**547,896**	1,977,847
Other foreign currencies (RMB equivalent)	**141,188**	146,698
	13,630,816	14,061,888

21. DIVIDENDS PAYABLE

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Dividends payable:		
Equity owners of the subsidiaries before transferred to the Group pursuant to the acquisition in 2013	2,542	2,542
Equity owners of the subsidiaries before transferred to the Group pursuant to the reorganisation before Listing (ii)	53,080	53,080
Dividends declared to the shareholders (i)	266,316	–
Dividends payable to non-controlling interest of a subsidiary	1,961	1,961
	323,899	57,583

(i) Pursuant to the Annual General Meeting held on 9 June 2015, a final dividend for the year of 2014 of RMB0.1 per ordinary share, totalling approximately RMB266,316,000 was declared by the Company. Dividends have not yet to be paid by the date of this reporting.

(ii) The payment plan of the dividends payable to the then equity shareholder of the subsidiary before transfer to the Group pursuant to the Reorganisation (Note 1.2), amounting to RMB53.08 million has not yet to be agreed between the subsidiary and the then shareholder as at 30 June 2015.

22. SENIOR PERPETUAL SECURITIES

On 22 February 2014, the Group's wholly owned subsidiary Chalieco Hong Kong Corporation Limited (the "Issuer") issued senior perpetual capital securities (the "Senior Perpetual Securities"), with a total amount of USD300 million. The Group has the right to redeem the Senior Perpetual Securities in and after 2017. The initial distribution rate of the Senior Perpetual Securities is 6.875% per annum semi-annually.

The distribution rate will be reset each day falling every 3 calendar years after 28 February 2017; and the relevant reset distribution rate will be the sum of (a) the initial spread of 6.152%; (b) the treasure rate of US Dollar and (c) a margin of 5% per annum. The Group may, at its sole discretion, elect to defer any scheduled distribution on the Senior Perpetual Securities. According to the terms of Senior Perpetual Securities, the Issuer has no right to defer distribution if the Company announced or distributed dividends during the 3-month period ended on the day before the contractual scheduled Distribution Payment Date.

Pursuant to the terms of Senior Perpetual Securities, the Group has no contractual obligation to repay its principal or to pay any distribution. The Senior Perpetual Securities do not meet the definition as financial liabilities according to the IAS 32 Financial Instruments, and are classified as non-controlling interests and subsequent distribution declared will be treated as profit distribution to equity owners.

22. SENIOR PERPETUAL SECURITIES (Continued)

The Issuer paid the semi-annual dividend of USD10.3125 million for the half year on 21 August 2014; and paid the semi-annual dividend of USD10.3125 million for the half year ended on 22 February 2015.

The Senior Perpetual Securities, with an aggregation of principal amount of USD300 million, plus profit belonged to holders of the Senior Perpetual Securities and deducted by the dividend for the year ended 22 February 2015 and the issuance costs, are recorded as minority interests amounted at RMB1,857 million.

23. 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 are as follows:

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Contracted but not provided for		
– Property, plant and equipment	76,935	151,754
Authorised but not contracted for		
– Property, plant and equipment	32,500	8,800
	109,435	160,554

23. 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 follows:

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Within 1 year	3,991	4,216
1 year to 5 years	5,306	2,258
	9,297	6,474

24. CONTINGENCIES

(a) Unsolved lawsuits

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.

(b) Obligation of paying the outstanding balance

The Company is required to take the responsibility of the paying the outstanding balance of the principle and the relevant expected earnings of Harvest Capital once Shanghai Fengtong Fund fails to make the payment in accordance with the terms of the relevant contacts.The Directors of the Company reviewed all of the relevant contacts and information, and assessed that the fair value of this obligation at the date of inception was not material, as the repayment made by Shanghai Fengtong Fund was on schedule and the risk of default is remote. Therefor no provision was made for this guarantee.

24. CONTINGENCIES (Continued)

(c) Obligation of delay in delivery of constructing project

Due to the delay in delivery and certain specification difference in one of the overseas projects, the Company is negotiating the final settlement with the proprietor. According to the contract, the maximum amount of compensation for delay is 10% of the contract value, approximately amounted to RMB300 million. With a cautious estimation, a provision of RMB15 million was made for the specification difference, and no provision was made for the delayed delivery, as management has considered it is not the fault of the Company and the possibility of the claim is relatively low.

25. 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 2015 and 2014, and balances as at 30 June 2015 and 31 December 2014 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.

25. 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	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of goods or provision of service to:		
– Ultimate holding company	**–**	5,880
– Fellow subsidiaries of ultimate holding company	**503,980**	608,769
– A jointly controlled entity of ultimate holding company	**–**	7,186
	503,980	621,835
Purchases of goods and service from fellow subsidiaries	**94,022**	12,546
Rental expense	**1,638**	3,482
Borrowings from related parties (Note 19(iv))	**10,000**	70,000
Borrowings from Chinalco Finance (Note 19(iv))	**370,000**	–
Interest received from related parties	**760**	43
Interest paid to related parties	**33,362**	10,399

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

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.

25. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Period/year end balances arising from Chinalco and its subsidiaries and jointly controlled entity and joint venture of the Group

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Trade receivables		
– Fellow subsidiaries	1,437,881	1,817,515
– Associates of ultimate holding company	4,084	4,277
– A jointly controlled entity of ultimate holding company	–	6,028
	1,441,965	1,827,820
Prepayments to suppliers		
– Fellow subsidiaries	5,409	1,077
Other receivables		
– Fellow subsidiaries	55,844	42,797
Trade payables		
– Fellow subsidiaries	96,093	105,658
Other payables		
– Ultimate holding company	298	–
– Fellow subsidiaries	76,918	85,645
	77,216	85,645
Borrowings		
– Fellow subsidiaries (Note 19(iv))	832,000	883,039
– Joint venture	200,000	200,000
	1,032,000	1,083,039
Dividends payable		
– Ultimate holding company	217,687	–
– Fellow subsidiaries	53,080	53,080
	270,767	53,080

25. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Period/year end balances arising from Chinalco and its subsidiaries and jointly controlled entity and joint venture of the Group (continued)

Notes:

(i) Trade receivables, prepayments and other receivables due from ultimate holding company, subsidiaries, associates, 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.

(c) 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	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Salaries and other allowances	**909**	1,014
Discretionary bonus	**–**	–
Retired benefits	**201**	113
	1,110	1,127

26. EVENTS AFTER THE BALANCE SHEET DATE

Other than the subsequent events disclosed below and elsewhere in the unaudited interim condensed consolidated financial information, no other significant subsequent events took place subsequent to 30 June 2015:

On 24 July 2015, the Company has issued the tranche of 2015 medium term notes financing instruments with issuance amounts of RMB200 million with a maturity period of 3+N years. The unit face value is RMB100 with an interest rate of 5.15% per annum.

On 24 July 2015, the Company has issued the third tranche of 2015 non-public placement debt financing instruments with issuance amounts of RMB800 million with a maturity period of 366 days. The unit face value is RMB100 with an interest rate of 4.7% per annum.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group has always been committed to enhancing corporate governance standard and regards corporate governance as an indispensable part in creating values for Shareholders. The Group 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 supervisory board and senior management with reference to the code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules. The Company has also adopted the Corporate Governance Code as its own corporate governance practices.

As a company listed on the Stock Exchange of Hong Kong Limited, the Group has been striving to maintain a high standard of corporate governance. For the six months ended 30 June 2015, the Group had complied with all the code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules, and adopted the suggested best practices therein where appropriate.

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

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "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 and supervisors in the securities of the Company. Having made specific enquiries to the Directors and supervisors of the Company, all Directors and supervisors have confirmed that they had strictly complied with the required standard set out in the Model Code during the reporting period. The Company has also set up guidelines in respect of the dealings by its relevant employees (as defined in the Listing Rules) in the Company's securities, which are on no less exacting terms than the Model Code. The Company is not aware of any breach of the guidelines by its relevant employees.

The Board will examine the corporate governance practices and operations of the Group 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 Group 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 has appointed a total of three independent non-executive Directors, being Mr. Sun Chuanyao, Mr. Cheung Hung Kwong and Mr. Fu Jun.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with the requirements of the Listing Rules. The primary responsibilities of the audit committee include communication with, and supervision and inspection of, external auditor on behalf of the Company, regulation of internal audit, evaluation on and improvement of the Company's internal control system and risk analysis on the significant investment projects under operation. In performing these duties, the committee is required to make recommendation to the Board on appointment or removal of external audit firms, review and monitor the external auditor's independence and objectivity and the effectiveness of the audit procedures in accordance with applicable standards, approve the remuneration and terms of engagement of the external auditor; supervise the internal auditing mechanism of the Company and its implementation and ensure that the internal audit function is funded by adequate internal resources of the Company, review and monitor the effectiveness of the internal audit; act as the bridge of communication between the internal audit personnel and the external auditor; audit financial information of the Company and its disclosure, examine the Company's accounting practices and policies; examine the Company's internal control system and express opinion and make suggestions for the improvement and perfection of the Company's internal control system; 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; express opinion and make suggestions on appraisal and replacement of the person in charge of the audit committee of the Company; review any letters issued by the external auditor to the management including any important queries raised by the auditor in respect of accounting records, financial statements or internal control systems and the management's response; determine 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 investigations and follow-up procedures for relevant issues; set up relevant procedures to deal with complaints within the scope of duties and conduct fair and independent investigations and take appropriate actions; and keep regular contact with the Board, senior management and the external auditor.

The audit committee consists of three Directors, being Mr. Cheung Hung Kwong (independent non-executive Director), Mr. Fu Jun (independent non-executive Director) and Mr. Zhang Zhankui (non-executive Director). Mr. Cheung Hung Kwong serves as the chairman of the audit committee.

On 24 August 2015, the audit committee reviewed and confirmed the announcement of interim results of the Group for the six months ended 30 June 2015, the 2015 interim report and unaudited interim condensed consolidated financial information for the 6 months ended 30 June 2015 prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

OTHER INFORMATION

1. EQUITY INTERESTS

As at 30 June 2015, the total share capital of the Company was RMB2,663,160,000, divided into 2,663,160,000 Shares of RMB1.00 each (Domestic Shares and H Shares).

2. SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, 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 and 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 shares	Capacity/Nature of interest	Number of Shares held (share)	Approximate percentage of shareholding in relevant class of shares (%)	Approximate percentage of shareholding in total share capital (%)
Chinalco[1]	Domestic Shares	Beneficial owner/Interest of controlled corporation	2,263,684,000 (L)	100.00	85.00
The Seventh Metallurgical Construction Corp. Ltd.	H Shares	Beneficial owner	69,096,000 (L)	17.30	2.60
CNMC Trade Company Limited	H Shares	Beneficial owner	59,225,000 (L)	14.83	2.22
Leading Gaining Investments Limited[2]	H Shares	Nominee of another person	29,612,000 (L)	7.41	1.11
China XD Group	H Shares	Beneficial owner	29,612,000 (L)	7.41	1.11
Yunnan Tin (Hong Kong) Yuan Xin Company Limited	H Shares	Beneficial owner	29,612,000 (L)	7.41	1.11
Global Cyberlinks Limited	H Shares	Beneficial owner	20,579,000 (L)	5.15	0.77

(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 under the Securities and Futures Ordinance.

(2) Leading Gaining Investments Limited is the nominee holder of Beijing Jundao Technology Development Co., Ltd.

3. INTERESTS HELD BY DIRECTORS AND CHIEF EXECUTIVES

As at the listing date of the Company, none of the Directors, supervisors and chief executives of the Company had any interest 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 Hong Kong Securities and Futures Ordinance "Securities and Futures Ordinance") which were required 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 the Securities and Futures Ordinance) or which were required, pursuant to section 352 of the Securities and Futures Ordinance, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to us and the Stock Exchange.

4. CHANGE OF DIRECTORS AND SUPERVISORS

On 15 April 2015, JIANG Jianxiang has resigned from his position as the independent non-executive Director of the Company, together with the member of the Risk Management Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee of the second session of the Board.

On 15 April 2015, the 6th meeting of the second session of the Board of the Company approved the recommendation of FU Jun as the candidate for non-executive Director of the Company.

On 20 May 2015, WANG Qiang has resigned from his position as the non-executive Director of the Company, together with the member of the Remuneration Committee of the second session of the Board.

On 22 May 2015, WANG Jun's position was changed from an executive Director of the Company to a non-executive Director of the Company.

On 22 May 2015, the 8th meeting of the second session of the Board of the Company approved the recommendation of ZHANG Jian as the candidate for executive Director of the Company.

On 9 June 2015, the 2014 annual general meeting of the Company approved the election of FU Jun as independent non-executive Director of the Company and ZHANG Jian as executive Director of the Company.

On 18 June 2015, the 9th meeting of the second session of the Board of the Company proposed to establish the Strategy Committee and appointed ZHANG Chengzhong, HE Zhihui and SUN Chuanyao to be the members of the Strategy Committee and appointed ZHANG Chengzhong to be the chairman of the Strategy Committee. The establishment of the Strategy Committee and the appointment of the members will become effective on the date of the completion of the issue of A shares.

On 18 June 2015, the 9th meeting of the second session of the Board of the Company approved the election of WANG Jun as the member of the Remuneration Committee of the second session of the Board, and appointed FU Jun as the member of Risk Management Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee of the second session of the Board.

5. PURCHASE, SALE OR REDEMPTION OF THE LISTING SECURITIES OF THE COMPANY

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

6. LITIGATION AND ARBITRATION OF MATERIAL IMPORTANCE

Save as disclosed above, 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 was 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 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 Group 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), a joint stock limited company incorporated in the PRC
"Changcheng Construction"	China Aluminum Great Wall Construction Co., Ltd. (中鋁長城建設有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of our Company
"Changkan Institute"	China Nonferrous Metal Changsha Investigation and Design Research Institute Co., Ltd. (中國有色金屬長沙勘察設計研究院有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of our Company
"Changsha Institute"	Changsha Engineering & Research Institute Limited for Nonferrous Metallurgy (長沙有色冶金設計研究院有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of our Company
"China Aluminum Equipment"	China Aluminum International Engineering Equipment Co., Ltd. (中鋁國際工程設備有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of our Company
"China Aluminum Technology"	China Aluminum International Technology Development Co., Ltd. (中鋁國際技術發展有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of our Company
"CNPT"	China Nonferrous Metals Processing Technology Co., Ltd. (中色科技股份有限公司), a joint stock limited company incorporated in the PRC and a subsidiary owned as to 73.5% by our Company, and (where the context requires) its subsidiaries
"Director(s)"	director(s) of the Company
"Domestic Shares"	ordinary shares of RMB1.00 each in the share capital which are subscribed for and fully paid in Renminbi
"Duyun Company"	Duyun Industrial Concentration Zone Capital Operation Co., Ltd. (都匀工業聚集區資本運營有限公司), an independent third party
"Duyun Tongda"	Duyun Development Zone Tongda Construction Co., Ltd. (都匀開發區通達建設有限公司), a company incorporated in the PRC with limited liability, the equity interest of which is held by our Company (as to 50%), Sixth Metallurgical Company (as to 30%) and GAMI (as to 20%)
"GAMI"	Guiyang Aluminum and Magnesium Design Institute Co., Ltd. (貴陽鋁鎂設計研究院有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of our Company, and (where the context requires) its subsidiaries
"Global Offering"	has the same meaning ascribed thereto in the Prospectus

"Group"	the Company and its subsidiaries from time to time
"H Shares"	the overseas listed foreign invested shares 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"	has the same meaning ascribed thereto in the section headed "Iran Contracts" of the Prospectus
"Latest Practicable Date"	25 August 2015
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Luoyang Institute"	Luoyang Engineering & Research Institute for Nonferrous Metals Processing (洛陽有色金屬加工設計研究院), an enterprise incorporated in the PRC owned by the whole people, one of our Promoters and Shareholders
"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 22 June 2012
"SAMI"	Shenyang Aluminum & Magnesium Engineering Research Institute Co., Ltd. (瀋陽鋁鎂設計研究院有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of our Company, and (where the context requires) its subsidiaries
"Sanctioned Countries"	countries which are the targets of economic sanctions imposed by the U.S. and other jurisdictions, including but not limited to Cuba, Sudan, North Korea, Iran, Syria and Myanmar
"Shareholder(s)"	holder(s) of our shares
"Sixth Metallurgical Company"	Sixth Metallurgical Construction Company of China Nonferrous Metals Industry (中國有色金屬工業第六冶金建設有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of our Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tianjin Construction"	Chalieco (Tianjin) Construction Co., Ltd.
"Twelfth Metallurgical Company"	China Nonferrous Metals Industry's 12th Metallurgical Construction Co., Ltd. (中色十二冶金建設有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of our Company
"Wenzhou Tonggang"	Wenzhou Tonggang Construction Co., Ltd
"Wenzhou Tongrun"	Wenzhou Tongrun Construction Co., Ltd.

CORPORATE INFORMATION

CORPORATE LEGAL PERSON

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, Haidian District, Beijing, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 4501, Far East Finance Centre, No.16 Harcourt Road, Admiralty, Hong Kong

COMPANY'S WEBSITE

www.chalieco.com.cn

STOCK CODE

2068

THE MEMBERS OF THE BOARD

Non-executive Directors
Mr. Zhang Chengzhong
Mr. Zhang Zhankui
Mr. Wang Jun

Executive Directors
Mr. He Zhihui
Mr. Zhang Jian

Independent Non-executive Directors
Mr. Sun Chuanyao
Mr. Cheung Hung Kwong
Mr. Fu Jun

THE COMMITTEES OF THE BOARD

Audit Committee

Mr. Cheung Hung Kwong (Chairman)
Mr. Fu Jun
Mr. Zhang Zhankui

Remuneration Committee

Mr. Sun Chuanyao (Chairman)
Mr. Fu Jun
Mr. Wang Jun

Nomination Committee

Mr. Zhang Chengzhong (Chairman)
Mr. Sun Chuanyao
Mr. Fu Jun

Risk Management Committee

Mr. Zhang Chengzhong (Chairman)
Mr. Fu Jun
Mr. He Zhihui

SUPERVISORS

Mr. He Bincong
Mr. Dong Hai
Mr. Ou Xiaowu

JOINT COMPANY SECRETARY

Mr. Wang Jun
Mr. Zhai Feng

AUTHORIZED REPRESENTATIVES

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

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

AUDITOR

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

LEGAL ADVISORS

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
Fuxingmennei Avenue
Beijing
PRC

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716,
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

China Construction Bank Corporation
Beijing Jin'an Sub-branch
Wu No. 12, Fuxing Road, Haidian District, Beijing
PRC

Bank of China Limited
Beijing Finance Street Sub-branch
2nd Floor, Investment Square
No. 27, Finance Street
Xicheng District
Beijing
PRC

Bank of Communication Co., Ltd.
Beijing Branch
1st Floor, Tongtai Building
No. 33, Finance Street
Xicheng District
Beijing
PRC